



REPORT ON THE PROPOSAL TO REDUCE THE SOCIAL CAPITAL THROUGH THE REDEMPTION OF ITS OWN SHARES

Madrid, 26 February 2019

A REPORT BY THE BOARD OF DIRECTORS OF ACERINOX, S.A. PURSUANT TO ARTICLES 286 AND 318 OF THE CAPITAL COMPANIES ACT ON THE PROPOSAL TO REDUCE THE SHARE CAPITAL THROUGH THE REDEMPTION OF ITS OWN SHARES, INCLUDED IN ITEM SEVENTH ON THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING, CONVENED ON 10 AND 11 APRIL 2019 FOR THE FIRST AND SECOND NOTICE, RESPECTIVELY.

1. Wording of item “SEVENTH” of the agenda:

“Approval, where appropriate, reduction in share capital through the redemption of up to 5,521,350 of its own shares (from the First Share Repurchase Programme) excluding the right of opposition from creditors, and consequent amendment of Article 5 of the Articles of Association.”

2. Purpose of the Report

Based on Articles 286 and 318 of the Capital Companies Act, the Board of Directors must prepare a report justifying the proposal submitted at the General Shareholders' Meeting, given that a capital reduction mandatorily requires the amendment of article 5 of the articles of association in which the share capital is established.

3. Rationale for the proposal

According to Article 144 et seq. of the revised text of the Companies Act Capital, Spanish corporations are permitted to have in their portfolio, either directly or through its subsidiaries, shares issued by the company itself, provided that it complies with the requirements set out in the said text.

At the General Shareholders' Meeting held on 10 June 2014, the Board of Directors was authorised to carry out the derivative acquisition of its own shares up to a maximum of 10% of the share capital.

Based on the aforementioned resolution of the General Meeting in 2014, the meeting of the Board of Directors held on 20 December 2018, approved a First Share Repurchase Programme with a maximum period running from 21 December 2018 to 20 March 2019, in which the maximum number of shares to be acquired may not exceed 5,521,350 shares, equivalent to 2% of the share capital. The Board of Directors believes that the most advantageous decision for shareholders is to redeem the shares which were acquired and currently held as treasury shares in order to increase the net asset value per share of the remaining shares, as well as the EPS.

The market was informed of this First Share Repurchase Programme by the publishing of a significant event in the National Securities Market Commission (hereinafter, CNMV in its Spanish initials) and on the Company's website on 20 December 2018, which explained that it is the intention of the Board of Directors to achieve, by approving successive share repurchase programmes, an increase to the EPS by reducing the number of shares issued in the four years (2013-2016) in which the dividend was paid through a flexible or "scrip dividend".

Consequently, the Acerinox, S.A. Board of Directors proposes to the General Shareholders' Meeting to reduce Acerinox, S.A.'s share capital through the redemption of treasury shares acquired through the First Share Repurchase Programme to contribute to increasing the shareholders' remuneration.

4. Terms and conditions of the proposal

The First Share Repurchase Programme is expected to conclude on 20 March 2019 with the acquisition of **5,521,350** treasury shares authorised by the Board of Directors for their subsequent redemption and the said number of shares whose redemption is requested together with the equivalent capital reduction at the General Shareholders' Meeting convened on 10 and 11 April 2019. However, if for any reason not attributable to its will, Acerinox, S.A. should fail to acquire the figure of **5,521,350** shares, the amount of the capital reduction to be redeemed and which shall be requested at the General Shareholders' Meeting, shall correspond with the number of shares that have been acquired up until 20 March 2019.

As at the date of preparation of this report by the Board of Directors a total of approximately **4,000,000** shares have been acquired.

The day following the closing date of that First Share Repurchase Programme, i.e. on 21 March 2019, Acerinox, S.A. will communicate this to the CNMV through a Significant Event and will publish the exact number of shares acquired for redemption through the General Shareholders' Meeting on its website.

5. Proposed agreement

- A) To reduce Acerinox, S.A.'s share capital, by the amount of up to **€1,380,337.50** through the redemption of up to **5,521,350** of its own **shares** contained in treasury shares. These shares were previously acquired based on the authorisation by the General Shareholders' Meeting held on 10 June 2014 which authorised the Board, within the limits laid down in Articles 144 et seq. and Article 509 of the Capital Companies Act and within the First

Share Repurchase Programme approved by the Acerinox, S.A. Board of Directors held on 20 December 2018 and published as a Significant Event with the CNMV and on the Acerinox, S.A. website on 20 December 2018.

The capital reduction is carried out under the Voluntary Reserve, cancelling out, with the corresponding amount, the withheld reserve, referred to in Article 148.c of the Capital Companies Act, and proceeding to making an allocation of a capital reserve to be redeemed totalling €1,380,337.50 (an amount equal to the nominal value of the redeemed shares), which can only be made available under the same requirements for capital reduction, pursuant to the provisions set forth in Article 335 c) of the Capital Companies Act. As a result, and pursuant to this provision, the creditors of the Company shall not have the right to object to the agreed capital reduction which is referred to in Article 334 of the Capital Companies Act.

The purpose of the capital reduction through the redemption of treasury shares is to increase the value of the Shareholder's shares in the Company.

This capital reduction through the redemption of treasury shares will take place during a maximum period of one month from the approval of this agreement.

The capital reduction does not involve returning contributions since the Company itself is the owner of the redeemed shares.

As a result, Article 5 of the Articles of Association shall read as follows:

Article 5. Capital

"Share capital is set at the amount of **€67,636,548.25** (or the resulting amount after the aforementioned actions have taken place) and is represented by **270,546,193 ordinary shares** (or the resulting amount after the aforementioned actions have taken place) having a value of twenty-five cents (€0.25) each, numbered consecutively from ONE to TWO HUNDRED AND SEVENTY MILLION FIVE HUNDRED AND FORTY-SIX THOUSAND ONE HUNDRED AND NINETY-THREE, inclusive (or the resulting number after the aforementioned actions have taken place).

The shares are fully subscribed and paid up".

- B) To authorise the Board of Directors so that, within one month of the approval of this agreement, it may determine those points which have not been expressly stipulated or that arise as a result of the agreement, and adopt the resolutions, take the actions, and provide the necessary or appropriate public or private documents to carry out the full implementation of this agreement, including, without limitation, the publication of notices that are legally required and carrying out the necessary requests and notifications to exclude the share price of the repurchased shares, such powers may be delegated by the Board of Directors to any other person who the Board of Directors expressly authorises for that purpose.

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