

**BOARD OF DIRECTORS' REPORT ON THE PROPOSED DELEGATION TO THE
BOARD OF DIRECTORS OF THE POWER TO ISSUE DEBENTURES OR FIXED-
INCOME SECURITIES OF A SIMILAR NATURE THAT MAY BE CONVERTED INTO
SHARES**

Madrid, February 8, 2023

I. BACKGROUND AND JUSTIFICATION FOR THE PROPOSAL

On March 9, 2023, the delegation granted by the Annual General Meeting to the Board of Directors on March 9, 2018, for a five-year period in order to issue bonds or debentures that may be converted into newly issued shares, or exchanged for outstanding shares in the Company, as well as warrants or other instruments that, directly or indirectly, may give entitlement to the subscription or acquisition of shares in the Company, either newly issued or already outstanding, will expire.

It is considered appropriate for the Board to renew this delegation so that the Board of Directors has the aforementioned powers to go to the capital market and obtain financing by issuing fixed-income securities in the most agile and effective way possible, to the extent that this resource acquisition formula is considered appropriate, weighing the market circumstances, the strategic objectives of the Company and its financing needs.

In this context, it is considered appropriate for the Board of Directors to have the necessary capacity to adopt the decisions it deems most appropriate for the corporate interest, as well as to execute them flexibly and adapt to the formal requirements and deadlines imposed by the financial markets.

The proposed delegation would attribute to the Board of Directors, under the provisions of Articles 401 to 433, 510 and 511 of the Recast Text of the Companies Act, and Articles 310 and following of the Commercial Registry Regulations, the power to issue convertible and/or exchangeable fixed-income securities, as well as warrants or other instruments that may give entitlement to the subscription or acquisition of shares of the Company, whether newly issued or outstanding (hereinafter the "Securities"), with the possibility to exclude preemptive subscription rights when justified by the Company's interest.

The resolution submitted for approval by the Annual General Meeting establishes the quantitative limit for the issuing of any Securities under the authorization of the Annual General Meeting, which shall be two billion euros (2,000,000,000 euros) or its equivalent in another currency. The period during which the Board of Directors may use the authorization, on one or more occasions, is limited to five years. Likewise, the resolution submitted to the Annual General Meeting for approval contains the basis and methods of the conversion and/or exchange of debentures or bonds into shares as well as of the exercise of warrants. However, in the event that the Board of Directors agrees to make use of the authorization of the Annual General Meeting, the development and specification of the basis and methods of each issuing is delegated to the Board of Directors itself.



Furthermore, the proposed resolution also includes authorization for the Board of Directors to exclude the preemptive subscription rights of shareholders and holders of Securities when necessary or appropriate for the acquisition of financial resources in national and international markets or if required by the Company's interest. In any case, pursuant to the provisions of Article 511 of the Recast Text of the Companies Act, this power shall be limited to capital increases carried out under this authorization and that which is the subject of item 4 of the agenda of this Annual General Meeting, up to the maximum amount corresponding, as a whole, to 20% of the Company's current share capital, i.e., up to the maximum nominal amount of 61,591,065.46 euros.

The Board of Directors considers that the power to exclude preemptive subscription rights, complementing the power to issue Securities, can be justified by the aforementioned reasons.

If the Board of Directors decides to make use of the power to exclude preemptive subscription rights in relation to a specific capital increase that may be agreed under the authorization granted by the Annual General Meeting, upon approving the issuing, and in accordance with the provisions of Articles 510 and 511 of the Recast Text of the Companies Act, it shall issue a report detailing the specific reasons of corporate interest that justify this measure. It shall also specify the reasonableness of the financial terms of the issuing and the suitability of the conversion rate and its adjustment formulas to offset the potential dilution of the shareholders' ownership, which shall be the subject of the independent expert report referred to in Article 414 of the Recast Text of the Companies Act when deemed appropriate by the Company. The directors' explanatory report and, where appropriate, the independent expert report shall be made available to shareholders and submitted to the first Annual General Meeting to be held after the corresponding issuing resolution.

It is also expected that the Securities issued under this delegation may be admitted to trading in the appropriate secondary market, whether organized and official or otherwise.

In the event that the resolution proposed herein is adopted, the entirety of the powers attributed to the Board of Directors are granted with express powers of substitution, further contributing to the objective of making the proposed operations as agile as possible.

II. PROPOSED RESOLUTIONS

To delegate the necessary powers to the Board of Directors to issue bonds, debentures and other fixed-income securities that may be converted into shares (hereinafter the "Securities") under the following terms:

- The Securities may consist of bonds or debentures that may be converted into newly issued shares or swapped for outstanding shares in

the Company, as well as of warrants and other instruments that, directly or indirectly, may give entitlement to the subscription or acquisition of shares of the Company, whether newly issued or already outstanding.

- The Board of Directors shall have the broadest powers to issue the Securities and determine the characteristics and terms of each issuing, in particular, but not limited to, the following:
 - To determine the nominal value, type of issuing, premiums and exercise price as well as the currency of the issuing, form of representation, interest rate and amortization.
 - To establish anti-dilution and subordination clauses; to grant guarantees, of a real or personal nature, of the fulfillment of the obligations arising from the issuing; to contract the granting of guarantees with third parties.
 - To create a debenture holders' syndicate, to establish its internal regulations and to appoint a commissioner thereof; to establish that the issuer reserves the right to choose at any time whether the Securities are to be converted or exchanged through the delivery of newly issued shares, outstanding shares, or a combination of both.
 - To request the admission of Securities to trading in all types of markets, domestic or foreign, organized or not.
 - To exclude, in whole or in part, preferential subscription rights to the issuing of Securities agreed under this delegation under the terms of Article 511 of the Recast Text of the Companies Act. In this case, the maximum number of shares into which the Securities may be converted based on their initial conversion rate, plus the number of shares issued under the authorization envisaged in item 4 of the agenda, may not exceed 20% of the number of shares in the current share capital.
 - To increase the share capital by the amount necessary to meet demand for conversion and/or the exercise of subscription rights to the extent that the amount of these increases, together with the amount of the other increases agreed under the authorization envisaged in item 4 of the agenda, does not exceed half of the current share capital or, in the event that the issuing excludes preemptive subscription rights, 20% of the current share capital; and to amend the article of the corporate bylaws relating to the amount of the share capital.
- The following criteria shall apply for the purposes of determining the basis and methods of conversion or exchange: the conversion or exchange rate shall be fixed, the fixed-income Securities shall be valued at their face value, and the shares at a fixed exchange rate determined by the

Board of Directors, or at an exchange rate determined by the stock market value of the Company's shares on the date(s) or period(s) used as a reference and established in the same Board of Directors' resolution. In any case, the share price shall be no lower than the highest price between (i) the arithmetical average of the closing prices of the Company's shares in the continuous market during a period determined by the Board of Directors, which shall be no greater than three months or less than fifteen days prior to the date of the Board of Directors' meeting approving the issuing of the Securities, and (ii) the closing price of the shares in the same continuous market on the day prior to the date of the Board of Directors' meeting which, by making use of this authorization, approves the issuing of the Securities.

Within the limits established in the preceding paragraph, the Board of Directors shall have the broadest powers to develop and specify the basis and methods of conversion and exchange.

- Shares may be issued one or more times, at any time, within a maximum period of five years from the date of adoption of this resolution.
- The maximum total amount of the issuing of shares agreed under this delegation will be two billion euros (2,000,000,000 euros) or its equivalent in another currency.

The Board of Directors is also authorized, in accordance with the provisions of Article 249 bis of the Recast Text of the Companies Act, to delegate the powers referred to in this resolution to the Steering Committee, with express powers of substitution by each and every member of the Board of Directors.

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