(The attached External Auditor’s Report, Annual Accounts and Management Report for the fiscal year ended 31 December 2023, have been originally issued in Spanish. The English version is not considered official or regulated financial information. In the event of discrepancy, the Spanish-language version prevails.)

Acerinox, S.A.

Auditor´s report
Annual accounts at December 31, 2023
Management report

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the annual accounts

To the shareholders of Acerinox, S.A.

Report on the annual accounts

Opinion

We have audited the annual accounts of Acerinox, S.A. (the Company), which comprise the balance sheet as at 31 December 2023, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2023, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Recovery of investments in group and associated companies As detailed in note 2.3.b of the attached annual accounts, Management evaluates annually the existence of signs of impairment and determines the recoverable value of investments in group companies and associates. For the calculations of the recoverable value through value in use, the Company's Management uses cash flow projections based on financial budgets that require relevant judgments and estimates. In the cases of Bahru Stainless Sdn. Bhd. and Acerinox Europa, SA, the Company's Management has relied on an independent expert. The most significant assumptions used in the previously described model and the sensitivity analysis performed are summarized in note 9.2.6 of the attached report. As mentioned in note 9.2.6 of the attached report, in the case of Bahru Stainless Sdn. Bhd., for which it had recorded a valuation correction due to impairment as of December 31, 2022 of 676,293 thousand euros, has increased by 96,553 thousand euros. Likewise, in the case of Acerinox Europa, SA, a valuation correction has been recorded for impairment in the amount of 67,245 thousand euros and, in the case of Columbus Stainless Pty, Ltd, a valuation correction has been recorded for impairment in the amount of 22,200 thousand euros added to the 16,468 thousand euros that had already been previously recorded. Deviations in the variables and estimates of Management may determine important variations in the conclusions reached and, therefore, in the analysis of recovery of investments in group companies. This fact, together with the relevance of this financial statement line item and the impact on the income statement, drives it to be a key audit matter.	As a starting point for our procedures, we have understood the relevant processes and controls linked to the evaluation of impairments in investments in group companies by Management, including those linked to the preparation of budgets and the analysis and monitoring of the projections, which constitute the basis for the main judgments and estimates made by Management. In relation to the estimated cash flows, we have analyzed the methodology of the calculations carried out, we have compared the projected annual flows with those actually achieved in fiscal year 2023 and we have contrasted the key assumptions considered, with historical results, comparable available results, relevant factors of industry and other external sources. For this, we have relied on valuation experts from our firm. In addition, we have analyzed the future plans approved by the Board of Directors. Likewise, we have evaluated the competence, capacity, objectivity and conclusions of the independent expert hired by Management, as well as the adequacy of their work as audit evidence. Additionally, we have evaluated the reasonableness of the sensitivity analyzes broken down in the accompanying annual accounts. As a result of the analysis performed, we consider that the conclusions of the Company's Management regarding the estimates made and the impact on the profit and loss account, as well as the information revealed in the attached annual accounts, are adequately supported and consistent with the information currently available.

Key audit matters	How our audit addressed the key audit matters
Recognition of deferred tax assets	
As of December 31, 2023, the attached financial statements reflect an amount of 6.238 thousand euros of deferred tax assets, whose recovery depends on the generation of positive taxable income in future years (note 12 of the attached report). In addition, note 12 of the attached report shows a breakdown of the unrecognized tax credits of the tax group to which the company belongs. The recognition of these deferred tax assets is analyzed by the Company's management by estimating the taxable income for future years (note 12.3 of the attached report) based on the business plans of the different companies of the tax group, and on the planning possibilities allowed by the applicable tax legislation, considering the tax consolidation group to which the Company belongs (note 12.3.c. of the attached report). Consequently, the conclusion on the recognition of deferred tax assets disclosed in the attached annual accounts is subject to significant judgments and estimates by the Company's Management both with respect to future tax results and the applicable tax regulations. Given the relevance of the amount pending to be recognized, the significant judgments required and estimates necessary for the calculation of future tax bases, the recognition of deferred tax assets is a key matter of our audit.	In the first place, we have proceeded to understand and evaluate the criteria used by the Company's Management to estimate the possibilities of use and recovery of deferred tax assets in subsequent years, affected by the business plans. Based on the business plans prepared by Management, we have compared the projected annual flows with those actually achieved in fiscal year 2023 and we have contrasted the key assumptions, estimates and calculations made for their preparation, comparing them with historical performance, available comparable, relevant industry factors and other external sources. As part of the analysis, we have also evaluated the tax adjustments considered for the estimation of tax bases, the applicable tax regulations, as well as decisions regarding the possibilities of using the tax benefits corresponding to the tax consolidation group. The analysis performed have made it possible to verify that the calculations and estimates made by the Company's Management, as well as the conclusions reached, in relation to the recognition of deferred tax assets, are consistent with the current situation, with the expectations of future results of the tax group and with its tax planning possibilities available with current legislation.

Other information: Management report

Other information comprises only the management report for the 2023 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, have been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2023 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit commission for the annual accounts

The directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit commission is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor’s responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit commission with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the entity’s audit commission, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Acerinox, S.A. for the 2023 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

The directors of Acerinox, S.A. are responsible for presenting the annual financial report for the 2023 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the management report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been effected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit commission

The opinion expressed in this report is consistent with the content of our additional report to the audit commission of the Company dated 28 February 2024.

Appointment period

The General Ordinary Shareholders' Meeting held on 23 May 2023 appointed us as auditors for a period of one year, for the year ended 31 December 2023.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of tres years and we have audited the accounts continuously since the year ended 31 December 2017.

Services provided

Services provided to the audited entity for services other than the audit of the accounts are disclosed in note 16.3 to the annual accounts.

In relation to the services provided to the subsidiary companies of the Company for services other than the audit of the accounts, refer to the audit report dated 29 February 2024 on the consolidated annual accounts of Acerinox, S.A. and its subsidiary companies, where these subsidiary companies have been consolidated.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by

Jon Toledano Irigoyen (20518)

29 February 2024

ACERINOX, S.A.

Annual Accounts
for the year ended 31 December 2023

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Note 2). In the event of a discrepancy, the Spanish-language version prevails.

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FINANCIAL STATEMENTS

NOTES

ANNUAL ACCOUNTS OF ACERINOX, S.A.

1. BALANCE SHEET OF ACERINOX, S.A.

(Amounts in thousands of euros at 31 December 2023 and 2022)

		Note	2023	2022
	ASSETS			
A) NON-CURRENT ASSETS			**1,725,225**	**1,996,074**
I.	**Intangible assets.**	5	**1,271**	**692**
	1. Computer software		186	239
	2. Advances on fixed assets		1,085	453
II.	**Property, plant and equipment.**	6	**8,499**	**8,332**
	1. Land and buildings.		7,593	7,206
	2. Technical installations and other property, plant and equipment.		906	1,126
III.	**Investment property.**	7	**1,937**	**1,984**
	1. Land.		1,231	1,231
	2. Buildings.		706	753
IV.	**Long term investments in Group companies and associates**	9	**1,698,214**	**1,953,746**
	1. Equity instruments.		1,698,214	1,883,746
	2. Corporate loans	15.2		70,000
V.	**Long-term financial investments.**	9	**9,066**	**25,329**
	1. Assets at fair value through equity			
	2. Loans to third parties			
	3. Derivatives		8,991	25,254
	4. Other financial assets.		75	75
VI.	**Deferred tax assets.**	12	**6,238**	**5,991**
B) CURRENT ASSETS			**971,875**	**802,317**
I.	**Trade and other receivables.**	9	**26,150**	**26,500**
	1. Customers, group companies and associates.	15.2	25,584	13,589
	2. Sundry receivables.		141	228
	3. Staff.		2	3
	4. Current tax assets.	12	13	12,267
	5. Other credits with public authorities.	12	410	413
II.	**Short-term investments in Group companies and associates**	9	**910,697**	**761,457**
	1. Corporate loans	15.2	612,054	573,945
	2. Other financial assets		298,643	187,512
III.	**Short-term financial investments**	9	**12,373**	**9,481**
	1. Derivatives		12,367	9,473
	2. Other financial assets		6	8
IV.	**Short-term accruals.**		**1,468**	**1,559**
V.	**Cash and cash equivalents.**	9	**21,187**	**3,320**
	1. Cash on hand.		21,187	3,320
	TOTAL ASSETS		**2,697,100**	**2,798,391**

The accompanying Notes 1 to 17 are an integral part of these Annual Accounts.

(Amounts in thousands of euros at 31 December 2023 and 2022)

		Note	2023	2022
	EQUITY AND LIABILITIES			
A) EQUITY			**1,129,723**	**1,180,850**
A-1) Shareholders' equity.		10	**1,116,408**	**1,155,538**
I.	**Capital.**		**62,334**	**64,931**
	1. Registered capital.		62,334	64,931
II.	**Issue premium.**		**268**	**268**
III.	**Reserves.**		**1,013,623**	**920,030**
	1. Legal		13,527	13,527
	2. Other reserves.		1,000,096	906,503
IV.	**Treasury shares and equity interests**		**-1,031**	**-90,703**
V.	**Profit/(loss) from previous years**			
VI.	**Profit/(loss) for the year**		**114,187**	**332,013**
VII.	**Interim dividend**		**-77,261**	**-74,799**
VIII.	**Other equity instruments**		**4,288**	**3,798**
A-2) Adjustments for changes in value.			**13,315**	**25,312**
I.	Assets at fair value through equity			
II.	Hedging operations		13,315	25,312
B) NON-CURRENT LIABILITIES			**1,198,068**	**1,326,454**
I.	**Long-term borrowings**	9	**1,176,777**	**1,302,143**
	1. Bonds and other marketable securities			74,850
	2. Bank borrowings.		1,176,734	1,227,250
	3. Derivatives			
	4. Other financial liabilities		43	43
II.	**Long-term debt with group companies and associates**	15.2		
III.	**Deferred tax liabilities.**	12	**21,291**	**24,311**
C) CURRENT LIABILITIES			**369,309**	**291,087**
I.	Current payables.	9	**325,728**	**249,496**
	1. Bonds and other marketable securities		76,584	1,634
	2. Bank borrowings.		170,976	172,930
	3. Derivatives		859	132
	4. Other financial liabilities		77,309	74,800
II.	**Short-term debt with group companies and associates**	15.2	**34,797**	**33,713**
III.	**Trade and other payables**	9	**8,784**	**7,878**
	1. Suppliers.		3,044	1,158
	2. Suppliers, group companies and associates.		8	8
	3. Sundry payables.		748	271
	4. Personnel (remunerations pending payment).		4,350	5,911
	5. Current tax liabilities	12		
	6. Other debts with Public Administrations.	12	634	530
TOTAL EQUITY AND LIABILITIES			**2,697,100**	**2,798,391**

The accompanying Notes 1 to 17 are an integral part of these Annual Accounts.

2. STATEMENT OF PROFIT OR LOSS OF ACERINOX, S.A.

(Amounts in thousands of euros at 31 December 2023 and 2022)

	Note	2023	2022
A.1) CONTINUING OPERATIONS			
1. Revenue.	13.2	**377,124**	**535,501**
a) Services rendered.		39,325	33,742
b) Dividends received from group companies	9.2.6	306,131	487,916
c) Financial income from group companies	15.2	31,668	13,843
2. Other operating income.	13.2	**502**	**662**
a) Ancillary income and other current operating expenses.		499	653
b) Operating subsidies included in income for the period		3	9
3. Staff costs.	13.1	**-20,103**	**-22,801**
a) Wages, salaries and similar.		-17,656	-20,593
b) Employee benefits.		-2,447	-2,208
4. Other operating expenses.		**-17,739**	**-10,054**
a) Outside services	13.3	-17,451	-11,860
b) Taxes.		-288	1,806
5. Depreciation of fixed assets.	5, 6, and 7	**-568**	**-496**
6. Impairment and gain or loss on disposal of fixed assets.		**-185,998**	**-138,906**
a) Gains (losses) on disposals and other.	6		
b) Impairment of equity instruments	9.2.6	-185,998	-138,906
A.2) OPERATING INCOME		**153,218**	**363,906**
1 Finance income.		**59**	**1,548**
a) Of holdings in equity instruments.			857
a1) In third parties.			857
b) Marketable securities and other financial instruments.		59	691
b1) In third parties.		59	691
2 Finance costs.		**-33,378**	**-28,643**
a) For debts with group companies and associates.	15.2	-1,590	-2,530
b) For debts with third parties		-31,788	-26,113
3 Changes in fair value of financial instruments.	9.2.2	**144**	**-2,102**
a) Trading portfolio and others.		144	-1,032
b) Recognition in profit or loss of financial assets at fair value through equity			-1,070
4 Exchange differences.	11	**345**	**2,856**
A.3) FINANCIAL RESULT		**-32,830**	**-26,341**
A.4) PROFIT BEFORE TAX		**120,388**	**337,565**
1 Income tax.	12	-6,055	-5,271
2 Other taxes	12.2	-146	-281
A.5) INCOME FOR THE YEAR FROM CONTINUING OPERATIONS		**114,187**	**332,013**
A.6) DISCONTINUED OPERATIONS			
A.7) PROFIT/(LOSS) FOR THE YEAR		**114,187**	**332,013**

The accompanying Notes 1 to 17 are an integral part of these Annual Accounts.

3. STATEMENT OF CHANGES IN EQUITY

3.1 STATEMENT OF RECOGNISED INCOME AND EXPENSE

(Amounts in thousands of euros at 31 December 2023 and 2022)

	Note	2023	2022
A) RESULTS OF THE STATEMENT OF PROFIT OR LOSS		**114,187**	**332,013**
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
I. For valuation of financial instruments.			-571
1. Financial assets at fair value through equity.	9.2.4		-571
II. Arising from cash flow hedges.	9.2.3	-3,821	35,184
III. Arising from actuarial gains and losses and other adjustments.			
IV. Tax effect.	12	955	-8,653
B) TOTAL INCOME AND EXPENSES CHARGED DIRECTLY TO EQUITY (I+II+III+IV+V)		**-2,866**	**25,960**
TRANSFERS TO THE STATEMENT OF PROFIT OR LOSS			
I. For valuation of financial instruments.			1,070
1. Financial assets at fair value through equity.			1,070
II. Arising from cash flow hedges.	9.2.3	-12,175	2,494
III. Tax effect.	12	3,044	-891
C) TOTAL TRANSFERRED TO THE STATEMENT OF PROFIT OR LOSS		**-9,131**	**2,673**
TOTAL RECOGNISED INCOME AND EXPENSE (A + B + C)		**102,190**	**360,646**

The accompanying Notes 1 to 17 are an integral part of these Annual Accounts.

3.2. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in thousands of euros at 31 December 2023 and 2022)

	Registered capital	Issue premium	Reserves	Profit/(loss) for the year	Interim dividend	Other equity instruments	Treasury shares	Adjustments for changes in value	TOTAL
Balance as of 31 December 2021	**67,637**	**268**	**863,719**	**308,558**	**0**	**3,121**	**-10,251**	**-3,321**	**1,229,731**
I. Total recognised income and expenses				**332,013**				**28,633**	**360,646**
1. Results of the statement of profit or loss				332,013					**332,013**
2. For valuation of financial instruments								38,175	**38,175**
3. Tax effect								-9,542	**-9,542**
II. Transactions with partners or owners.	**-2,706**		**56,311**	**-308,558**	**-74,799**	**677**	**-80,452**		**-409,527**
2. Dividends paid			-129,850		-74,799				**-204,649**
3. Application of retained earnings			308,558	-308,558					**0**
4. Acquisition of treasury shares							-205,980		**-205,980**
5. Amortisation of treasury shares	-2,706		-121,588				124,294		**0**
6. Long-term incentive plan for senior executives			-809			677	1,234		**1,102**
III. Other changes in equity									**0**
Balance as of 31 December 2022	**64,931**	**268**	**920,030**	**332,013**	**-74,799**	**3,798**	**-90,703**	**25,312**	**1,180,850**
I. Total recognised income and expenses				**114,187**				**-11,997**	**102,190**
1. Results of the statement of profit or loss				114,187					**114,187**
2. For valuation of financial instruments								-15,996	**-15,996**
3. Tax effect								3,999	**3,999**
II. Transactions with partners or owners.	**-2,597**		**93,594**	**-332,013**	**-2,462**	**490**	**89,673**		**-153,315**
2. Interim dividend					-77,261				**-77,261**
3. Dividends paid			-149,562		74,799				**-74,763**
4. Application of retained earnings			332,013	-332,013					**0**
5. Acquisition of treasury shares							-2,084		**-2,084**
6. Amortisation of treasury shares	-2,597		-88,088				90,685		**0**
7. Long-term incentive plan for senior executives			-769			490	1,072		**793**
III. Other changes in equity			-1				-1		**-2**
Balance as of 31 December 2023	**62,334**	**268**	**1,013,623**	**114,187**	**-77,261**	**4,288**	**-1,031**	**13,315**	**1,129,723**

The accompanying Notes 1 to 17 are an integral part of these Annual Accounts.

3.3. STATEMENT OF CASH FLOWS OF ACERINOX, S.A.

(Amounts in thousands of euros at 31 December 2023 and 2022)

	Notes	2023	2022
A) CASH FLOWS FROM OPERATING ACTIVITIES		**201,427**	**551,591**
1. Profit/(loss) for the year before tax		**120,388**	**337,565**
2. Adjustments to the result		**-84,383**	**-319,414**
a) Depreciation of fixed assets (+)	5, 6, and 7	568	496
b) Valuation corrections for impairment (+/-)	9.2.6	185,998	138,906
c) Gain (loss) on retirements and disposals of financial instruments			1,070
d) Gain (loss) on retirements and disposals of fixed assets (+/-)			
e) Finance income (-)		-59	-1,548
f) Finance expenses (+)		33,378	28,643
g) Exchange differences (+/-)		1,467	-115
h) Changes in fair value of financial instruments (+/-)		-566	-56
i) Other income and expenses		-305,169	-486,810
3. Changes in working capital		**-12,864**	**-521**
a) Trade and other receivables (+/-)		-11,904	633
b) Other current assets (+/-)		-2,536	1,680
c) Trade and other payables (+/-)		270	512
d) Other current liabilities (+/-)		1,306	-3,346
e) Other non-current assets and liabilities (+/-)			
4. Other cash flows from operating activities		**178,286**	**533,961**
a) Interest payments (-)		-28,881	-23,637
b) Dividend collections (+)		195,000	566,139
c) Interest income (+)		59	691
d) Income tax payments (collections) (+/-)		12,108	-9,232
B) CASH FLOWS FROM INVESTING ACTIVITIES		**24,061**	**-185,350**
5. Payments for investments (-)		**-86,258**	**-195,507**
a) Group companies and associates		-85,026	-194,213
b) Intangible assets		-693	-368
c) Property, plant and equipment		-539	-926
d) Other financial assets			
e) Other assets (Group loans)			
6. Proceeds from divestitures (+)		**110,319**	**10,157**
a) Group companies and associates			
b) Property, plant and equipment			
c) Other financial assets			
d) Other assets (Group loans)		110,319	10,157
7. Dividend collection (+)			
a) Other collections/payments for investment activities			
C) CASH FLOWS FROM FINANCING ACTIVITIES		**-207,621**	**-374,227**
8. Payments for investments (-)		**-2,084**	**-205,979**
a) Issuance of equity instruments (-)			
b) Acquisition of own equity instruments (-)			
c) Acquisition of own equity instruments (-)		-2,084	-205,979
d) Disposal of own equity instruments (+)			
9. Receivables and payments for financial liability instruments	9.2.5	**-55,975**	**-38,398**
A) Issuance		105,893	430,138
1. Bonds and other marketable securities (+)			
2. Bank borrowings (+)		105,000	430,000
3. Payables to group companies and associates (+)		893	138
B) Reimbursement and amortisation of:		-161,868	-468,536
1. Bonds and other marketable securities (+)			
2. Bank borrowings (-)		-161,868	-468,536
3. Payables to group companies and associates (-)			
4. Other debts			
9. Payments for dividends and remuneration of other equity instruments		**-149,562**	**-129,850**
A) Dividends (-)	10.5	-149,562	-129,850
B) Remuneration of other equity instruments (-)			
D) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS		**17,867**	**-7,986**
Cash and cash equivalents at the beginning of the year		**3,320**	**11,306**
Cash and cash equivalents at the end of the year		**21,187**	**3,320**

The accompanying Notes 1 to 17 are an integral part of these Annual Accounts.

NOTES TO THE ANNUAL ACCOUNTS OF ACERINOX, S.A.

NOTE 1 – COMPANY ACTIVITIES

Name of the Company: Acerinox, S.A. (hereinafter, "the Company").

Incorporation: the Company was incorporated as a public limited liability company for an indefinite period of time on 30 September 1970.

Registered office, tax domicile and location in which its business activities are performed: the Company's registered office and tax domicile are located at calle Santiago de Compostela, no. 100, Madrid, Spain.

Corporate purpose and main business activities: the Company's purpose, as described in its bylaws, consists of the manufacture and sale of stainless steel and high-performance alloys products through the ownership of shares or other equity interests in companies with an identical or similar corporate purpose. The Company's main business activity is that of a holding company, in its condition as the Parent of the Acerinox Group. Acerinox, S.A. approves and supervises the strategic business areas. It also provides various corporate services (including legal, accounting and consulting) and is responsible for the management and administration of financing within the Group.

As indicated in **Note 9.2.6**, the Company holds ownership interests in subsidiaries and associates. The Company is therefore the parent of a group of companies.

The Acerinox Group has the most extensive global presence in the production and distribution of stainless steel and high-performance alloys and is one of the most competitive companies in its sector. Acerinox is a the leader in its sector in the United States and on the African continent, is widely recognised in Europe, and holds the top position globally for sales in high-performance alloys.

The Group has six stainless-steel plants on four continents, located in Campo de Gibraltar (Spain), Ponferrada and Igualada (Spain), Ghent (Kentucky, USA), Middleburg (Mpumalanga, South Africa) and Johor Bahru (Malaysia). In addition, it has five high-performance alloy plants in Germany (Unna, Duisburg, Siegen, Werdohl and Altena) and two more in the USA (New Jersey and Nevada). The Group also has an extensive distribution network that enables it to sell in more than 80 countries. The Group boasts a steel production capacity of 3.5 million tonnes.

The presentation of consolidated annual accounts is obligatory, pursuant to generally accepted accounting principles and standards, in order to present fairly the financial position, results of operations, changes in equity and cash flows of the Group.

At 31 December 2023, Acerinox, S.A., in accordance with Rule 13 of the Rules for the Preparation of Annual Accounts, did not form part of a decision-making unit with other companies with registered office in Spain other than those included in **Note 9.2.6**.

Fiscal year: The fiscal year of Acerinox, S.A. covers 12 months. It begins on 1 January and ends on 31 December.

Authorisation for issue: These annual accounts were authorised for issue by the Board of Directors of Acerinox, S.A., on 28 February 2024.

On that same date, the directors also authorised for issue the consolidated annual accounts of Acerinox, S.A. and subsidiaries for 2023, which present consolidated profit attributable to the Parent Company of EUR 228,128 thousand (2022: EUR 556,054 thousand) and consolidated equity of EUR 2,463,126 thousand (2022: EUR 2,547,693 thousand).

NOTE 2 – BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

2.1 Fair presentation

In accordance with current legislation, the Company's directors formally prepared these annual accounts, in order to present fairly its equity and financial position at 31 December 2023 and the results of its operations, the changes in its equity and the cash flows in the year then ended.

The annual accounts have been prepared from the Company's accounting records and are presented in accordance with current mercantile legislation, with the rules established in the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and the amendments incorporated, the latest being those introduced by Royal Decree 1/2021, dated 12 January.

The Company's directors consider that the annual accounts for 2023 will be approved by the shareholders at the Annual General Meeting without any changes.

2.2 Comparative information

For comparison purposes the accompanying annual accounts present, in addition to the figures for 2023, for each item in the balance sheet, statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the annual accounts, the figures for 2022, which formed part of the annual accounts for 2022 approved by the shareholders at the Annual General Meeting on 23 May 2023.

These annual accounts are presented in euros, which is the Company's functional and presentation currency, and the figures are rounded off to the nearest thousand.

2.3 Key issues in relation to the measurement and estimation of uncertainty

In preparing the consolidated annual accounts in accordance with the Spanish General Chart of Accounts, the Company's management is required to make certain judgements, estimates and assumptions that affect the application of the accounting policies and, therefore, the figures presented in these consolidated annual accounts.

The accounting estimates and judgements are assessed on an ongoing basis and are based on historical experience and other factors, including expectations regarding future events that are considered to be reasonable. The Company may revise such estimates if changes were to occur in certain events or circumstances.

The Company makes estimates and judgements regarding the future. The resulting accounting estimates may differ from the corresponding actual results. Any changes in estimates are recognised in the financial statements prospectively, as established in Recognition and Measurement Standard 22 of the Spanish National Chart of Accounts. The accounting estimates and judgements are reviewed regularly.

The main estimates made by the Company are as follows:

a) Fair value of derivatives and other financial instruments

The Company acquires derivative financial instruments to hedge its exposure to the risk of exchange rate and interest rate fluctuations. The fair value of financial instruments not traded in active markets is determined using valuation techniques based mainly on market conditions existing at each reporting date, and provided that financial information is available to carry out this valuation. **Note 9.2** includes information on all of the Company's financial instruments.

b) Impairment losses on investments in Group companies and associates

The Company reviews at each balance sheet date whether there is any indication of impairment of investments in Group companies and associates. If such indications exist, the Company assesses whether the investment cost exceeds its recoverable amount, which is usually determined on the basis of value in use (present value of the cash flows expected to be generated by the investee) or at their fair value less costs to sell. These calculations require the use of assumptions, for example in relation to sales, margins, discount rates and perpetuity growth rates, which involve a high degree of judgement.

The recoverable amounts of the cash-generating units in this year have been determined based on calculations of their value in use. Some estimates were made by an independent valuer.

Note 9.2.6 details the analyses conducted by the Company in 2023 and 2022.

c) Recoverability of tax loss and tax credit carryforwards

Separately from tax legislation, which in Spain allows the recovery of tax losses without time limitation, as established in the related accounting policy (see **Note 4.7**), the Company recognises in the balance sheet the deferred tax assets arising from tax loss and tax credit carryforwards, provided that they are recoverable over a reasonable period of time, which the Company has set at ten years. The Company regularly assesses the recoverability of available tax assets through earnings projections approved by management, to conclude as to whether they will be recoverable in the aforementioned reasonable period.

The Company also takes into account the limitations on the offset of tax losses stipulated in legislation, as well as the effect of minimum payments. **Note 12.3** details the Company's existing tax assets and the assumptions used to determine the recoverability of recognised tax assets. Following impairments from past years, the Company hardly has any recognised tax assets.

This year, a restriction has been implemented on the calculation of tax loss carryforwards for corporate income tax purposes, applicable only in 2023. The 19th additional provision of the Corporate Income Tax Act establishes that in tax groups, entities that contribute losses can only allocate 50% of their losses. That adjustment is recovered over the following ten years in equal parts. The Group has taken this limitation into account in the calculation of the corporate income tax for the year.

The Company files consolidated income tax returns, together with the other Spanish entities that form part of the Group (with the exception of the entities established in the regions of Álava, Vizcaya and Guipúzcoa). The Company takes this circumstance into consideration when determining earnings projections and the recoverability of the tax assets.

Despite the Company's positive results this year, the tax group has generated tax losses, so it has not been possible to offset tax loss carryforwards from previous years. The tax group, based on the recoverability analyses carried out, has recognised the tax credits generated in this financial year in the amount of EUR 64,802 thousand. The Group has taken into account the declaration of nullity of Royal Decree 3/2016, of 2 December, issued by the Constitutional Court, as explained in the tax note (**Note 12.1 and 12.3.1**) to these annual accounts.

d) Determination of employee benefit obligations

Pension and similar obligations are determined on the basis of actuarial valuations which take into account statistical rates published by official bodies relating to future valuations such as expectations of salary increases, growth rates, mortality rates, discount rates, etc. These rates may vary significantly depending on economic and market conditions, which would cause variations in the obligations recognised in the financial statements. These assessments are carried out by independent experts.

In the consolidated statement of financial position, the Company records the amounts related to its employee benefit obligations, which are determined through actuarial valuations conducted by independent experts, and contingent upon them not being sufficiently insured.

Note 14.4 includes detailed information on the assumptions used in 2023 to perform the valuations.

e) Recognition of deferred tax liabilities under Pillar 2 standards

In December 2021, the Organisation for Economic Co-operation and Development ("OECD") published the "Pillar 2" model standard for reforming international corporate taxation. The standard requires affected large multinational companies to calculate their effective GloBE ("Global Anti-Base Erosion") tax rate for each jurisdiction in which they operate. Such companies will be required to pay an additional tax on the difference between their effective GloBE tax rate per jurisdiction and the minimum rate of 15%. This standard has yet to be implemented in Spain, although it is mandatory for financial years beginning on or after 1 January 2024.

The Company is conducting an analysis based on the 2022 country-by-country report figures to determine the possible application of safe harbours, at least during the 3-year transitional period provided for by the standard and which would exempt it from calculating the minimum tax. From the analyses performed, no significant impact appears to arise from the application of this standard, as in the jurisdictions where the Group's main entities are located, effective taxes exceed the minimum payment of 15%.

NOTE 3 – DISTRIBUTION OF PROFIT AND SHAREHOLDER REMUNERATION

The proposed distribution of profit of the parent, Acerinox, S.A., for 2023 that the Board of Directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	2023
Basis for distribution:	
Profit/(loss) for the year	114,186,613
Application:	
Dividends	149,537,702
Distribution of dividends against prior years' reserves	-35,351,089

The Board of Directors of Acerinox, S.A. resolved to propose to the next Annual General Meeting of the Company a dividend distribution of EUR 0.62 per share.

On 23 May 2023, the General Meeting of Shareholders approved the appropriation of the results of the parent company for the financial year 2022, with the following distribution:

	2022
Basis for distribution:	
Profit/(loss) for the year	332,013,162
Application:	
Dividends	149,599,165
To voluntary reserves	182,413,997

The dividend finally distributed does not correspond exactly to the distribution approved last year, as the number of treasury shares had changed at the time of the dividend distribution.

NOTE 4 – ACCOUNTING POLICIES

4.1 Intangible assets

a) Computer software

Acquired licenses for computer software are capitalised based on the costs incurred to acquire them and prepare them for use of the specific software.

Computer software maintenance costs are recognised as such on an accrual basis. Costs directly related to the production of unique and identifiable computer software by the Company, provided that they are likely to generate economic benefits exceeding those costs over more than one year, are recognised as intangible assets. The capitalised costs include direct labour and directly attributable general expenses.

Computer software is amortised on a straight-line basis over the three-year period in which it is expected to be used.

Note 5 includes detailed information on intangible assets.

4.2 Property, plant and equipment

a) Owned assets

Property, plant and equipment are stated at acquisition cost or deemed cost less any accumulated depreciation and any recognised impairment losses.

Property, plant and equipment acquired before 31 December 1996 are measured at acquisition cost and are revalued in accordance with the provisions of the applicable legal regulations, less any accumulated depreciation and impairment losses.

After initial recognition of the asset and once it is ready for use, only the costs incurred for improvements that it is probable will give rise to future economic benefits and that can be measured reliably are capitalised. In this connection, the costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as they are incurred.

Gains or losses on the sale or disposal of property, plant and equipment are recognised in profit or loss as operating income or expenses.

b) Depreciation and amortisation

Items of property, plant and equipment are depreciated systematically on a straight-line basis over the years of their useful life. For these purposes, depreciable amount is understood to be acquisition cost less residual value. The Company calculates the depreciation charge separately for each part of an item of property, plant and equipment whose cost is significant in relation to the total cost of the item.

Land is not depreciated.

Property, plant and equipment are depreciated over the following years of useful life:

- Buildings: 50 years
- Other items of property, plant and equipment: 5-10 years

The residual value, the depreciation method and the useful life of the assets are reviewed, and adjusted if necessary, at each reporting date. Any modifications to the estimates initially made are accounted for as a change in estimate (see **Note 2.3**).

Note 6 includes detailed information on property, plant and equipment.

4.3 Investment property

"Investment property" consists of Company-owned buildings not occupied by the Company which are held to earn returns, either through rental or through capital appreciation and subsequent disposal of the buildings.

The Company only transfers items between "property, plant and equipment" and "investment property" when a change in the use of the property occurs.

Investment property is initially recognised at cost, including transaction costs. After initial recognition, the Company applies the same requirements established for property, plant and equipment, including the depreciation period.

Lease income is recognised as indicated in **Note 4.8**.

4.4 Impairment of non-financial assets

The carrying amount of non-financial assets other than inventories and deferred tax assets is reviewed at the end of each reporting period in order to assess whether any indication of impairment thereof exists. If such an indication exists, the Company estimates the recoverable amount of the asset.

The Company considers that indications of impairment exist when there is/are a significant decrease in the value of the asset, significant changes in the legal, economic or technological environment that could affect the measurement of assets, obsolescence or physical impairment, idle assets, low returns on assets, discontinuation or restructuring plans, repeated losses at the entity or substantial deviation from the estimates made. That is to say, the assessment of the existence of indications of impairment takes into account both external sources of information (technological changes, significant variations in market interest rates, market values of assets, etc.) and internal sources (evidence of obsolescence, etc.).

Valuation adjustments for impairment losses on an asset are recognised whenever the carrying amount of the asset, or of the corresponding cash-generating unit, exceeds its recoverable amount. The provisions for losses on an asset are recognised as an expense in the statement of profit or loss.

The recoverable amount of an asset is the higher of fair value less costs of disposal and value in use. Value in use is the present value of estimated cash flows, applying a discount rate that reflects the present market valuation of the time value of money and the specific risks of the asset in question.

In order to determine the recoverable amount, the Group occasionally may hire an independent expert.

In estimating the value in use of an asset, the Company takes into account the estimated future cash flows, expectations regarding possible variations in the amount or timing of those future cash flows, the time value of money and any other factors that any other market participant would reflect in pricing the future cash flows derived from the investment. The Group also takes climate risks into account in determining future projections.

In determining value in use, the Company bases its cash flow projections on reasonable and well-founded assumptions that represent management's best estimates. These projections generally cover a maximum period of five years, unless a longer time period can be justified.

The Company estimates cash flow projections beyond the period covered by the budgets, extrapolating such projections using a constant growth rate which does not exceed the average long-term growth rate of the stainless-steel industry, or the rate of the country or countries in which the entity operates.

Management assesses the reasonableness of the assumptions on which its current cash flow projections are based by examining the causes of differences between past and current cash flow projections, ensuring that the assumptions on which its current cash flow projections are based are consistent with actual past performance, and considering that the effects of subsequent events or circumstances that did not exist when those actual cash flows were generated justify those differences.

Valuation adjustments for impairment on an asset which was recognised in prior years is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the most recent impairment loss was recognised. However, the new carrying amount may not exceed the carrying amount (net of depreciation and amortisation) that would have been determined had no impairment loss been recognised.

4.5 Financial instruments

A financial instrument is a contract that gives rise to a financial asset at one company and, simultaneously, a financial liability or an equity instrument at another.

4.5.1 Classification

The Company classifies financial instruments in the different categories based on the characteristics and business model used to manage them and the contractual terms of their cash flows.

The Group does not generally reclassify any financial assets or liabilities, unless the business model changes.

4.5.2 Financial assets

A financial asset is any contractual right to receive cash or another financial asset.

Financial assets are initially recognised at fair value plus the transaction costs that are directly attributable to their acquisition or issue.

They are subsequently measured on the basis of each of the categories in which they have been classified:

Acquisitions and disposals of financial assets are recognised at the date on which the Company undertakes to acquire or sell the asset. Investments are derecognised when the rights to the cash flows from the investments expire or have been transferred and the Company has transferred substantially all the risks and rewards of their ownership. The derecognition of a financial asset involves the recognition in profit or loss of the difference between its carrying amount and the sum of the consideration received, net of transaction costs.

The detail of the accounting policies relating to the Company's financial assets is as follows:

a) Financial assets at amortised cost

This category includes financial assets which, while not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market. Specifically, included in this category are trade receivables and non-trade receivables. They are classified as non-current only when they mature after more than 12 months from the reporting date. They are initially recognised at fair value which, unless there is evidence to the contrary, is the transaction price plus any directly attributable transaction costs. Subsequently measured at amortised cost using the effective interest method, except for accounts receivable measured at their transaction price as they do not have a significant financial component, they are expected to be received in the short-term and the effect of not discounting the related cash flows is not significant.

The Company recognises the necessary impairment losses whenever there is evidence that a receivable has become impaired. The impairment losses are calculated as the difference between the carrying amount of the aforementioned assets and the present value of the estimated future cash flows that they are expected to generate, discounted at the effective interest rate calculated upon initial recognition. These losses are recognised as an expense in the statement of profit or loss and are reversed when the causes of their original recognition cease to exist. The amount of the reversal is recognised as income in profit or loss.

b) Financial liabilities at fair value through profit or loss

The Company includes derivative financial instruments in this category, unless they have been designated as hedge accounting instruments and meet the effectiveness conditions to be accounted for as such.

The derivative financial instruments included in this category are classified as current assets and are measured at fair value. Transaction costs that are directly attributable to the acquisition are recognised as an expense in profit or loss. The changes in fair value are recognised in profit or loss.

c) Financial assets at cost

This category includes investments in Group companies and associates.

Investments in Group companies and associates are initially recognised at cost, i.e. the fair value of the consideration given plus any directly attributable transaction costs. They are subsequently measured at cost net of any accumulated impairment losses.

The Company recognises the necessary impairment losses whenever there is evidence that the carrying amount of an investment exceeds its recoverable amount. Such evidence of impairment losses is considered to exist when the carrying amount of the investee is lower than the carrying amount of the ownership interest recognised in the annual accounts of Acerinox, S.A. less any unrealised gains, taking into account the budgets approved for the next financial years or when the investee reports repeated losses over various years.

The Company recognises impairment on an ownership interest whenever its carrying amount exceeds its recoverable amount.

The recoverable amount of an investment is the higher of fair value less costs of disposal and the present value of the future cash flows from the investment.

The present value of the future cash flows may be determined either by estimating the cash flows expected to be received as a result of the distribution of dividends and from the sale or derecognition of the investment, or by estimating the Company's share of the cash flows that are expected to be generated by the investee from its ordinary activities.

Valuation adjustments are recognised as operating expenses in profit or loss statements, or as operating income when reversed.

4.5.3 Financial liabilities

For measurement purposes, the Company's financial liabilities are classified under the following categories:

a) Financial liabilities at amortised cost

This category includes non-derivative financial liabilities with fixed or determinable payments. In the case of the Company, this includes loans, bonds issued by the Company and trade and other payables.

The financial liabilities classified in this category are initially recognised at cost, which matches their fair value, less any transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Accrued interest is recognised in profit or loss. However, trade payables maturing within one year which do not have a contractual interest rate and are expected to be paid at short-term are stated at their nominal value.

The Company derecognises a financial liability when the obligation specified in the contract is either discharged or cancelled or expires.

The Company has entered into reverse factoring arrangements with various banks in order to manage payments to suppliers. Trade payables payment of which is managed by the banks are recognised under "trade and other payables" until the related obligation is discharged or cancelled or expires.

When debt is refinanced, the Company assesses the significance of the modifications made to determine whether they are substantially different and, therefore, recognises the effects of the new agreement as if it were an extinguishment and, simultaneously, the recognition of a new loan. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, qualitative factors will be taken into account in the evaluation, such as the change in the interest rate from variable to fixed or the change in currency. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

b) Financial liabilities at fair value through profit or loss

The Company includes derivative financial instruments in this category, provided that they are not financial guarantee contracts or designated as hedging instruments.

They are measured at fair value. Any changes in fair value are recognised in profit or loss statement.

4.5.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits at banks. This line item also includes other short-term, highly liquid investments that are readily convertible to specified amounts of cash and subject to an insignificant risk of changes in value. For these purposes, cash and cash equivalents include investments maturing in less than three months from the date of acquisition.

In the statement of cash flows, the Company classifies interest received and paid as cash flows from operating activities, dividends received as cash flows from investing activities and dividends paid as cash flows from financing activities.

4.5.5 Guarantees provided and received

As regards guarantees provided or received for operating leases or for the rendering of services, the difference between their fair value and the amount paid is treated as an advance payment or collection for the lease or service rendered. In estimating the fair value of guarantees, the residual term is taken to be the minimum contractual term agreed during which the amount of the guarantee cannot be refunded.

Short-term guarantees are measured at their nominal value.

4.5.6 Hedge accounting

The aim of hedge accounting is to represent in the financial statements the effect of the risk management activities in which derivative financial instruments are used to hedge exposure to certain risks that might affect the statement of profit or loss.

A hedging relationship qualifies for hedge accounting only if the following criteria are met:

a) The hedging relationship consists only of eligible hedging instruments and eligible hedged items.
b) At the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.
c) The hedging relationship meets the following hedge effectiveness requirements:

    i. There is an economic relationship between the hedged item and the hedging instrument.
    ii. The credit risk does not dominate the value changes resulting from that economic relationship.
    iii. The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The Company only undertakes cash flow hedges.

At the inception of the hedge, the Group designates and formally documents the hedging relationship and the objective and strategy for undertaking the hedge.

Derivative financial instruments are initially recognised at acquisition cost, which matches fair value, and are subsequently measured at fair value.

Derivative financial instruments that do not qualify for hedge accounting are classified and measured as financial assets or liabilities at fair value through profit or loss. Derivative financial instruments that fulfil the criteria for cash flow hedge accounting are treated as such. Therefore, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and subsequently recognised in profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

The Company prospectively discontinues hedge accounting when the hedging instrument expires, is sold or the hedge no longer meets the criteria for hedge accounting. In such cases, the cumulative gain or loss recognised in equity is recognised in profit or loss.

4.6 Foreign currency transactions

Foreign currency transactions are translated to the functional currency using the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date at the exchange rates then prevailing. Any exchange differences that arise from such translation are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies and recognised at historical cost are translated to the functional currency using the exchange rates prevailing at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated to the corresponding functional currency at the exchange rates prevailing at the date on which the fair value was determined. Exchange differences on non-monetary items measured at fair value are presented as a component of the fair value gain or loss.

In presenting the statement of cash flows, cash flows arising from transactions in a foreign currency are translated to euros by applying the exchange rates prevailing at the date of the cash flow.

Differences arising on settlement of foreign currency transactions are recognised in profit or loss.

4.7 Income tax

The income tax expense comprises current tax and deferred tax.

Current tax is the tax expected to be paid in respect of the taxable profit or tax loss for the year, using tax rates enacted at the balance sheet date and applicable to the year. Current tax also includes any adjustment to the tax payable or receivable for prior years.

Deferred taxes are calculated using the balance sheet liability method based on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts in the annual accounts. Deferred taxes are determined by applying the tax rates (and laws) enacted, or substantively enacted, at the consolidated statement of financial position date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The effect of a change in the tax rate on the deferred tax assets and liabilities is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax liabilities are always recognised. Deferred tax assets are recognised only to the extent that it is considered probable that taxable profits or deferred tax liabilities will arise in the future against which the temporary differences can be offset.

The Company recognises in the balance sheet the deferred tax assets arising from tax loss or tax credit carryforwards, provided that they are recoverable in a reasonable period of time, also taking into account the legally established limits for their use. Management has deemed a period of ten years to be reasonable.

In order to determine the recoverability of the tax assets, future earnings projections approved by management are performed. These take into account present macroeconomic and market circumstances. As the Company files consolidated tax returns, it takes into account the earnings projections of all the entities that form part of its tax group.

Deferred tax assets are reduced when it is no longer considered probable that sufficient future taxable income will be generated or there are no deferred tax liabilities against which the assets can be offset. Reductions are reversed if there is renewed expectation that sufficient taxable income will be available against which the derecognised balance can be utilised. Both the deferred tax asset reduction and its subsequent reversal are recognised as an increase or decrease in the tax expense, respectively, in profit or loss in the year in which they arise.

In accordance with the option provided for in the Spanish National Chart of Accounts, the Company may offset current or deferred tax assets and liabilities if it has a legally enforceable right to do so and intends either to settle the liabilities on a net basis or to realise the assets and settle the liability simultaneously. However, the Company has not availed itself of this option.

Deferred tax assets and liabilities are recognised in the Company balance sheet under non-current assets or non-current liabilities, irrespective of the expected date of realisation or settlement.

When tax audits result in a tax deficiency to be settled, the Group generally recognises such amounts as a current expense for the amount payable, and a deferred tax expense for the change in assets or liabilities arising from temporary differences resulting from the related tax assessment.

The Company has been taxed under the consolidated tax regime since 1998. As agreed by the shareholders at the Annual General Meeting held on 28 May 2003, Acerinox, S.A. and certain of the subsidiaries with registered office in Spain form part of a consolidated tax group on an indefinite basis, with the exception of Metalinox Bilbao, S.A.U. and Inoxidables de Euskadi, S.A.U., which file tax returns separately. At 31 December 2023 and 2022, the consolidated tax group was made up of: Acerinox, S.A., Acerinox Europa, S.A.U., Roldan, S.A., Inoxfil, S.A., Inoxcenter, S.L.U. and Inoxcenter Canarias, S.A.U. Under this regime, mutual credits and debits may arise between the companies forming part of the consolidation scope. Reciprocal receivables and payables between Group companies may arise as a result of the application of this regime. In this connection, if a company in the tax group incurs a tax loss in the year and the companies in the tax group as a whole offset all or a portion thereof in the consolidated income tax return, a reciprocal receivable and payable arises between the Group companies in relation to the portion of the tax loss that was offset. Also, the tax credits and tax relief relating to the income tax charge shall affect the calculation of the tax payable at each company for the effective amount thereof applicable under the consolidated tax regime and not for the amount (whether higher or lower) that would correspond to each company if individual tax returns were filed.

The amount of the payables or receivables in this connection is recognised under “payables to Group companies” in the balance sheet.

In connection with the new Pillar 2 tax regulations approved by the OECD, the Company has decided to make use of the temporary exemption with regard to the recognition of deferred tax assets and liabilities and the expenses resulting from the calculation of the minimum tax of 15%, as the Group has done in its consolidated annual accounts. **Note 12** contains detailed information on the above tax standard and the analysis carried out by the Group during the year and its potential impact.

In accordance with the consultation of the Spanish Accounting and Auditing Institute (ICAC) published in the Official Gazette of the ICAC 136/December 2023, and in line with the amendments included in IAS-EU 12 to avoid entities having to provide information at an individual level that is not required of listed groups applying international standards, this Institute will advocate for a regulatory change that would require an amendment to the 13th Recognition and Measurement Standard of the Spanish General Chart of Accounts in accordance with and with the same content as that approved by the European Union following the adoption of the Regulation amending the aforementioned IAS-EU 12.

4.8 Income and expenses

Revenue is an increase in economic benefits during the year in the form of additions or increases in the value of assets or decreases in liabilities that result in an increase in equity and are not related to owners’ contributions.

Revenue depicts the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of the good or service sold, i.e. when the customer has the ability to direct the use of, and obtain substantially all of the benefits from the good or service.

The Company takes into consideration the five-step model to determine when, and for what amounts, revenue should be recognised.

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when (or as) the entity satisfies a performance obligation.

A contract is an agreement between two or more parties that creates enforceable rights and obligations. A contract does not exist if each party to the contract has the unilateral enforceable right to terminate an unperformed contract without compensating the other party (or parties).

The amount recorded is determined by deducting from the amount of the consideration for the transfer of goods or services committed to customers or other income corresponding to the Company's ordinary activities, the amount of discounts, returns, price reductions, incentives, as well as value-added tax and other taxes directly related thereto that must be passed on.

The income of Acerinox, S.A. arises mainly from its ownership interests in the Group companies, as well as from the provision of services to its subsidiaries and the performance of financing activities within the Group, which constitute its ordinary activities. Consequently, and in accordance with ruling number 2 published in Official Gazette No. 79 of the Spanish Accounting and Auditing Institute (ICAC), the income earned from these activities is included under "revenue" in the statement of profit or loss.

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

a) Income from services rendered

In the case of the services provided by Acerinox, S.A., these are generic advisory and management services in various business areas, which are provided to Group companies on a monthly basis, so there are no compliance milestones. The cost is clearly identified in the contracts and based on the entity's costs. Therefore, the Group recognises revenue on a monthly basis based on the consideration to be received.

b) Dividend income

Dividend income is recognised when the right to receive payment is established.

In the statement of cash flows, dividends received are classified as operating cash flows. In this regard, the dividend received in 2022, which until now had been classified as investment flows, has been reclassified.

c) Leases

Lease income and expenses are recognised in profit or loss on a straight-line basis over the term of the lease.

4.9 Provisions and contingencies

The Company recognises a provision when:

i) it has a present obligation, whether legal or constructive, as a result of past events;
ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and
iii) the amount can be estimated reliably.

The amounts recognised in the financial statement corresponds to the best estimate at the reporting date of the disbursements required to discharge the present obligation, after taking into account the risks and uncertainties relating to the provision and, where significant, the interest cost arising from discounting, provided that the disbursements that are to be made in each period can be reliably estimated.

4.10 Employee benefits

Employee benefits may comprise both short-term and long-term obligations, which include:

- Short-term compensation: that which is expected to be paid in full within twelve months from the end of the reporting period in which the employees rendered their services. They are recognised as expenses in the year in which the service is rendered. They include wages and salaries, social security contributions, paid annual leave and sick leave, profit sharing and incentive or non-monetary compensation.
- Termination benefits: these are recognised as staff costs only when the Group is demonstrably committed to severing its link to an employee or group of employees prior to the normal retirement date.

Long-term commitments include:

- Post-employment benefits, such as retirement benefits or any other form of compensation to employees upon termination of their employment.
- Pension benefits
- Share-based payment transactions

The accounting policies followed by the Company for long-term commitments to its employees are as follows:

a) Defined contribution plans

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to the services rendered in the current and prior periods. The Company has such plans for certain executives.

b) Defined benefit plans and other obligations

A defined benefit plan is an obligation acquired by the Company to its employees to remunerate services rendered.

The Company has obligations to certain of its employees when they reach retirement age. Defined benefit liabilities are recognised at the present value of the obligations existing at the reporting date less the fair value of the plan assets at that date. Where plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of the insurance policies is considered equal to the present value of the related payment obligations.

c) Share-based payment transactions

The Company applies Recognition and Measurement Standard 17 of the Spanish National Chart of Accounts, in relation to equity-settled transactions with employees, to equity-settled transactions in which the entity receives goods or services in exchange for shares of the parent Company.

In accordance with the terms of the share-based payment plans approved by the Group, the equity instruments granted do not vest immediately, and do so when a certain service period is completed, so the Company recognises an expense on a straight-line basis over the period in which the rights to receive such shares vest, recognising at the same time the corresponding increase in equity.

The goods or services received, as well as the corresponding increase in equity, are measured at fair value on the date the equity instruments are granted. Fair value is determined by the market price of the entity's shares adjusted to take into account the terms and conditions on which those shares were granted (except for vesting conditions, other than market conditions, which are excluded from the determination of fair value). The Company uses the appraisal of an independent expert, who uses the Monte Carlo method for this valuation.

When the obligation to deliver its own equity instruments is to the employees of a subsidiary, the events must be qualified as a "contribution", in which case the parent recognises an increase in the value of its interest in the subsidiary, with a credit to its own equity instruments, and measures it at the fair value of the equity instruments transferred at the grant date.

Upon delivery of the shares, the accounting difference between the equity item cancelled and the treasury shares delivered is recognised with a charge to the Parent's reserves.

4.11 Related party transactions

The Company's financial statements include transactions performed with the following related parties:

- Group companies;
- key executives of the Group, members of the Board of Directors and persons related to them; and
- significant shareholders of the Company.

All the transactions performed with related parties are performed under market conditions. It was not necessary to make value judgements or estimates in relation to related party transactions.

The transactions performed by the Company with related parties are detailed in **Note 15**.

4.12 Classification of assets and liabilities between current/non-current

In the balance sheet the Company classifies assets and liabilities as current and non-current items. For such purpose, assets and liabilities are considered to be current when they are expected to be realised or settled within 12 months after the reporting date, or when they are cash or cash equivalent

NOTE 5 – INTANGIBLE ASSETS

The detail of the main classes of intangible assets and of the changes therein in 2023 and 2022 is as follows:

(Amounts in thousands of euros)

COST	Computer software	Advances for computer software	TOTAL
Balance as of 31 December 2021	**14,359**	**240**	**14,599**
Procurements	156	213	369
Balance as of 31 December 2022	**14,515**	**453**	**14,968**
Procurements	95	632	727
Balance as of 31 December 2023	**14,610**	**1,085**	**15,695**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Computer software	Advances for computer software	TOTAL
Balance as of 31 December 2021	**14,117**	**0**	**14,117**
Allocation	159		159
Balance as of 31 December 2022	**14,276**	**0**	**14,276**
Allocation	148		148
Balance as of 31 December 2023	**14,424**	**0**	**14,424**

NET VALUE	Computer software	Advances for computer software	TOTAL
Cost as of 31 December 2021	14,359	240	14,599
Accumulated amortisation and impairment losses	-14,117		-14,117
Carrying amount as of 31 December 2021	**242**	**240**	**482**
Cost as of 31 December 2022	14,515	453	14,968
Accumulated amortisation and impairment losses	-14,276		-14,276
Carrying amount as of 31 December 2022	**239**	**453**	**692**
Cost as of 31 December 2023	14,610	1,085	15,695
Accumulated amortisation and impairment losses	-14,424		-14,424
Carrying amount as of 31 December 2023	**186**	**1,085**	**1,271**

The amortisation charge for the year is included under “depreciation of fixed assets” in the statement of profit or loss.

Fully depreciated goods

In 2023, the Company’s fully amortised intangible assets amounted to EUR 14,149 thousand (2022: EUR 14,105 thousand).

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The detail of the various categories of property, plant and equipment and of the changes therein in 2023 and 2022 is shown in the following table:

(Amounts in thousands of euros)

COST	Land	Buildings	Other items of property, plant and equipment	Property, plant and equipment in the course	TOTAL
Balance as of 31 December 2021	**2,718**	**5,075**	**7,922**	**0**	**15,715**
Additions		19	146	762	927
Transfers	1,622	2,998			4,620
Disposals			-3		-3
Balance as of 31 December 2022	**4,340**	**8,092**	**8,065**	**762**	**21,259**
Additions			437	103	540
Transfers		534	331	-865	
Disposals					
Balance as of 31 December 2023	**4,340**	**8,626**	**8,833**	**0**	**21,799**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Land	Buildings	Other items of property, plant and equipment	Property, plant and equipment in the course	TOTAL
Balance as of 31 December 2021		**3,091**	**7,550**		**10,641**
Allocation		99	152		251
Transfers		2,036			2,036
Disposals			-1		-1
Balance as of 31 December 2022	**0**	**5,226**	**7,701**	**0**	**12,927**
Allocation		147	226		373
Transfers					
Disposals					
Balance as of 31 December 2023	**0**	**5,373**	**7,927**	**0**	**13,300**

NET VALUE	Land	Buildings	Other items of property, plant and equipment	Property, plant and equipment in the course	TOTAL
Cost as of 31 December 2021	2,718	5,075	7,922		15,715
Accumulated depreciation		-3,091	-7,550		-10,641
Carrying amount as of 31 December 2021	**2,718**	**1,984**	**372**	**0**	**5,074**
Cost as of 31 December 2022	4,340	8,092	8,065	762	21,259
Accumulated depreciation		-5,226	-7,701		-12,927
Carrying amount as of 31 December 2022	**4,340**	**2,866**	**364**	**762**	**8,332**
Cost as of 31 December 2023	4,340	8,626	8,833		21,799
Accumulated depreciation		**-5,373**	**-7,927**		**-13,300**
Carrying amount as of 31 December 2023	**4,340**	**3,253**	**906**	**0**	**8,499**

Disposals of property, plant and equipment

No items of property, plant and equipment were derecognised in 2023. In 2022, only EUR 2 thousand of property, plant and equipment were derecognised. At 31 December 2023 and 2022 there were no results from the sale of fixed assets.

Fully depreciated goods

At 31 December 2023, the Company had fully depreciated items of property, plant and equipment amounting to EUR 7,439 thousand (2022: EUR 7,393 thousand).

Other disclosures

There were no legal proceedings, attachments or similar measures that could affect items of property, plant or equipment at 31 December 2023 or 2022.

Insurance

The Company has taken out several insurance policies to cover the risks to which its property, plant and equipment are subject. It is considered that these policies sufficiently cover such risks.

Environment

The Company does not have any items of property, plant and equipment aimed at minimising environmental impact.

In 2023, as in 2022, the Company did not incur any environmental expenses.

NOTE 7 – INVESTMENT PROPERTY

The detail of the changes in "investment property" in 2023 and 2022 is shown in the following table:

(Amounts in thousands of euros)

COST	Land	Buildings	TOTAL
Balance as of 31 December 2021	**2,853**	**5,318**	**8,171**
Transfers	-1,622	-2,998	-4,620
Balance as of 31 December 2022	**1,231**	**2,320**	**3,551**
Transfers			
Balance as of 31 December 2023	**1,231**	**2,320**	**3,551**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Land	Buildings	TOTAL
Balance as of 31 December 2021		**3,517**	**3,517**
Allocation		86	86
Transfers		-2,036	-2,036
Balance as of 31 December 2022	**0**	**1,567**	**1,567**
Allocation		47	47
Transfers			
Balance as of 31 December 2023	**0**	**1,614**	**1,614**

NET VALUE	Land	Buildings	TOTAL
Cost as of 31 December 2021	2,853	5,318	8,171
Accumulated depreciation		-3,517	-3,517
Carrying amount as of 31 December 2021	**2,853**	**1,801**	**4,654**
Cost as of 31 December 2022	1,231	2,320	3,551
Accumulated depreciation		-1,567	-1,567
Carrying amount as of 31 December 2022	**1,231**	**753**	**1,984**
Cost as of 31 December 2023	1,231	2,320	3,551
Accumulated depreciation		-1,614	-1,614
Carrying amount as of 31 December 2023	**1,231**	**706**	**1,937**

Last year, certain floors of the Company's head offices were reclassified from investment property to property, plant and equipment, as they were no longer available for lease to third parties and the Company started to use them in its business activities. The Company does, however, maintain certain plants leased to Group companies in this category.

The lease income obtained by the Company in 2023 amounted to EUR 356 thousand (2022: EUR 341 thousand). The associated operating expenses, including repair and maintenance expenses, amounted to EUR 115 thousand (2022: EUR 132 thousand).

There are no contractual obligations to acquire, construct or develop investment property or to perform repairs, maintenance or improvement work.

The market value of all the investment property exceeded the carrying amount thereof and amounted to EUR 5.891 thousand at 31 December 2023. This valuation takes into account observable market variables such as offers and prices per square metre of premises available in the geographical area of the Company's investment property and, therefore, the determination of fair value is classified within the LEVEL 2 hierarchy detailed in **Note 9.2.2.1**.

Insurance

The Company has taken out several insurance policies to cover the risks to which the investment property is subject. It is considered that these policies sufficiently cover such risks.

NOTE 8 – LEASES AND OTHER SIMILAR TRANSACTIONS

The Company only has operating leases.

8.1 Lease expenses (as lessee)

In 2023, the operating lease expenses amounted to EUR 300 thousand (2022: EUR 272 thousand).

The present value of the minimum lease payments is EUR 508 thousand (2022: EUR 250 thousand) and relates to lease terms ending within five years.

NOTE 9 – FINANCIAL INSTRUMENTS

9.1 General considerations

For measurement purposes, the Company classifies its financial instruments under the categories detailed in **Note 4.5**.

9.2 Information on the importance of financial instruments to the Company's financial position and its results

9.2.1 Categories of financial assets and liabilities

The Company's financial assets, excluding investments in equity instruments of Group companies and associates, at year-end 2023 and 2022 are as follows, according to the classification introduced by the amendment to the Spanish General Chart of Accounts in Royal Decree 1/2021 of 12 January:

(Amounts in thousands of euros)

Class	Long-term financial instruments						Short-term financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
Category	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Liabilities at fair value through profit or loss												
- Trading portfolio												422
- Others												
Financial assets at amortised cost or cost					75	70,075					937,898	776,844
Hedging derivatives					8,991	25,254					12,367	9,051
TOTAL	**0**	**0**	**0**	**0**	**9,066**	**95,329**	**0**	**0**	**0**	**0**	**950,265**	**786,317**

No debts with Public Administrations are included either as of 31 December 2023 or in 2022.

At 2023 and 2022 year-end, the Company's financial liabilities were as follows:
(Amounts in thousands of euros)

Class	Long-term financial instruments						Short-term financial instruments					
	Bank borrowings		Bonds and other marketable securities		Derivatives and others		Bank borrowings		Bonds and other marketable securities		Derivatives and others	
Category	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Liabilities at amortised cost or cost	1,176,734	1,227,250		74,850	43	43	170,976	172,930	76,584	1,634	120,256	115,861
Liabilities at fair value through profit or loss												
- Trading portfolio											859	132
- Others												
Hedging derivatives												
TOTAL	**1,176,734**	**1,227,250**	**0**	**74,850**	**43**	**43**	**170,976**	**172,930**	**76,584**	**1,634**	**121,115**	**115,993**

No debts with Public Administrations are included either as of 31 December 2023 or in 2022.

9.2.2 Derivative financial instruments

The detail of the derivative financial instruments, classified by category, is as follows:

(Amounts in thousands of euros)

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss		859	422	132
Hedging derivatives	21,358		34,305	
TOTAL	**21,358**	**859**	**34,727**	**132**

All derivatives at fair value through profit or loss have a term of less than one year and are classified as current in the statement of financial position. EUR 8,991 thousand of hedging derivatives are classified in the long term (2022: EUR 25,254 thousand).

9.2.2.1 Determination of fair value

As set out in the accounting policies, the Company measures derivative financial instruments and financial assets at fair value through other comprehensive income.

Financial instruments recognised at fair value are classified, based on the valuation inputs, in the following hierarchies:

LEVEL 1: quoted prices in active markets
LEVEL 2: observable market variables other than quoted prices
LEVEL 3: variables not observable in the market

The Group's position at 31 December 2023 and 2022 was as follows:

(Amounts in thousands of euros)

	2023			2022		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial derivatives (assets)		21,358			34,727	
TOTAL	**0**	**21,358**	**0**	**0**	**34,727**	**0**

	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial derivatives (liabilities)		859			132	
TOTAL	**0**	**859**	**0**	**0**	**132**	**0**

No financial assets or financial liabilities measured at fair value were transferred between levels.

In the case of Level 2 financial instruments, the Company uses generally accepted valuation techniques that take into account spot and future exchange rates at the measurement date, forward interest rates, interest rate spreads and credit risk of both the Company and its counterparty, i.e. the financial institutions with which it operates.

9.2.2.2 Financial instruments at fair value through profit or loss

The Company has classified in this category the derivative financial instruments that do not qualify for hedge accounting. Specifically, the Company classifies as financial instruments at fair value through profit or loss the currency forwards arranged to hedge the flows of its financing transactions and other operations performed with Group companies in foreign currency.

Based on the Group's hedging strategy, none of the aforementioned foreign currency derivatives arranged at 31 December 2023 were considered to be a hedge, since they are all used to hedge positions of monetary assets and liabilities denominated in foreign currency. Any exchange differences that arise from such translation are recognised in the consolidated statement of profit or loss. Using these instruments ensures that any fluctuation in exchange rates that could affect assets or liabilities denominated in foreign currency would be offset by a change of the same amount in the derivative arranged. Similarly, changes in the derivative are recognised in the same way in profit or loss, offsetting any changes that occur in foreign currency monetary items. As these derivatives do not qualify as cash flow hedging instruments for accounting purposes, the revaluation of these derivatives is recorded in the consolidated statement of profit or loss "revaluation of financial instruments at fair value".

All of the Company's foreign currency purchase and sale forward contracts have a term of less than one year.

At 31 December 2023, the Company has contracts for foreign currency transactions amounting to EUR 313 million for foreign currency sales (2023: EUR 204 million). These foreign currency transactions enable the Company to hedge its foreign currency collection rights with Group companies in US dollars and Malaysian ringgits.

The detail of these foreign currency forward contracts, by currency and amount used, is as follows:

(Amounts in thousands)

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
USD	330,000		200,000	
MYR	80,000		80,000	

9.2.2.3 Hedging derivatives

At 31 December 2023 and 2022, the Company had only classified interest rate swaps as hedging derivatives.

In order to hedge the interest rate risk on a portion of its current and non-current bank borrowings, the Company had arranged the following interest rate swaps at 31 December 2023:

	Notional contracted	Amount outstanding	Expiration
From variable to fixed rate	EUR 70 million	EUR 50 million	2028
From variable to fixed rate	EUR 100 million	EUR 50 million	2026
From variable to fixed rate	EUR 80 million	EUR 70 million	2028
From variable to fixed rate	EUR 260 million	EUR 260 million	2027

The average interest rate of euro-denominated financing hedged by an interest rate hedging derivative, totalling EUR 430 million at year-end, was 1.70% (2022: 1.72%). The credit spread on these borrowings is included in both cases.

By the end of 2023 and 2022 there is no interest rate hedge in a currency other than the euro.

No new swap transactions were contracted during 2023.

In 2022, the Company entered into an interest rate derivative with Caixabank for a total amount of EUR 260 million and a final maturity date of 2027 to hedge the highly probable future cash flows related to the floating interest rate and any change in this interest rate that may occur before the maturity date. In addition, three interest rate swaps were cancelled, following the novation of the loan signed in 2020 with Caixabank for EUR 80 million and final maturity in 2025 and the cancellation of the two loans signed with Bankia and Caixabank for a total amount of EUR 160 million and EUR 50 million, respectively. Given that the Group's hedging policy is through the designation of generic hedges, the amount accumulated in equity due to the cancellation of the derivatives and the contracting of the new derivative did not have any impact on the income statement.

The detail at 31 December 2022 was as follows:

	Notional contracted	Amount outstanding	Expiration
From variable to fixed rate	EUR 30 million	EUR 15 million	2023
From variable to fixed rate	EUR 70 million	EUR 60 million	2028
From variable to fixed rate	EUR 100 million	EUR 70 million	2026
From variable to fixed rate	EUR 80 million	EUR 75 million	2028
From variable to fixed rate	EUR 260 million	EUR 260 million	2027

The fair value of the interest rate swaps was based on the market value of equivalent derivative financial instruments at the reporting date and amounted to EUR 21,358 thousand (31 December 2022: EUR 34,305 thousand).

The Company assesses whether outstanding hedging relationships meet the effectiveness requirements both at the date of designation and at year-end. At 31 December 2023 and 2022, all outstanding interest rate derivatives arranged qualified as cash flow hedging instruments and, therefore, the unrealised gains and losses in the amount of EUR -2,866 thousand, after tax, on their measurement at fair value was recognised in the statement of recognised income and expense (2022: EUR 26,388 thousand, after tax).

In 2023, EUR -9,131 thousand, after tax, were transferred from the statement of recognised income and expense to profit or loss for the year, reducing borrowing costs (2022: EUR 1,871 thousand, after tax).

The Company has documented the effectiveness of the derivatives arranged to be recognised as hedging instruments, as detailed in **Note 4.5.6**. The financial instruments considered to be hedges were not ineffective at any point in 2023 or 2022.

9.2.3 Financial assets at amortised cost

Loans and receivables include trade and other receivables, such as loans granted to Group companies, which appear in the balance sheet under “investments in Group companies”. In 2023, short-term credits granted to Group companies amounted to EUR 612,054 thousand (2022: EUR 573,945 thousand). At year-end there were no long-term credits (2022: EUR 70,000 thousand). Equity instruments in Group companies are not included, as they are measured at cost and are included in **Note 9.2.6**.

The decrease in the amount of long-term loans granted to Group companies is due to the transfer to short term of loans granted in 2022 to the companies Roldan S.A. and Inoxcenter S.L.U. as these had a maturity of two years. In the short term, on the one hand, Group company VDM Metal Holding Gmbh has cancelled the loan granted in 2022, while loans to other Group companies have increased, mainly to Acerinox Europa, S.A.U.

Note 15.2 includes the breakdown of the balances with Group companies.

The finance income earned in 2023 on these loans to the group companies amounted to EUR 31,668 thousand (2022: EUR 13,843 thousand). The income increase is mainly due to the increase in reference interest rates.

No interest was earned on impaired financial assets in 2023 or 2022.

No valuation adjustments were recognised for uncollectible receivables from related parties

9.2.4 Accounts payable

The liabilities classified in this category by the Company (excluding bank borrowings and bonds issued, which are detailed in **Note 9.2.5**), include the amounts classified in the balance sheet under “trade and other payables” as well as current payables to Group companies amounting to EUR 34,797 thousand (2022: EUR 33,713 thousand).

Payables to Group companies per company are detailed in **Note 15.2**.

With regard to the average payment period, as established in Law 18/2022 of 29 September on the establishment and growth of companies the Company breaks down below the average payment period for suppliers, the volume of money and the number of invoices paid in a period lower than the maximum established in the regulations on late payments, as well as the percentage of these invoices in the total number of invoices and in the total amount of money paid to their suppliers.

The average payment period to suppliers, both domestic and foreign, is as follows:

	2023	2022
Average supplier payment period	54 days	45 days
Ration of operations settled	55 days	46 days
Ratio of transactions pending payment	39 days	37 days

(Amounts in thousands of euros)	Amount	Amount
Total payments made	27,389	22,845
Total outstanding payments	2,139	1,318

Details of the volume and number of invoices paid are as follows:

	2023	2022
a) Monetary volume of invoices paid within a period equal to or less than the maximum established in the regulations on late payment (in thousands of euros)	14,482	14,393
Percentage share of total monetary payments to its suppliers	53%	63%
b) Number of invoices paid within a period equal to or less than the maximum period established in the late payment regulations	5,797	4,195
Percentage share of total number of invoices of payments to its suppliers	84%	84%

The table includes, the same as above, the payments made to any supplier, whether domestic or foreign.

9.2.5 Bank borrowings and bonds issued

The detail of the financial debt line items in the statements of financial position as at 31 December 2023 and 2022, including both bank borrowings and bonds issued by the Company in the year, is as follows:

(Amounts in thousands of euros)

	Non-current		Current	
	2023	2022	2023	2022
Bonds issued		74,850	76,584	1,634
Bank borrowings	1,176,734	1,227,250	170,976	172,930
Total financial debt	**1,176,734**	**1,302,100**	**247,560**	**174,564**

There is currently a private placement of EUR 75 million performed by Deutsche Bank AG, London Branch in July 2014, which has a term of ten years.

The detail of the maturity of the outstanding debt at 31 December 2023 was as follows:

(Amounts in thousands of euros)

	2024	2025	2026	2027 and thereafter	TOTAL
Bank borrowings	170,976	458,934	388,533	329,267	1,347,710
Bonds issued	76,584				76,584
Total long-term debt	**247,560**	**458,934**	**388,533**	**329,267**	**1,424,294**

The detail of the maturity of the outstanding debt in 2022 was as follows:

(Amounts in thousands of euros)

	2023	2024	2025	2026 and thereafter	TOTAL
Bank borrowings	172,930	156,033	458,601	612,616	1,400,180
Bonds issued	1,634	74,850			76,484
Total long-term debt	**174,564**	**230,883**	**458,601**	**612,616**	**1,476,664**

At 31 December 2023 and 2022, all bank borrowings and bond issues had been arranged in euros.

The changes in non-current and current payables relating to bank borrowings, excluding bonds issued, are as follows:

(Amounts in thousands of euros)

	Long-term bank borrowings		Short-term bank borrowings	
	2023	2022	2023	2022
Opening balance	**1,227,250**	**1,173,820**	**172,930**	**259,991**
Additions	105,000	430,000		
Interest	772	1,377	3,626	3,528
Debt repayment	-15,855	-222,624	-146,013	-245,912
Short-term transfers	-140,433	-155,323	140,433	155,323
Balance as of 31 December	**1,176,734**	**1,227,250**	**170,976**	**172,930**

The breakdown of the debt by interest rate is as follows:

(Amounts in thousands of euros)

	Non-current payables		Current liabilities	
	2023	2022	2023	2022
Fixed	459,332	635,831	178,617	34,534
Variable	717,402	666,269	68,943	140,030
TOTAL	**1,176,734**	**1,302,100**	**247,560**	**174,564**

Fixed-rate debt solely includes borrowings originally arranged at fixed rates (bank loans and private placements) and does not include borrowings for which interest rates have been fixed by arranging derivatives.

The fair value of fixed-rate bank borrowings and private placements was EUR 637,949 thousand at 31 December 2023, and their carrying amount was EUR 622,908 thousand. The fair value of these borrowings at 31 December 2022 amounted to EUR 670,000 thousand (carrying amount of EUR 670,365 thousand).

For the determination of fair value, the Company has taken into account observable market variables such as interest rate curves, the term of the loans, etc., so the determination of fair value is classified within the LEVEL 2 hierarchy in accordance with the policy established in **Note 9.2.2.1**.

The interest rates of the floating-rate loans are reviewed at least once a year.

The average interest rate prevailing on non-current bank borrowings is 2.22% (2022: 1.87%).

The average interest rate prevailing on current bank borrowings is 2.60% (2022: 2.58%).

At 31 December 2023, accrued interest payable on bank borrowings amounted to EUR 8,626 thousand (2022: EUR 5,000 thousand). In addition, accrued interest payable on bonds issued amounted to EUR 1,634 thousand (2022: EUR 1,634 thousand).

The total borrowing costs calculated using the effective interest rate on long-term loans at amortised cost amounted to EUR 772 thousand (2022: EUR 1,377 thousand).

The interest accrued in 2023 calculated using the effective interest method amounted to EUR 31,788 thousand (2022: EUR 26,112 thousand).

At 31 December 2023, the Company had arranged financing facilities with banks with a maximum available limit of EUR 1,859 million (2022: EUR 1,962 million), against which EUR 1,424 million had been drawn down at 31 December 2023 (2022: EUR 1,477 million).

Main financing transactions undertaken in the year

- Signing of the Syndicated Factoring contract in Spain between several subsidiaries of the Acerinox Group, including, for the first time, VDM Metals International as the new transferor, and Unicaja as the new transferee from among the existing ones (Abanca, BBVA, Banca March, Banco Sabadell, Bankinter, Banque Marocaine du Commerce Extérieur International, Caixabank and Santander Factoring and Confirming) for a total amount of EUR 380 million until 2025. The agent and structuring agent for the transaction continues to be Santander Factoring and Confirming

- Signing of four new long-term floating rate loans totalling EUR 105 million with Kutxabank (EUR 15 million), Intesa Sanpaolo (EUR 65 million), Caja Rural del Sur (EUR 10 million) and Banca March (EUR 15 million).

- In addition, in order to maintain the Group's liquidity, credit facilities in euros and dollars have been renewed.

The Group's most significant financing transactions during 2022 were as follows:

- Renegotiation of several existing loans with the aim of increasing the nominal amount, extending the maturity or improving the economic conditions. The total volume of these transactions amounted to EUR 365 million. These were concluded with Caixabank, Banco de Crédito Social Cooperativo and Bankinter.

- Signing of five new long-term loans: one of them at a fixed rate with Unicredit for a total amount of EUR 50 million and the other four at a variable interest rate with Abanca, Bankinter, Kutxabank and Banca March for a total amount of EUR 95 million.

- Signing of new credit facilities and renewal of existing credit facilities in euros and dollars to extend the maturity by another year, and, in some cases, also to increase the current nominal amount.

Regarding debt renegotiations, the Group assessed the significance of the modifications made to determine whether they were substantially different, in accordance with the criteria established in the accounting policy defined in **Note 4.5.3**, and recognised the effects of certain of the new agreements as an extinguishment and the simultaneous recognition of a new loan. There were no debt renegotiations during the year. In 2022, the amount of fees and commissions recognised in income in this connection amounted to EUR 557 thousand.

Non-current borrowings subject to achievement of ratios

a) Ratios linked to earnings

Currently, no loan agreement entered into by Acerinox, S.A. contains covenants linked to ratios that take into account the results. The contracts subject to covenants relate to own funds of the consolidated group and are detailed below.

b) Ratios linked to equity

The EUR 260 million loan novated in the first half of 2022 with Caixabank and the two loans of EUR 80 million each signed with BBVA and ICO in the first half of 2020 for the acquisition of VDM are subject to compliance with the financial ratios relating to the maintenance of minimum equity levels at the consolidated level.

In addition to these three loans, there are three other financing contracts conditional on compliance with covenants also referring to the maintenance of minimum levels of own funds at consolidated level. The loan arranged in March 2017 and novated in December 2021 with Banca March for EUR 50 million and assigned to a Securitisation Fund upon arrangement, the loan arranged with the European Investment Bank ("EIB") in December 2017 for EUR 70 million and the loan arranged in March 2018 with the Instituto de Crédito Oficial ("ICO") for EUR 100 million. This type of covenant is standard market practice in financing with these maturities, as the loan arranged with Banca March had an initial term of seven years, the EIB loan of ten years and the ICO loan of eight years.

At 2023 year-end (as in 2022) Acerinox, S.A. achieved all the ratios required under the aforementioned agreements with a considerable margin.

9.2.6 Investments in Group companies and associates

At 31 December 2023, the investments in Group companies were as follows:

	2023					
	OWNERSHIP					
FULLY CONSOLIDATED COMPANIES	COUNTRY	Value of investment (thousands of euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	327	100.00%		ACERINOX, S.A.	PWC
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90.00%	10.00%	ACERINOX, S.A.	Estudio Canil
ACERINOX AUSTRALASIA PTY. LTD.	Sidney - Australia	385	100.00%		ACERINOX, S.A.	
ACERINOX BENELUX S.A. - N.V.	Brussels - Belgium	209	99.98%	0.02%	ACERINOX, S.A.	PWC
ACX DO BRASIL REPRESENTAÇOES, LTDA.	São Paulo - Brazil	373	100.00%	0.001%	ACERINOX, S.A.	
ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100.00%		ACERINOX, S.A.	PWC
ACERINOX COLOMBIA S.A.S.	Bogotá D.C. - Colombia	68	100.00%		ACERINOX, S.A.	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45,496	100.00%		ACERINOX, S.A.	PWC
ACERINOX EUROPA, S.A.U.	Algeciras - Spain	274,234	100.00%		ACERINOX, S.A.	PWC

	2023					
	OWNERSHIP					
FULLY CONSOLIDATED COMPANIES	COUNTRY	Value of investment (thousands of euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
ACERINOX FRANCE S.A.S.	Paris - France	18,060	99.98%	0.02%	ACERINOX, S.A.	PWC
ACERINOX INDIA PVT LTD.	Mumbai - India	155	100.00%		ACERINOX, S.A.	ISK & Associates
ACERINOX ITALIA S.R.L.	Milan - Italy	78,844	100.00%		ACERINOX, S.A.	Collegio Sindicale - Studio Revisori Associatti
ACERINOX METAL SANAYII VE TICARET L.S.	Gümüşsuyu / Beyoğlu - Turkey	150	100.00%		ACERINOX, S.A.	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai - United Arab Emirates	10	100.00%		ACERINOX, S.A.	HLB Hamt
ACERINOX PACIFIC LTD.	Wan Chai - Hong Kong	7,467	100.00%		ACERINOX, S.A.	PWC
ACERINOX POLSKA, SP. ZO.O.	Warsaw - Poland	25,174	99.98%	0.02%	ACERINOX, S.A.	PWC
ACERINOX RUSSIA LLC	Saint Petersburg - Russia	100	100.00%		ACERINOX, S.A.	
ACERINOX SCANDINAVIA AB	Malmö - Sweden	31,909	100.00%		ACERINOX, S.A.	PWC
ACERINOX S.C. MALAYSIA SDN. BHD	Johor - Malaysia	19,476	100.00%		ACERINOX, S.A.	PWC
ACERINOX SHANGAI CO., LTD.	Shanghai - China	1,620	100.00%		ACERINOX, S.A.	Shanghai Shenzhou Dalong
ACERINOX (SEA), PTE LTD.	Singapore - Singapore	193	100.00%		ACERINOX, S.A.	PWC
ACERINOX U.K, LTD.	Birmingham - United Kingdom	28,504	100.00%		ACERINOX, S.A.	PWC
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	Trofa - Portugal	15,828	100.00%		ACERINOX, S.A.	PWC
BAHRU STAINLESS, SDN. BHD	Johor - Malaysia		98.81%		ACERINOX, S.A.	PWC
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	241,469	76.00%		ACERINOX, S.A.	PWC
CORPORACIÓN ACERINOX PERU S.A.C.	Lima - Peru	314	100.00%		ACERINOX, S.A.	
INOX RE, S.A.	Luxembourg	1,225	100.00%		ACERINOX, S.A.	PWC
INOXCENTER CANARIAS, S.A.U.	Telde (Gran Canaria) - Spain			100.00%	INOXCENTER	PWC
INOXCENTER, S.L.U.	Barcelona - Spain	17,758	100.00%		ACERINOX, S.A.	PWC
INOXFIL, S.A.	Igualada (Barcelona) -			100.00%	ROLDAN S.A.	PWC
INOXIDABLES DE EUSKADI S.A.U.	Vitoria - Spain			100.00%	ACERINOX EUROPA, S.A.U.	PWC
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Trofa - Portugal			100.00%	ACEROL - COMÉRCIO E INDÚSTRIA DE	
METALINOX BILBAO, S.A.U.	Galdácano (Vizcaya) - Spain	3,718	100.00%		ACERINOX, S.A.	PWC
NORTH AMERICAN STAINLESS INC.	Kentucky - USA	546,270	100.00%		ACERINOX, S.A.	PWC
NORTH AMERICAN STAINLESS CANADA, INC	Canada			100.00%	NORTH AMERICAN	PWC
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico			100.00%	NORTH AMERICAN	PWC
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - USA	15	100.00%		ACERINOX, S.A.	

	2023					
	OWNERSHIP					
FULLY CONSOLIDATED COMPANIES	COUNTRY	Value of investment (thousands of euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
ROLDAN S.A.	Ponferrada - Spain	17,405	99.77%		ACERINOX, S.A.	PWC
VDM METALS HOLDING GMBH	Werdohl - Germany	313,315	100.00%		ACERINOX, S.A.	PWC
VDM METALS INTERNATIONAL GMBH.	Werdohl - Germany			100.00%	VDM METALS HOLDING,	PWC
VDM METALS GMBH	Werdohl - Germany			100.00%	VDM METALS HOLDING,	PWC
VDM (SHANGHAI) HIGH PERFORMANCE METALS TRAD. CO. LTD.	Shanghai - China			100.00%	VDM METALS, GMBH.	Pan-China Certified Public Accounts
VDM HIGH PERFORMANCE METALS NANTONG CO. LTD.	Nantong - China			100.00%	VDM METALS INTERNATIONAL GMBH.	Pan-China Certified Public Accounts
VDM METALS AUSTRALIA PTY. LTD.	Mulgrave - Australia			100.00%	VDM METALS, GMBH.	
VDM METALS AUSTRIA G.M.B.H.	Brunn am Gebirge - Austria			100.00%	VDM METALS, GMBH.	
VDM METALS BENELUX B.V.	Zwijndrecht - Belgium			100.00%	VDM METALS, GMBH.	BDO
VDM METALS CANADA LTD.	Vaughan - Canada			100.00%	VDM METALS, GMBH.	
VDM METALS DE MEXICO S.A. DE C.V.	Naucalpan de Juarez - Mexico			100.00%	VDM METALS, GMBH.	
VDM METALS FRANCE S.A.S.	Saint-Priest - France			100.00%	VDM METALS, GMBH.	
VDM UNTERSTÜTZUNGSKASSE GMBH	Werdohl - Germany			100.00%	VDM METALS, GMBH.	
VDM METALS ITALIA S.R.L.	Sesto San Giovanni - Italy			100.00%	VDM METALS, GMBH.	
VDM METALS JAPAN K.K.	Tokyo - Japan			100.00%	VDM METALS, GMBH.	
VDM METALS KOREA CO. LTD.	Seoul - Korea			100.00%	VDM METALS, GMBH.	Samdo
VDM METALS UK LTD.	Claygate-Esher - UK			100.00%	VDM METALS, GMBH.	
VDM METALS USA LLC	Florham Park - USA			100.00%	VDM METALS, GMBH.	PWC
TOTAL		**1,698,214**				

At 31 December 2022, the Company's investments in Group companies were as follows:

	2022					
	OWNERSHIP					
FULLY CONSOLIDATED COMPANIES	COUNTRY	Value of investment (thousands of euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	327	100.00%		ACERINOX, S.A.	PWC
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90.00%	10.00%	ACERINOX, S.A.	Estudio Canil
ACERINOX AUSTRALASIA PTY. LTD.	Sidney - Australia	385	100.00%		ACERINOX, S.A.	
ACERINOX BENELUX S.A. - N.V.	Brussels - Belgium	209	99.98%	0.02%	ACERINOX, S.A.	PWC

	2022					
	OWNERSHIP					
FULLY CONSOLIDATED COMPANIES	COUNTRY	Value of investment (thousands of euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
ACX DO BRASIL REPRESENTAÇOES, LTDA.	São Paulo - Brazil	373	100.00%	— %	ACERINOX, S.A.	
ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100.00%		ACERINOX, S.A.	PWC
ACERINOX COLOMBIA S.A.S.	Bogotá D.C. - Colombia	68	100.00%		ACERINOX, S.A.	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45,496	100.00%		ACERINOX, S.A.	PWC
ACERINOX EUROPA, S.A.U.	Algeciras - Spain	341,437	100.00%		ACERINOX, S.A.	PWC
ACERINOX FRANCE S.A.S.	Paris - France	18,060	99.98%	0.02%	ACERINOX, S.A.	PWC
ACERINOX INDIA PVT LTD.	Mumbai - India	155	100.00%		ACERINOX, S.A.	ISK & Associates
ACERINOX ITALIA S.R.L.	Milan - Italy	78,844	100.00%		ACERINOX, S.A.	Collegio Sindicale - Studio Revisori Associatti
ACERINOX METAL SANAYII VE TICARET L.S.	Gümüşsuyu / Beyoğlu - Turkey	150	100.00%		ACERINOX, S.A.	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai - United Arab Emirates	10	100.00%		ACERINOX, S.A.	HLB Hamt
ACERINOX PACIFIC LTD.	Wan Chai - Hong Kong	7,467	100.00%		ACERINOX, S.A.	PWC
ACERINOX POLSKA, SP. ZO.O.	Warsaw - Poland	25,174	99.98%	0.02%	ACERINOX, S.A.	PWC
ACERINOX RUSSIA LLC	Saint Petersburg - Russia	100	100.00%		ACERINOX, S.A.	
ACERINOX SCANDINAVIA AB	Malmö - Sweden	31,909	100.00%		ACERINOX, S.A.	PWC
ACERINOX S.C. MALAYSIA SDN. BHD	Johor - Malaysia	19,476	100.00%		ACERINOX, S.A.	PWC
ACERINOX SHANGAI CO., LTD.	Shanghai - China	1,620	100.00%		ACERINOX, S.A.	Shanghai Shenzhou Dalong
ACERINOX (SEA), PTE LTD.	Singapore - Singapore	193	100.00%		ACERINOX, S.A.	PWC
ACERINOX U.K, LTD.	Birmingham - United Kingdom	28,494	100.00%		ACERINOX, S.A.	PWC
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	Trofa - Portugal	15,828	100.00%		ACERINOX, S.A.	PWC
BAHRU STAINLESS, SDN. BHD	Johor - Malaysia	96,481	98.81%		ACERINOX, S.A.	PWC
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	263,556	76.00%		ACERINOX, S.A.	PWC
CORPORACIÓN ACERINOX PERU S.A.C.	Lima - Peru	314	100.00%		ACERINOX, S.A.	
INOX RE, S.A.	Luxembourg	1,225	100.00%		ACERINOX, S.A.	PWC
INOXCENTER CANARIAS, S.A.U.	Telde (Gran Canaria) - Spain			100.00%	INOXCENTER	PWC
INOXCENTER, S.L.U.	Barcelona - Spain	17,758	100.00%		ACERINOX, S.A.	PWC
INOXFIL, S.A.	Igualada (Barcelona) -			100.00%	ROLDAN S.A.	PWC
INOXIDABLES DE EUSKADI S.A.U.	Vitoria - Spain			100.00%	ACERINOX EUROPA, S.A.U.	PWC
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Trofa - Portugal			100.00%	ACEROL - COMÉRCIO E	
METALINOX BILBAO, S.A.U.	Galdácano (Vizcaya) - Spain	3,718	100.00%		ACERINOX, S.A.	PWC
NORTH AMERICAN STAINLESS INC.	Kentucky - USA	546,041	100.00%		ACERINOX, S.A.	PWC

	2022					
	OWNERSHIP					
FULLY CONSOLIDATED COMPANIES	COUNTRY	Value of investment (thousands of euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
NORTH AMERICAN STAINLESS CANADA, INC	Canada			100.00%	NORTH AMERICAN	PWC
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico			100.00%	NORTH AMERICAN	PWC
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - USA	15	100.00%		ACERINOX, S.A.	
ROLDAN S.A.	Ponferrada - Spain	17,405	99.77%		ACERINOX, S.A.	PWC
VDM METALS HOLDING GMBH	Werdohl - Germany	313,315	100.00%		ACERINOX, S.A.	PWC
VDM METALS INTERNATIONAL GMBH.	Werdohl - Germany			100.00%	VDM METALS HOLDING,	PWC
VDM METALS GMBH	Werdohl - Germany			100.00%	VDM METALS HOLDING,	PWC
VDM (SHANGHAI) HIGH PERFORMANCE METALS TRAD. CO. LTD.	Shanghai - China			100.00%	VDM METALS, GMBH.	Pan-China Certified Public Accounts
VDM HIGH PERFORMANCE METALS NANTONG CO. LTD.	Nantong - China			100.00%	VDM METALS INTERNATIONAL GMBH.	Pan-China Certified Public Accounts
VDM METALS AUSTRALIA PTY. LTD.	Mulgrave - Australia			100.00%	VDM METALS, GMBH.	
VDM METALS AUSTRIA G.M.B.H.	Brunn am Gebirge - Austria			100.00%	VDM METALS, GMBH.	
VDM METALS BENELUX B.V.	Zwijndrecht - Belgium			100.00%	VDM METALS, GMBH.	BDO
VDM METALS CANADA LTD.	Vaughan - Canada			100.00%	VDM METALS, GMBH.	
VDM METALS DE MEXICO S.A. DE C.V.	Naucalpan de Juarez - Mexico			100.00%	VDM METALS, GMBH.	Grant Thornton
VDM METALS FRANCE S.A.S.	Saint-Priest - France			100.00%	VDM METALS, GMBH.	
VDM UNTERSTÜTZUNGSKASSE GMBH	Werdohl - Germany			100.00%	VDM METALS, GMBH.	
VDM METALS ITALIA S.R.L.	Sesto San Giovanni - Italy			100.00%	VDM METALS, GMBH.	
VDM METALS JAPAN K.K.	Tokyo - Japan			100.00%	VDM METALS, GMBH.	
VDM METALS KOREA CO. LTD.	Seoul - Korea			100.00%	VDM METALS, GMBH.	
VDM METALS UK LTD.	Claygate-Esher - UK			100.00%	VDM METALS, GMBH.	BDO
VDM METALS USA LLC	Florham Park - USA			100.00%	VDM METALS, GMBH.	PWC
TOTAL		**1,883,746**				

At 31 December 2023 and 2022, the Company’s investments in associates were as follows:

	OWNERSHIP				
ASSOCIATES	COUNTRY	Investment value	% direct ownership interest	% indirect ownership interest	Theoretical carrying value direct ownership interest
BETINOKS	Turkey		25.00%		
MOL Katalysatortechnik GmbH	Germany			20.45%	
Evidal Schmöle Verwaltungsgesellschaft mbH	Germany			50.00%	

The associates are entities which are scantly material for the Group, the ownership interests in which are measured at cost, as the Group is not involved in their management and therefore, does not have their financial statements. The entity Betinoks Paslanmaz Celik, A.S., based in Turkey, is in the process of liquidation. MOL Katalysatortechnik, GmbH, based in Germany, engages in the production and distribution of mineral and metal catalysts. On the other hand, EVIDAL Schmöle Verwaltungsgesellschaft GmbH manages the pension funds of one of the former manufacturing companies.

The activities of the Group companies are as follows:

- Acerinox, S.A.: is the parent company of the Acerinox Group and holds directly or indirectly the shares of the companies comprising the Group. As the parent company of the Group, it assumes the highest level of management and control over the Group's business operations, corporate functions, and overall coordination with other entities. It approves and supervises the strategic business areas. It is responsible for establishing, designing and developing the Group's policies and financial strategy, designing investment and environmental policies, defining the R&D strategy, supervising the management services provided to subsidiaries and developing corporate governance policies. It also provides a range of corporate services, including legal, accounting and advisory services to all Group companies.
- Acerinox Europa, S.A.U.: manufacture and marketing of flat stainless-steel products.
- North American Stainless, Inc.: manufacture and marketing of flat and long stainless-steel products.
- Columbus Stainless (PTY) Ltd.: manufacture and commercialisation of flat stainless-steel products.
- Bahru Stainless, Sdn. Bhd.: cold rolling and marketing of flat stainless-steel products.
- Roldan, S.A.: manufacture and marketing of long stainless-steel products.
- Inoxfil, S.A.: manufacture and marketing of stainless-steel wire.
- VDM Holding Metals GmbH: is the holding company of the group of companies comprising the High Performance Alloys business unit.
- VDM Metals International GmbH, a company wholly owned by VDM Holding Metals GmbH, procures the raw materials required for the production of the High Performance Alloys, markets the finished products and centralises the VDM Group's research and development by directly managing and administering the business and outsourcing production to another entity from the subgroup. The company also has a quality assurance department.
- VDM Metals GmbH, the owner of the production facilities, processes raw materials into high-performance alloys on behalf of VDM Metals GmbH.
- Inox Re, S.A.: reinsurance company.
- Inoxplate, Comercio de productos de Aço Inoxidávei, Unipessoal Lda: owner of the industrial building in which the Group company in Portugal -Acerol, Comércio e indústria de Aços inoxidáveis- carries out its operating activities, for the lease of which it receives income.
- North American Stainless Financial Investment, Inc.: provision of foreign trade advisory services.
- The rest of the companies, which are direct or indirect investees of Acerinox, S.A., as well as the VDM subgroup entities, engage in the marketing of stainless-steel products or high-performance alloys.

None of the Group companies and associates are officially listed.

Changes in investments in Group companies and associates

The changes in investments in Group companies and associates in 2023 and 2022 were as follows:

(Amounts in thousands of euros)

Company	2023	2022
Other contributions		
Bahru Stainless Sdn. Bhd.	72	72
North American Stainless	229	263
Columbus Stainless	112	124
Acerinox Europa, S.A.U.	40	28
Acerinox U.K.	10	25
Total	**463**	**512**

Changes in 2023

The only changes that have taken place during the year and which are recognised as “other contributions” relate to the long-term remuneration plan for executives through shares in Acerinox, S.A., which is explained in **Note 14.3**.

The Company is making the final arrangements for the liquidation of the trading company in Russia. The subsidiary currently has no activities and no employees. The share capital contributed by Acerinox, S.A. amounts to EUR 101 thousand. During the year, EUR 202 thousand were repatriated from this company to the parent company. The Group expects to complete all formalities before the first quarter of 2024.

Changes in 2022

The only changes that occurred in the year included as “other contributions” also corresponded to the long-term remuneration plan for directors through Acerinox, S.A. shares.

Equity position

The equity position of the Group companies at 31 December 2023, obtained from the separate annual accounts furnished by the respective companies, and converted into euro using year-end exchange rates, was as follows:

(Amounts in thousands of euros)

GROUP COMPANIES	Capital	Shares of the parent	Reserves and interim dividend	Other equity items	Operating income	Gains (losses) from continued activities	Total shareholders’ equity
ACERINOX (SCHWEIZ) A.G.	756		2,283		115	-33	3,006
ACERINOX ARGENTINA S.A.	1		1,521		1,360	-65	1,457
ACERINOX AUSTRALASIA PTY. LTD.	369		68		-22	-22	415
ACERINOX BENELUX S.A. - N.V.	211		1,306		318	231	1,748
ACX DO BRASIL REPRESENTAÇOES, LTDA.	128		263			-4	387
ACERINOX CHILE, S.A.	4,411		3,558		-505	-1,102	6,867
ACERINOX COLOMBIA S.A.S.	42		223		-217	-219	46

GROUP COMPANIES	Capital	Shares of the parent	Reserves and interim dividend	Other equity items	Operating income	Gains (losses) from continued activities	Total shareholders' equity
ACERINOX DEUTSCHLAND GMBH	45,000		-16,558		2,018	1,520	29,962
ACERINOX EUROPA, S.A.U.	62,098		161,148	98	-224,976	-195,812	27,434
ACERINOX FRANCE S.A.S.	265		4,154		442	431	4,850
ACERINOX INDIA PVT LTD.	111		92		200	188	391
ACERINOX ITALIA S.R.L.	40,000		5,400		1,797	131	45,531
ACERINOX METAL SANAYII VE TICARET LIMITED SIRKETI	12		608		357	564	1,184
ACERINOX MIDDLE EAST DMCC (DUBAI)	12		956		-81	-83	885
ACERINOX PACIFIC LTD.	11,115		-10,468		657	555	1,202
ACERINOX POLSKA, SP. ZO.O.	23,044		5,987		920	536	29,567
ACERINOX RUSSIA LLC.	42		83		-104	-24	101
ACERINOX SCANDINAVIA AB	25,685		-217		1,549	1,360	26,828
ACERINOX SC MALAYSIA SDN. BHD	30,724		-31,790		364	-705	-1,771
ACERINOX SHANGAI CO., LTD.	2,462		866		52	50	3,378
ACERINOX (SEA), PTE LTD.	258		965		-26	-82	1,141
ACERINOX U.K, LTD.	23,072		5,010	59	944	326	28,408
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	15,000		1,058		331	101	16,159
BAHRU STAINLESS, SDN. BHD	963,204		-868,391	339	-195,661	-202,942	-108,129
COLUMBUS STAINLESS (PTY) LTD.	122,864		144,600	477	-41,940	-35,252	232,212
CORPORACIÓN ACERINOX PERU S.A.C.	237		-209		-134	-154	-126
INOX RE, S.A.	1,225		762		-1,670		1,987
INOXCENTER CANARIAS, S.A.U.	270		1,071		185	141	1,482
INOXCENTER, S.L.U.	492		5,429		3,524	123	6,044
INOXFIL, S.A.	4,812		2,076		-2,996	-2,714	4,174
INOXIDABLES DE EUSKADI S.A.U.	2,705		5,754		797	369	8,828
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	9,693		2,190		147	115	11,998
METALINOX BILBAO, S.A.U.	72		20,187		1,230	938	21,197
NORTH AMERICAN STAINLESS INC.	525,986	-24	885,485	1,233	667,765	567,117	1,978,588
NORTH AMERICAN STAINLESS CANADA, INC	5,430		48,823		4,337	3,733	57,986
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	18		-9,774		9,774	9,774	18
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	22,624		23,652		4,229	6,230	52,506
ROLDAN S.A.	11,936		50,504		-13,336	-9,874	52,566
VDM METALS GROUP	25		268,230		151,013	79,428	347,683

The equity position of the Group companies at 31 December 2022, obtained from the separate annual accounts furnished by the respective companies, and converted into euro using year-end exchange rates, is as follows:

(Amounts in thousands of euros)

GROUP COMPANIES	Capital	Reserves and interim dividend	Other equity items	Operating income	Gains (losses) from continued activities	Total shareholders' equity
ACERINOX (SCHWEIZ) A.G.	711	2,044		163	102	2,857
ACERINOX ARGENTINA S.A.	4	2,029		2,095	283	2,316
ACERINOX AUSTRALASIA PTY. LTD.	382	99		-29	-29	452
ACERINOX BENELUX S.A. - N.V.	211	665		862	641	1,517
ACX DO BRASIL REPRESENTAÇOES, LTDA.	121	263		-23	-12	372
ACERINOX CHILE, S.A.	4,663	2,848		1,989	914	8,425
ACERINOX COLOMBIA S.A.S.	35	305		-190	-122	218
ACERINOX DEUTSCHLAND GMBH	45,000	-17,944		1,931	1,385	28,441
ACERINOX EUROPA, S.A.U.	62,056	221,876	56	-70,259	-60,728	223,204
ACERINOX FRANCE S.A.S.	265	3,432		760	722	4,419
ACERINOX INDIA PVT LTD.	116	-70		166	165	211
ACERINOX ITALIA S.R.L.	40,000	4,616		1,729	783	45,399
ACERINOX METAL SANAYII VE TICARET LIMITED SIRKETI	20	606		149	389	1,015
ACERINOX MIDDLE EAST DMCC (DUBAI)	13	1,003		-92	-95	921
ACERINOX PACIFIC LTD.	11,536	-10,808		-45	-56	672
ACERINOX POLSKA, SP. ZO.O.	21,364	4,135		2,500	1,416	26,915
ACERINOX RUSSIA LLC.	54	560		-104	-207	407
ACERINOX SCANDINAVIA AB	25,625	-1,272		2,611	1,056	25,409
ACERINOX SC MALAYSIA SDN. BHD	33,203	-36,033		2,627	1,677	-1,153
ACERINOX SHANGAI CO., LTD.	2,627	1,035		-15	-105	3,557
ACERINOX (SEA), PTE LTD.	264	993		56	-13	1,244
ACERINOX U.K, LTD.	22,598	4,609	48	699	300	27,507
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	15,000	760		502	298	16,058
BAHRU STAINLESS, SDN. BHD	997,944	-678,101	206	-220,941	-221,553	98,290
COLUMBUS STAINLESS (PTY) LTD.	138,132	94,925	412	102,221	67,645	300,702
CORPORACIÓN ACERINOX PERU S.A.C.	239	-157		-40	-54	28
INOX RE, S.A.	1,225	762		-508		1,987
INOXCENTER CANARIAS, S.A.U.	270	1,071			1	1,342
INOXCENTER, S.L.U.	492	5,177		1,450	252	5,921
INOXFIL, S.A.	4,812	-509		3,177	2,586	6,889
INOXIDABLES DE EUSKADI S.A.U.	2,705	5,823		18	-69	8,459

GROUP COMPANIES	Capital	Reserves and interim dividend	Other equity items	Operating income	Gains (losses) from continued activities	Total shareholders' equity
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	10,193	2,077		147	114	12,384
METALINOX BILBAO, S.A.U.	72	20,184			2	20,258
NORTH AMERICAN STAINLESS INC.	544,923	534,564	1,045	879,569	692,320	1,771,807
NORTH AMERICAN STAINLESS CANADA, INC	5,625	44,703		7,867	5,878	56,206
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	19	-10,126		10,126	10,126	19
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	23,439	18,324		6,175	6,179	47,942
ROLDAN, S.A.	11,936	43,115		10,015	7,389	62,440
VDM METALS GROUP	25	245,847		101,540	48,927	294,799

Impairment losses

At least at year-end, the Company assesses whether there are indications of impairment of its investments and, where appropriate, determines whether to make value adjustments when there is objective evidence that the carrying amount of an investment will not be recoverable.

Since Acerinox, S.A. is a holding company, its assets comprise mainly ownership interests in, and balances with, Group companies. The Company assesses whether there is objective evidence of impairment on a yearly basis. Such evidence is considered to exist when the carrying amount of the investee is lower than the value of the interest in Acerinox, S.A.'s accounts, taking into account the latest budget approved, or if the investee shows continuous losses for several years, in addition to deviating significantly from the budgets prepared by management or in the case of having impairment in previous years. In such cases, the Company calculates the recoverable amount of the investment, understood to be the higher of fair value less costs of disposal and the present value of the future cash flows from the investment.

In 2023, there were indications of impairment at Bahru Stainless, Sdn. Bhd., Acerinox Europa S.A.U., Columbus Stainless Ltd, Roldan, S.A., Inoxfil, S.A., Acerinox SC Malasia, Sdn. Bhd. and Acerinox Pacific, Ltd. The key assumptions used are detailed below:

Euros million	2023				2022			
	WACC before tax	WACC after tax	EBIT (1)	g	WACC before tax	WACC after tax	EBIT (1)	g
Bahru Stainless, Sdn. Bhd. (2)	9.0%	9.0%	-4.1%			12.8%	-1.9%	
Acerinox Europa, S.A.U.	11.9%	9.3%	4.9%	2.0%	10.8%	8.2%	5.1%	2.3%
Columbus Stainless, Pty. Ltd.	17.8%	13.1%	5.7%	4.5%	19.7%	14.7%	5.1%	4.7%
Roldan, S.A.	12.7%	9.3%	4.9%	2.0%				
Inoxfil, S.A.	12.6%	9.3%	5.3%	2.0%				
Acerinox SC Malasia, Sdn. Bhd.	11.5%	9.8%	6.8%	2.3%	10.5%	9.4%	3.7%	2.2%
Acerinox Pacific, Ltd (3)	10.3%	8.9%	'---	2.2%	9.1%	8.0%		2.2%

(1) Five-year budgeted average EBIT margin. EBIT is defined as profit or loss from operations and expressed as a margin or percentage of revenue.
(2) The WACC after tax is used during financial year 2022 to calculate the recoverable amount of the fair value (IAS 13).
(3) For Acerinox Pacific, Ltd, being a commissioning entity, the EBIT/Sales ratio is not an appropriate measure of performance.

To determine the present value of the cash flows, the estimate of future cash flows that the entity expects to obtain from the investment, calculated using a discount rate, i.e. the weighted average cost of capital (WACC), was taken in account.

The estimation of future cash flows was based on reasonable and well-founded assumptions. These assumptions consisted mainly of:

a) Five-year cash flow projections approved by management.

   These projections reflect the financial and macroeconomic circumstances and those of the stainless-steel market itself, adapted to the specific operating environment of each entity analysed. Consequently, the various parameters used (expected growth, use of installed production capacity, prices, working capital items, etc.) are projected on the basis of historical figures, particularly those from the previous year, and the targets set by management.

   The projections reflect these circumstances each year, in addition to the best estimates performed by management. In this connection, other significant assumptions such as exchange rates and raw material prices are extrapolated using highly conservative criteria, always tied to the most recent values recorded in the pertinent markets.

   The factories prepare the budget taking the 2024 budget approved by the Board as a starting point and maintaining the bases for calculation established therein. Each factory estimates the performance of its domestic and export production and sales, individual product margins and prices, based at all times on the cost structure established in the 2024 budget and on the guidelines set out in the approved Strategic Plan.

   The budgets for the other commercial subsidiaries are also prepared on the basis of the 2024 budget. The projection for the remaining years is performed by maintaining the estimated margins, variable costs per tonne and fixed costs, and by increasing the tonnes sold according to each supplier's budget (Group factories). In any event, the estimates of the subsidiaries are reviewed in accordance with management's expected sales targets for each market.

b) Projected cash flows are extrapolated into the future using a growth rate that is consistent with the country and the main markets in which the entities mainly operate.

   The Company is confident that the flows to perpetuity will materialise, mainly in terms of its use of production capacity and margins.

c) The cash flows are discounted to present value at a discount rate that represents a risk-free rate of return, adjusted by the risks specific to the asset which any market participant would consider when investing in an asset that generates cash flows involving similar amounts and timing and a similar risk profile. In this regard, the discount rate was estimated as the weighted average cost of capital (WACC) for each investment.

The interest rates of the sovereign debt of each country in which the subsidiary operates, and a capital structure, market risk premiums and ratios of similar companies are considered in order to determine this discount rate.

The aforementioned process was generally used for all the companies, except for Bahru Stainless Sdn. Bhd. and Acerinox Europa, S.A.U. The Company decided to request the assistance of an independent valuation firm and, together with this firm, adapted the main assumptions of the budgeted cash flows and the impairment test calculations, as detailed below.

In the other analyses conducted, the recoverable amount of certain investments was lower than the carrying amount and, accordingly, it was necessary to recognise the following impairments.

Bahru Stainless Sdn. Bhd,: EUR 96,553 thousand (the total carrying amount of the investment).
Acerinox Europa, S.A.U.: EUR 67,245 thousand
Columbus Stainless, Pty. Ltd.: EUR 22,200 thousand

In the case of Roldán, S.A. and Inoxfil, S.A., following the corresponding impairment tests carried out, the recoverable amount of the investments was higher than the carrying amount and, accordingly, it was not necessary to recognise any impairment losses.

In the other two trading subsidiaries, Acerinox SC Malaysia, Sdn. Bhd. and Acerinox Pacific, Ltd, it has also not been necessary to make any impairment or reversal of impairments made in previous years.

The following are the impairment tests carried out at Bahru Stainless Sdn. Bhd., Acerinox Europa S.A.U., Columbus Stainless Ltd., Roldan, S.A. and Inoxfil, S.A.

Bahru Stainless, Sdn. Bhd.

Bahru Stainless, Sdn. Bhd. was incorporated in 2008 and is located in Johor, Malaysia. Initially intended as a comprehensive stainless-steel flat product manufacturing facility, the rise in producers in the region prompted the Company to suspend the investments scheduled for future phases. It currently has two annealing and pickling lines and two cold-rolling lines.

The persistent overcapacity in the Chinese market over the past decade, along with the resulting price pressures from producers in this region on the international and Asian markets, has created a substantial price gap compared to the European and, above all, American markets for several years. China and Indonesia currently account for almost 70% of the world's stainless-steel production.

The various Southeast Asian countries, and Asian countries in general, as well as Europe, have reacted to Chinese overcapacity by applying anti-dumping or protectionist measures in their local markets.

During the year, the Asian market continued to suffer from aggressive pricing policies by major competitors in China and Indonesia.

In this context, and given the lack of prospects for this market, the Group is in the process of making strategic considerations about the future of Bahru Stainless, and does not rule out cessation of activity at this plant, and a time horizon of two years has been set to realise some of the alternatives currently under discussion.

Given this situation of uncertainty, the Company has again requested the support of an independent expert for the determination of the recoverable amount at 31 December 2023.

In previous years, estimates of recoverable value were made by an independent expert by calculating fair value less costs to sell and under the perspective of a market participant and considering a finite life (until 2046).

Given the new backdrop, the valuation method has been reconsidered to adapt it to the new circumstances and the latest management decisions. Thus, the value in use is the one that best reflects this situation.

For the determination of the value in use, a short-term scenario with a 2-year budget (2024-2025) and a residual value at the end of the period. The estimated budgets consider a gradual closure of the lines in the period considered. This scenario is the main assumption in the valuation conducted, where the discount rate for this two-year period is not significant. Estimated average EBIT over the two-year period is -4.1%.

For measurement purposes, a residual value of the lines has been considered in the terminal value, as well as the necessary decommissioning costs. In view of the scenario considered reasonable in this context, no value was recognised for tax credits and tax concessions, as these would be lost in the scenario under consideration.

In this scenario, the independent expert's valuation of Bahru results in zero value, so the Company has impaired the total carrying amount of the investment: EUR 96,553 thousand.

In 2022, an impairment of the investment's value was recorded in the amount of EUR 197,197.

Due to the accumulated impairments, the investment is valued at zero in the Company's accounts.

Acerinox Europa, S.A.U.

Acerinox Europa was incorporated in 2011 as a result of the spin-off of the manufacturing activity of Acerinox, S.A., and its main assets are the facilities located in Campo de Gibraltar. The Acerinox Europa factory, inaugurated in 1970, was the first integral stainless-steel factory in the world. The knowledge and experience gained during its design and execution played a pivotal role in the establishment of other factories within the Group. It is the leading stainless-steel producer in the Spanish market.

The integrated flat product plant has steelmaking, hot rolling and cold-rolling facilities and has a theoretical installed steelmaking capacity of one million tonnes in steelmaking and 660,000 tonnes of cold rolling. It manufactures flat stainless-steel products in various types of steel, formats, thicknesses and finishes.

Acerinox Europa is strategically located on the Strait of Gibraltar and has access to the Atlantic and the Mediterranean as well as its own seaport. The company supplies flat products all over the world, with a focus on the European continent, as well as semi-finished products to other plants within the Group's production network, primarily to the Acerinox Group's long products plant in Spain (Roldan). Despite being the Group's first and oldest factory, the plant remains at the forefront by ensuring that its production lines are upgraded with the latest advances in order to remain competitive.

Acerinox Europa is the market leader in Spain with a market share of around 50% and 10% in Europe.

This year, the adjustment of stocks in the supply chain has led to a fall in apparent consumption in Europe of around 20%. The main correction, with declines of more than 50%, was in imports, which were mainly destined for the distribution market, while demand from end consumers remained more stable.

The reduction in imports this year is due to the collapse of prices on the European market, as well as the safeguard and trade defence measures in force, and the positive impact of the opening of new anti-circumvention investigations into Indonesian re-rolled material in Taiwan, Vietnam and Turkey.

The complicated situation of the European markets caused by the fall in demand and in prices, and the high energy costs, have led to signs of deterioration in this financial year. In the face of this uncertainty, the management team requested a valuation by an independent expert, who determined the recoverable amount of the assets based on their value in use.

To this end, the Company has updated the five-year results forecasts based on the new circumstances and taking into account the future strategic plans approved by the management team, which have been designed with the aim of improving the results of Acerinox Europa, the main component of the Spanish fiscal Group, redirecting a greater part of its sales towards end customers and towards products with higher added value.

The Board of Directors of Acerinox has approved the Acerinox Europa strategic plan for the next 2 financial years 2024-2025.

In terms of demand, 2023 was the worst year in terms of sales since the creation of Acerinox Europa in 2011, due to the high stock levels in the distribution chain, which have led to a drop in sales to manufacturers, forcing the application of temporary layoff plans (ERTEs) at the Algeciras factory on a recurring basis for several months of this year. Low prices have also forced the Company to forego orders due to the inability to achieve minimum contribution margins. By 2024 and with inventories in the supply chain very low, the Company expects to reach sales levels somewhat above 2022 (second worst year in history, only surpassed by 2023) and to return to more stable volumes, in line with historical pre-pandemic levels, from 2025 onwards, thanks to the strategic plans adopted by the company. From 2026, SMR (Steel Metals and Market Research) demand estimates have been considered, which estimate moderate increases of 1.7% on average for the following 3 years.

On the price side, estimates are based on external sources, which foresee slight increases in both 2024 and 2025, from the lowest historical levels ever seen in 2023. Prices remain constant from 2026 onwards.

For supply prices, forward price curves for both electricity and gas are considered. All other costs take into account increases in consumer price indices.

The Company took into account all these circumstances and the adjustments to the macroeconomic forecasts in preparing the five-year budgets.

The budgets have been prepared taking into account the following: demand estimates, raw material and selling prices, exchange rates, consumer price increases, energy costs estimates and the Company's strategy itself.

The independent expert has reviewed this initial budget provided by the company. It has taken into account the future sales scenarios and expectations, stressing gross margin to align with historical values improved by the company's strategy.

To determine the value in use of the assets, both the estimate of future cash flows that the entity expects to obtain from the assets and the discount rate, i.e. the weighted average cost of capital (WACC), were taken in account.

The key assumptions used to calculate the value in use were as follows:

	2023	2022
Planned EBIT margin (*)	4.9%	5.1%
Weighted average growth rate (**)	2.0%	2.3%
Pre-tax discount rate (***)	11.9%	10.8%
After-tax discount rate (***)	9.3%	8.2%

(*) Five-year budgeted average EBIT margin. EBIT is defined as profit or loss from operations and expressed as a margin or percentage of revenue.
(**) Rate used to extrapolate cash flows beyond the budgeted period.
(***) Discount rate: weighted average cost of capital (WACC).

The discount rate was determined by considering a normalised 20-year German bond as the benchmark. Likewise, a market risk premium for Spain, historical betas, a leverage structure and cost of debt in line with market assumptions have been considered.

A normalisation exercise has been conducted in relation to the terminal value to achieve a perpetuity cash flow that is expected to remain stable in the long term, increased by the growth rate (g). The growth rate (g) was estimated on the basis of expected long-term inflation. The residual value considered in the test represents 79% of the total recoverable amount.

The impairment test performed at 31 December 2023 shows that the recoverable amount, EUR 274,234 thousand, is lower than the carrying amount of the Company's shareholding, EUR 341,479 thousand. Therefore, the Company has recorded an impairment of EUR 67,245 thousand (excess of EUR 65,325 thousand in 2022).

Columbus Stainless Pty. Ltd.

Columbus Stainless, Middelburg (South Africa), is the only integrated stainless-steel factory in Africa. It is the main supplier of both the domestic market and the various consumer areas of the continent, in which it is the leader. The Columbus factory, the most technologically advanced in the industry, is equipped with the most efficient machinery and has a considerable competitive advantage due to its location, not just for the distribution of finished goods but also because of its proximity to sources of raw materials, particularly ferrochrome.

Columbus manufactures both flat stainless-steel and carbon steel products. Faced with the difficult market situation in both Europe and Asia in recent years, Columbus achieved a milestone with the manufacture of carbon steel using technology designed to produce stainless steel. After the closure of one of the local carbon steel production plants, part of this market was left unsupplied and had to be covered by imports. Columbus took advantage of this situation to win orders and serve this niche. In this way, the company was able to partially compensate for the difficulties in the stainless-steel market, reduce its dependence on exports and increase its steel production, thereby diluting fixed costs.

The Columbus factory has also been affected this year by low levels of demand, which has forced it to close the factory for a few weeks during the year to balance production and reduce stock levels. At Columbus, sales in the local market accounted for 65% of total sales. The diversification towards carbon steel accounted for 36% of total steel production this year.

Exports have been affected by the inclusion of South African steel imports in Europe's safeguard measures since June 2022.

This year, stainless-steel sales in the local market decreased by 7% compared to the previous year; carbon steel sales remained in line with the previous year, while exports decreased by 29%

The company's continuous improvement initiatives in line with the Group's excellence plans have boosted productivity and efficiency, leading to cost improvements. This has enabled Columbus to maintain a highly competitive cost structure.

Sales prices, as in other markets, have suffered a continuous deterioration this year.

With respect to the five-year budgets, the estimated sales and production volumes are based on current capacities using existing machines and equipment, and take into account the evolution of both future demand and prices, with respect to the company's product mix, as estimated by independent industry experts. Management determines production costs by taking into account the current situation, the efficiency plans implemented and future price developments.

Demand estimates were based on SMR (Steel & Metals Market Research).

The discount rates used are pre-tax values and reflect specific risks relating to the relevant segments. Other significant assumptions such as exchange rates and raw material prices are tied to the most recent values recorded in the pertinent markets.

The Company is confident that the flows to perpetuity will materialise, mainly in terms of its use of production capacity and margins. They were calculated using growth rates estimated on the basis of the expected long-term inflation rate.

The key assumptions used to calculate the value in use were as follows:

	2023
Planned EBIT margin (*)	5.7%
Weighted average growth rate (**)	4.5%
Pre-tax discount rate (***)	17.8%
After-tax discount rate (***)	13.1%

(*) Five-year budgeted average EBIT margin. EBIT is defined as operating income and expressed as a margin or percentage of revenue.

(**) Rate used to extrapolate cash flows beyond the budgeted period.

(***) Discount rate: weighted average cost of capital (WACC).

The average EBIT margin indicated for this financial year has been reached in the past, and in 2022 (10.9%) it was 1.9 times higher.

The discount rate (WACC or weighted average cost of capital) was calculated on the basis of the interest rates of the South African sovereign debt (ten-year swap of the South African rand) and the main markets where it is active, and a capital structure, market risk premiums and ratios of similar companies. The reference currency in this connection was the South African rand, since all the cash flows are estimated in this currency.

With respect to the terminal value, adjustments were performed to obtain flows to perpetuity, depreciation and amortisation were matched to the investments and changes in working capital were also calculated based on average amounts, deemed consistent in the long term, increased by the growth rate (g). The growth rate (g), like the discount rate, is estimated on the basis of the South African rand and calculated in accordance with the expected long-term inflation in that currency. At terminal value, the EBIT margin considered is lower than the average of the explicit budgeting period.

Other assumptions are the ZAR/EUR exchange rate (20.35 ZAR/EUR) and the price of raw materials (USD 16,000/t), which are established when drawing up the budget. Both are extrapolated and kept constant during the period of analysis.

Due to the uncertain environment clouding the markets in which Columbus operates, the Company analysed the probability of occurrence of the key assumptions, adjusting the estimated budgets, as well as those of the terminal year, to normalised values that mainly take into account the results obtained in the past, in addition to the company's new production mix. The residual value considered in the test represents 48% of the total recoverable amount.

The impairment test performed at 31 December 2023 shows that the recoverable amount, EUR 241,470 thousand, is lower than the carrying amount of the Company's shareholding, EUR 263,670 thousand. Consequently, the Company recorded an impairment of EUR 22,200 thousand (excess and reversal of EUR 58,291 thousand in 2022).

Roldan, S.A.

Roldan is the eldest industrial facility of the Acerinox Group and one of the three manufacture plants for long product production. Roldan is located in Ponferrada (Leon, Spain) and produces angles, bars and wire rod in various types of steel and finishes. Part of its production is sent to Inoxfil, located in Igualada (Barcelona, Spain).

Roldan uses as raw material for the production of long products, the billet supplied by the Group's plant in Palmones, Acerinox Europa, S.A.U.

The long product manufactured in this plant is supplied to both the internal market and to international customers, and its stainless steels are present in some of the most iconic international projects.

Apparent consumption of the long product in Europe in 2023 fell by 20%. The factories have operated at significantly lower production levels than in previous years, with volumes falling below the break-even point. As a result, the Roldan factory has had to implement the Temporary Layoff Plan on multiple occasions.

The decline in prices throughout the year was primarily driven by imports reaching nearly 40%, while the decrease in raw material costs had a considerable effect on the company's annual performance. Since the beginning of the year, prices have been falling steadily, reaching a cumulative decline of 35% in December. The pressure on the market has also reduced the number of orders quoted with alloy surcharges compared to the effective prices mostly quoted by Asian suppliers.

Similar to stainless-steel flat products, demand has also been consistently low all year due to overstocking within the supply chain. Inventory levels have started to correct in the coming months, so 2024 is expected to see a substantial improvement in production, sales and prices, but not yet to 2022 levels.

The five-year budget and key variables used follow the same guidelines stated for Acerinox Europa, duly contextualised in the stainless-steel long products market.

The recoverable amount of the assets was determined in accordance with their value in use.

To determine the value in use of the assets, the estimate of future cash flows that the entity expects to obtain from the assets and the discount rate, i.e. the weighted average cost of capital (WACC), were taken in account.

The key assumptions used in the value in use calculations are the same as those described for Acerinox Europa with the exception of the budgeted average EBIT margin which in the case of Roldan has been 4.9%.

The terminal value represents 58% of the total recoverable amount. At terminal value, the EBIT margin considered is lower than the average of the explicit budgeting period.

The impairment test performed at 31 December 2023 shows that the recoverable amount, EUR 75,276 thousand, is higher than the carrying amount of the Company's shareholding, EUR 17,405 thousand. Therefore, the Company has not recorded any impairment in the value of the company's investment.

Inoxfil, S.A.

Inoxfil, S.A. is one of the Group's two long product plants in Spain and engages in the manufacture of stainless-steel wire. Located in Igualada (Barcelona, Spain), this company is 100% owned by the Group company Roldan, S.A. Inoxfil receives wire rod mainly from Roldan, but also from other third-party suppliers, which is used as raw material to complete its production process and obtain wire. This is therefore the final production link in a network starting when Roldan receives the billet from Acerinox Europa, this being the only Group plant with a melting shop in Spain.

The long product manufactured by this plant is supplied both to the domestic market and to international customers.

The five-year budget and key variables used follow the same guidelines stated for Acerinox Europa, duly contextualised in the stainless-steel long products market.

The recoverable amount of the assets was determined in accordance with their value in use.

To determine the value in use of the assets, the estimate of future cash flows that the entity expects to obtain from the assets and the discount rate, i.e. the weighted average cost of capital (WACC), were taken in account.

As in the case of Roldan, the key assumptions used in the value in use calculations are the same as those described for Acerinox Europa with the exception of the budgeted average EBIT margin which in the case of Inoxfil has been 5.3%.

The terminal value represents 54% of the total recoverable amount. At terminal value, the EBIT margin considered is lower than the average of the explicit budgeting period.

The impairment test performed at 31 December 2023 shows that the recoverable amount, EUR 7,967 thousand, is higher than the carrying amount of the Company's shareholding, EUR 6,247 thousand. Therefore, the Company has not recorded any impairment in the value of the company's investment.

Other companies

For the other companies, Acerinox SC Malasia, Sdn. Bhd. and Acerinox Pacific, Ltd, commercial subsidiaries carrying and subsidiaries of the main factories, as indicated above, a budgetary exercise was also performed for the relevant period, in line with the budgets of the Group factories that supply the materials necessary for the Group's sales activities. As a result of the exercises carried out, it was determined that no impairment or reversal of impairment of the investment portfolio of these trading companies was necessary.

Summary of impairment losses recognised in 2023

The detail of the changes in impairment losses on investments in Group companies and associates in 2023 was as follows:

(Amounts in thousands of euros)

	Accumulated balance as of 31/12/22	Period endowment	Reversal of the period	Accumulated balance as of 31/12/23
ACERINOX EUROPA, S.A.U.	0	67,245		67,245
Acerinox SC Malaysia, Sdn. Bhd.	18,081			18,081
Acerinox Pacific, Ltd.	19,358			19,358
Betinoks Palanmaz Çelik, A.S.	354			354
Bahru Stainless Sdn. Bhd.	676,293	96,553		772,846
Columbus Stainless Pty, Ltd	16,468	22,200		38,668
TOTAL	**730,554**	**185,998**	**0**	**916,552**

Summary of impairment losses recognised in 2022

As a result of the analyses carried out in 2022, it was necessary to recognise additional impairment losses of EUR 197,197 thousand in Bahru Stainless Sdn. Bhd. In the case of Columbus Stainless, Pty. Ltd., a reversal of impairments made in previous years amounting to EUR 58,291 thousand was made to the value of its shareholding.

The detail of the changes in impairment losses on investments in Group companies and associates in 2022 was as follows:

(Amounts in thousands of euros)

	Accumulated balance as of 31/12/21	Period endowment	Reversal of the period	Accumulated balance as of 31/12/22
Acerinox SC Malaysia, Sdn. Bhd.	18,081			18,081
Acerinox Pacific, Ltd.	19,358			19,358
Betinoks Palanmaz Çelik, A.S.	354			354
Bahru Stainless Sdn. Bhd.	479,096	197,197		676,293
Columbus Stainless Pty, Ltd	74,759		-58,291	16,468
TOTAL	**591,648**	**197,197**	**-58,291**	**730,554**

Dividends

In 2023, the Company received dividends from its subsidiaries amounting to EUR 306,131 thousand, as detailed below:

(Amounts in thousands of euros)

	2023	2022
Acerinox Shanghai Co. Ltd.		384
North American Stainless Financial Investments Ltd.	9,757	10,144
Acerinox Russia LLC	202	
Acerinox France S.A.S.		7,998
Acerinox Metal Sanayii Ve Ticaret, Ltd. Sirketi		545
North American Stainless Inc.	296,172	468,845
TOTAL	**306,131**	**487,916**

Dividends from Group companies are recognised under “revenue”.

9.2.7 Other disclosures

As of 31 December 2023 and 2022:

There were no firm commitments to purchase financial assets.

There were no financial assets pledged as security for liabilities or contingent liabilities.

No guarantees had been received on financial or non-financial assets.

When Columbus Stainless was incorporated, Acerinox, S.A. signed a Shareholders Agreement in December 2001 with the three South African partners, Highveld Steel and Vanadium Corporation, Ltd., Samancor, Ltd. and IDC, which held ownership interests therein.

In Clause 9 of that agreement it was stipulated that in the event of a change of control at Acerinox, S.A., by virtue of which a shareholder acquired shares of Acerinox, S.A. that afforded it a majority of votes at the General Meeting or on the Board, the shareholders would be able to exercise a put option on their ownership interests vis-à-vis Acerinox.

In the years that have passed, two of the three partners who signed the agreement, Highveld and Samancor, have renounced their shareholdings, and the third, IDC, a state entity supporting industrial development in South Africa, has increased its ownership interest from 12% to 24%, given its interest in supporting the creation of wealth, the maintenance of employment and the status of the stainless-steel industry as a strategic industry for the country. IDC recently declared that this was a strategic and long-term interest.

Consequently, the exercise of this option, with respect to the aforementioned assumption, is highly unlikely for the only minority shareholder of Columbus Stainless, since its permanence is not determined by the presence of Acerinox, as it was in the case of the other shareholders, but by support to the national industry.

9.3 Information on the nature and level of risk of financial instruments

The Company is exposed to various financial risks, mainly market risk (foreign exchange risk, interest rate risk), credit risk and liquidity risk. However, since the main activity of the Group to which it belongs is the manufacturing and marketing of stainless-steel, the Company is also indirectly exposed to the risks inherent to the industry. The Company aims to minimise the potential adverse effects on its financial profitability through the use of derivative financial instruments, where appropriate to the risks, and by taking out insurance policies.

The Company does not acquire financial instruments for speculative purposes.

9.3.1 Direct risks

The Company's main business activities are those of a holding company. The Company monitors and approves the strategic lines of business and provides various corporate services such as legal, accounting and advisory services to all Group companies. It also handles the management and administration and centralises financing within the Group.

The Company is exposed to the following risks, arising mainly from its financing activities:

9.3.1.1 Foreign currency risk

The Company is primarily financed in euros, and it invests in and lends funds to Group companies in different currencies. The Company hedges exchange rate volatility risk by arranging currency forwards.

Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date at the exchange rates then prevailing. Any exchange differences that arise from such translation are recognised in the consolidated statement of profit or loss. To avoid fluctuations in the statement of profit and loss due to changes in exchange rates, and to ensure the expected cash flows, the Company uses derivative financial instruments to hedge most of its financial transactions performed in currencies other than the euro.

The derivative financial instruments used to hedge this risk consist of foreign currency purchase and sale forward contracts negotiated by the Group's Treasury Department in accordance with policies approved by management.

The Company's business model is to hedge foreign currency risk through the use of derivative financial instruments and there is an economic relationship between the hedged item and the hedging instrument. The Company, however, classifies its foreign exchange insurance contracts in the category of financial instruments at fair value through profit or loss.

Using these instruments ensures that any fluctuation in exchange rates that could affect assets or liabilities denominated in foreign currency would be offset by a change of the same amount in the derivative arranged. Changes in the derivative are recognised in profit or loss, offsetting any changes that occur in foreign currency monetary items. As these derivatives do not qualify as cash flow hedging instruments for accounting purposes, the revaluation of these derivatives is recorded in the consolidated statement of profit or loss "Changes in fair value of financial instruments".

The fair value of foreign currency forward contracts is equal to their market value at the reporting date, i.e. the present value of the difference between the current forward rate and the contract rate.

Note 9.2.2 details the financial instruments arranged by the Company to hedge this type of risk at 31 December 2023 and 2022.

9.3.1.2 Interest rate risk

The Company finances itself mainly in euros, with different maturities and the loans are mostly at variable interest rates.

The Company's financial liabilities and financial assets are exposed to fluctuations in interest rates. To manage this risk, interest rate curves are analysed regularly and derivatives are occasionally used. These derivatives take the form of interest rate swaps which qualify for recognition for accounting purposes as cash flow hedging instruments. The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the reporting date, taking into account interest and exchange rates at that date and the credit risk associated with the swap counterparties.

In addition, when considered appropriate, the Company takes out fixed-rate loans to reduce its exposure to interest rate fluctuations.

70% of the Group's loans and private placements are at fixed interest rates (these figures include those loans closed at variable interest rates but hedged with an interest rate derivative).

The last two years have been marked by interest rate increases. The rate hike that started in 2022 came to an end in September 2023, reaching the highest level since 2001 (4.5%).

Due to the continued increase in interest rates and the high percentage of fixed-rate loans, the Company has decided not to contract new derivatives in 2023.

As in 2022, the Company has continued to actively manage its long-term loans during 2023. **Note 9.2.5** explains all new loan negotiations undertaken throughout the year.

Note 9.2.2 details the financial instruments arranged by the Company to hedge this type of risk at 31 December 2023 and 2022.

In relation to the Company's interest rate sensitivity, had interest rates on its outstanding debt at year-end been 100 basis points higher, with all other variables remaining constant, the profit after tax would have been EUR 5.9 million lower (2022: EUR 5 million lower) due to higher borrowing costs on floating-rate debt. The effect on the Company's equity of such an increase in interest rates across the entire interest rate curve would have been an increase of EUR 3.4 million (2022: an increase of EUR 7.5 million), since the higher borrowing costs would have been comfortably offset by increases in the values of its interest rate hedging derivatives held at the reporting date.

9.3.1.3 Liquidity risk

Liquidity risk is the risk of not being able to meet present and future obligations or not having the funds required to perform the Company's activities.

The Company is primarily financed through the cash flows arising from its operations, dividend collection from Group's entities, in addition to loans and financing facilities.

During the year, the Company has maintained good access to liquidity through long-term loans and financing facilities in excess of the amounts needed at any given time.

The Group's cash resources are centrally managed in order to optimise resources. Net debt is mainly concentrated at the parent of the Company (more than 65% of total gross debt at year-end), which in turn finances the Group companies that need it.

Based on its cash flow estimates and considering its investment plans, the Company has sufficient funding to meet its obligations, and maintains a sufficient level of undrawn credit facilities, together with high levels of liquidity, to hedge liquidity risk.

In 2023 and 2022, no defaults occurred on the principal or interest of the Group's various financing facilities.

At 31 December 2023, the Company had arranged financing facilities with banks with a maximum available limit of EUR 1,859 million (2022: EUR 1,962 million), against which EUR 1,424 million had been drawn down at 31 December 2022 (2022: EUR 1,477 million). The fair value of the current borrowings is equal to their carrying amount.

The most noteworthy financing transactions performed in 2023 and 2022 are detailed in **Note 9.2.5**.

Cash and cash equivalent balances are available and there is no restriction on their use.

In addition, the Company continuously monitors the maturity profile of its financial debt in order to establish the longest possible annual maturities.

9.3.1.4 Credit risk

Credit risk is defined as the possible loss that could be incurred through failure of a customer or debtor to meet contractual obligations.

All of the Company's accounts receivable relate to Group companies. As mentioned previously, the Group's cash is centrally managed in order to optimise resources, and loans are granted to Group companies on the basis of their financing requirements.

9.3.2 Indirect risks

As the Parent of the Acerinox Group, which engages mainly in the manufacture and marketing of stainless steel, the Company is exposed to risks inherent to the industry:

9.3.2.1 Price risk

The risks of changes in the steel sector prices, which could indirectly affect the parent company, are fully disclosed in the Group's notes to the consolidated financial statements and are as follows:

1. **Risk due to energy price fluctuation.**

During the last two years, the high volatility in the price of supplies, mainly gas and electricity, have acquired special relevance.

As the Group's factories are electro-intensive consumers of energy, these variations pose a risk due to the impact they have on the manufacturing costs of both stainless steel and high-performance alloys.

The steel sector requires an intensive use of energy to melt scrap and ferroalloys in electric furnaces to obtain molten material, as well as the use of fossil fuels such as natural gas in the heating and melting processes. Acerinox is therefore working to continuously improve its production processes, promoting innovation and the development of more efficient and cleaner technologies in steel production and supporting advances in less polluting and more sustainable processes.

While energy prices in Europe are down this year from their peak levels in 2022, when they were primarily affected by Russia's invasion of Ukraine and international sanctions, they remain at very high levels compared to previous years. In the other countries where the Group has its factories, energy prices have risen by 20-25%. Gas prices, however, have fallen by around 60% in the United States and remained constant in South Africa.

The average price of electricity for the Group in Spain in 2023 is 30% higher than the costs of its factory in the United States and 20% higher than in South Africa. In the case of gas prices, the two plants have around 80% cheaper costs.

The Group seeks to mitigate the effects of volatile energy costs by improving the efficiency of energy consumption and by entering into PPAs (Power Purchase Agreements). Forward purchase contracts for energy are realised through the physical purchase of energy consumed by the Group in its stainless-steel production facilities. They are therefore supply contracts for own use.

Due to its electro-intensive nature, energy cost management is a strategic area for the Group and a constant element in excellence plans. The Group is constantly analysing alternative sources of supply in order to reduce costs.

Due to the impact of energy price fluctuations on the Group's costs, management has included this variable as a key assumption in valuations and forward estimates, particularly in Europe, and sensitivity analyses to energy price fluctuations are under way.

2. Risk of changes in raw material prices

The Group's exposure to raw material price fluctuations is different in the stainless-steel division than in the high performance alloys division, since, although both of the Group's divisions use metals listed on the London Metal Exchange as raw materials, the performance of demand and the way in which raw material price changes affect the markets are substantially different in each division.

2.1 Raw materials used for the stainless-steel division

Stainless steel is an alloy of iron, chromium (> 10.5%) and carbon (< 1.2%) to which other minerals such as nickel or molybdenum are added to give it certain properties. Nickel is one of the minerals that are present in all austenitic alloys, the most common on the market, in a variable percentage between 6 and 22%. Both nickel and molybdenum are listed on the London Metal Exchange and their prices are therefore subject to fluctuations in market prices.

The cost of raw materials accounts for about 70% of the total cost of the product, and of this, nickel accounts for about 50%. Therefore, nickel price volatility has a direct and significant effect on the cost of stainless steel. Consequently, the strategy in relation to setting selling prices and the repercussion of such fluctuations is one of the most critical functions and requires significant market knowledge. The price of nickel, because of its influence on the cost of stainless steel, ultimately determines the price of the final product, and there is a direct correlation between the two prices.

However, stainless steel is a "commodity" product where consumers, in many cases metal traders, construction, engineering, automotive, kitchen appliances or industrial machinery, value trust in some manufacturers more than others, but where the final price is ultimately the key to supplier selection.

Producers try to pass on the volatility of raw materials in the price of the final product through a variable price mechanism called "alloy surcharge". The alloy surcharge is a mathematical formula, calculated on a monthly basis by each of the market's stainless-steel producers, that takes into account changes in the prices of certain raw materials (particularly nickel, chromium and molybdenum) and fluctuations in the EUR/USD exchange rate. The application of this alloy surcharge allows nickel price fluctuations on the London Metal Exchange to be passed on to customers during the order manufacturing phase, as well as fluctuations in the prices of other raw materials and in the EUR/USD exchange rate.

While this mechanism is consistently followed in some markets such as the United States and South Africa, it does not work in the same way in Asia, where producers offer fixed prices at the time of negotiation. This has an impact on markets where imports are higher, such as in Europe, which sometimes prevents this pricing system from being passed on to the end customer.

As was the case from the second half of 2022 onwards, in 2023, the mitigating effect of the alloy surcharge on the risk of price changes performed differently in the United States and in Europe. While in the North American market the alloy surcharge is always respected by the market and is a factor of price stability, in Europe the traditional system of base price and alloy surcharge has been partially replaced by an effective pricing system due to import pressure.

Over the course of the year, demand remained at a very low level due to excess stainless-steel inventories in the supply chain and geopolitical instability, keeping prices under pressure throughout the year and reaching unprecedented record lows.

The downward trend in the price of nickel persisted over the period, beginning in 2023 above USD 31,000/t and ending at a price near USD 16,500. One of the main reasons for this sharp fall was the increased availability of all nickel sources. The gradual increase in stocks on the London and Shanghai metal exchanges also contributed to maintaining this downward trend in the price.

The Group aims to minimise the impact of fluctuating raw material prices by keeping low inventory levels across the production chain, along with applying an alloy surcharge mechanism.

2.2 Raw materials used for the high-performance alloys division

The high-performance alloys division involves alloys whose content of listed metals such as nickel is much higher than that of stainless steel, reaching up to almost 100% in certain alloys. In addition, they may also contain other metals such as copper, cobalt, aluminium and molybdenum. The metal content in this type of alloys accounts for 2/3 of the total cost of the product and the selling price of these alloys is up to 10 times higher than that of stainless steel. The manufacturing period lasts around three to four months and, accordingly, the Group must purchase metals several months before they are sold.

Due to the percentage of metals in the total cost of the product and the associated price volatility, customers in this sector always demand fixed prices, which the Group guarantees when orders are received, initially assuming the full risk of raw material volatility. To mitigate this risk, the Group has a metals trading department in this division, which is responsible for entering into derivatives on the LME (London Metal Exchange) to hedge the metal purchases required to manufacture the products demanded by customers. In the case of metals not listed on the LME, natural hedges through physical stock are undertaken.

2.3 Risk of price distortion due to the accumulation of stock in the market

The stainless-steel market is characterised by robust demand, which has grown at an annual rate of approximately 6% for over 50 years. The demand for stainless steel for all industrial applications and its presence in all industries guarantee that this growth rate will be sustained in the coming years. Although end consumption continues to grow steadily, the fact that this market is largely controlled by independent wholesalers leads to volatility in apparent consumption, based on their expectations regarding nickel price trends on the London Metal Exchange (LME) and their resulting stockpiling or inventory realisation strategies.

Fluctuations in the price of nickel also affect consumer demand. Reductions in the price of nickel tend to go hand in hand with short-term drops in demand. Conversely, a rise in nickel prices tends to go hand in hand with higher demand. To reduce the risk arising from the fact that independent wholesalers control the majority of the market, the Acerinox Group has developed a sales network that enables it to supply end customers on a continuous basis, by means of warehouses and service centres through which the Group's production is channelled. This policy has enabled the Group to obtain a significant market share among end customers, enabling it to stabilise its sales and, therefore, reduce this risk.

2.4 Risk of overvaluation of inventories

The convenience of maintaining sufficient inventory levels at the Group's warehouses entails the risk that these inventories might be overvalued with respect to their market price. The Group mitigates this risk by keeping strict control of its inventory levels.

The valuation of raw materials, work in progress and finished goods at average cost also helps to reduce the volatility of costs and, therefore, the impact of nickel price fluctuations on margins.

9.4 Insurance

The geographical diversification of the Company's factories (with three integrated flat product manufacturing plants, one cold-rolling plant and three long product manufacturing plants) ensures that an accident would not affect more than one third of total production. This guarantees the continuity of the business, while adequate coordination between the other factories mitigates the consequences of material damage to any of the facilities.

Sufficient coverage has been arranged for the Group's factories through material damage and loss-of-profit insurance policies, which account for over 66.67% of the Acerinox Group's insurance expenditure. Also, all assets under construction are covered by the insurance policies taken out by the respective suppliers as well as the global building and assembly policy.

The Group also has a reinsurance company based in Luxembourg (Inox Re), which manages these risks by assuming a portion as self-insurance and accessing the reinsurance market directly.

The Acerinox Group has also arranged general third-party liability, environmental, credit, transport, cyber-risks and group life and accident insurance policies to reduce its exposure to these various risks.

9.5 Cash

The detail of the amount of cash at 31 December 2023 and 2022 was as follows:

(Amounts in thousands of euros)

	2023	2022
Cash on hand	15	15
Banks	21,172	3,305
TOTAL	**21,187**	**3,320**

NOTE 10 – EQUITY

10.1 Subscribed capital, issue premium and treasury shares

Acerinox, S.A.'s share capital solely comprises ordinary shares. All these shares carry the same rights and there are no bylaw restrictions on their transfer.

At the cut-off date the share capital consisted of 249,335,371 ordinary shares of EUR 0.25 nominal value each, yielding capital of EUR 62,334 thousand (270,546,193 ordinary shares at 31 December 2022 and a capital amount of 64,931). The shares have been fully subscribed and paid.

All the Company's shares are listed on the Madrid and Barcelona stock exchanges.

During the year, Acerinox, S.A.'s share capital has been reduced, as approved by the Annual General Meeting held on 23 May 2023, through the amortisation of 10,388,974 treasury shares with a value of EUR 2,597 thousand. The purpose of this reduction of share capital is to increase the value of the shareholders' stake in the Company.

As regards 2022, the Board of Directors of Acerinox, S.A. held on 30 June 2022, on the basis of the authorisation granted by the Annual General Meeting of Acerinox, S.A. held on 16 June , resolved to execute the resolution to reduce share capital, reducing it by EUR 2,706 thousand through the redemption of 10,821,848 treasury shares.

At 31 December 2023, the only shareholder with a stake of 10% or more in the share capital of Acerinox, S.A. is Corporación Financiera Alba, S.A. with 19.29% (2022: 18.52%).

10.2 Reserves

The detail of reserves at 31 December was as follows:

(Amounts in thousands of euros)

	Legal reserve	Voluntary reserve and prior years' losses	Reserve for redeemed shares	Reserves for revaluation of non-current assets	TOTAL RESERVES
Balance as of 31 December 2021	**13,527**	**841,474**	**3,475**	**5,243**	**863,719**
Amortisation of treasury shares		-121,588			-121,588
Application of retained earnings		308,558			308,558
Dividend distribution		-129,850			-129,850
Other changes		-809			-809
Balance as of 31 December 2022	**13,527**	**897,785**	**3,475**	**5,243**	**920,030**
Amortisation of treasury shares		-88,088			-88,088
Application of retained earnings		332,013			332,013
Dividend distribution		-149,562			-149,562
Other changes		-770			-770
Balance as of 31 December 2023	**13,527**	**991,378**	**3,475**	**5,243**	**1,013,623**

"Other movements" mainly comprise the difference between the value of own shares delivered under the long-term equity compensation plan and the equity instruments deferred based on the estimates made. The details of these agreements are explained in **Note 14.3**.

10.2.1. Legal reserve

Appropriations were made to the legal reserve in accordance with Article 274 of the Spanish Limited Liability Companies Law, which requires that 10% of net profit for each year be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The Company has already recorded this reserve for an amount equivalent to 20% of the share capital, amounting in both periods to EUR 13,527 thousand.

The legal reserve is not distributable to shareholders and can only be used to offset losses, in the event that sufficient other reserves are not available for this purpose, in which case the reserve must be replenished with future profits.

10.2.2. Voluntary Reserves

Pursuant to Article 273 of the Spanish Limited Liability Companies Law, voluntary reserves are unrestricted as to their use, provided that the distribution thereof does not reduce equity to below share capital.

10.2.3. Redeemed shares reserve and property, plant and equipment revaluation reserve

In accordance with Royal Decree-Law 7/1996, of 7 June, on urgent tax measures and measures to foster and deregulate the economy, the Company revalued its items of property, plant and equipment. The amount of the property, plant and equipment revaluation reserve reflects the revaluation gains, net of tax at 3%.

The tax authorities had a three-year period from 31 December 1996 in which to conduct a tax audit. Since such an audit did not take place, the aforementioned balance could be used to eliminate losses or increase the Company's share capital.

The balance of this account may only be distributed, either directly or indirectly, once the gain has been realised.

10.3 Treasury shares

At year-end, treasury shares amounted to 106,367 with a value of EUR 1,031 thousand (2022: 10,392,404 treasury shares with a value of EUR 90,703 thousand).

The Board of Directors meeting on 27 July 2022, in view of the Company's financial strength, cash generation prospects and the low level of the share price, agreed to initiate a new 4% share buy-back programme. This programme fulfilled the Company's commitment to redeem the shares that were issued in the years when scrip dividends were made.

The terms of the buy-back programme were as follows:

- The shares had to be purchased at market price and under the price and volume conditions set out in Article 3 of the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.
- The Company could not purchase shares at a price higher than the higher of the prices of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase was carried out.
- The Company could not purchase on any trading day more than 25% of the average daily volume of the shares on the trading venue on which the purchase was carried out. The average daily volume of the Company's shares for the purposes of the foregoing calculation was based on the average daily volume traded during the twenty business days preceding the date of each purchase. This limit applied for the entire duration of the programme.

On 26 October 2022, the Company completed the acquisition of 10,388,974 shares included in the second approved buy-back programme. The disbursement made by the Group in connection with this programme amounted to EUR 90,685 thousand.

The Annual General Meeting held on 23 May 2023 approved the reduction of Acerinox, S.A.'s share capital by EUR 2,597 thousand, through the retirement of 10,388,974 treasury shares. The purpose of this reduction of share capital through the redemption of treasury shares is to increase the value of the shareholders' stake in the Company. This capital reduction was carried out in August this year.

During the year, 213 thousand treasury shares were acquired to cover the Multi-Year Remuneration Plans for Group executives for an amount of EUR 2,084 thousand. During this fiscal year, 110,563 treasury shares were delivered to Company's executives as a result of the completion of the Third Cycle of the First Multi-Year Remuneration Plan. In this way, treasury shares totalling EUR 1,072 thousand were derecognised. The difference between the equity instruments recorded in accordance with the valuation made at the beginning of the plan and the treasury shares delivered has been recorded against reserves of the parent company in the amount of EUR -769 thousand.

With regard to 2022, the Board of Directors of Acerinox, S.A., at its meeting held on 16 December 2021, approved a share buyback plan of up to 4% of the share capital. The maximum investment approved was EUR 150 million and the maximum number of shares to be acquired could not exceed 10,821,848, representing 4% of the Company's capital, at the time of approval.

During the year, 9,986,487 shares were acquired for an amount of EUR 114,875 thousand in connection with this buy-back programme (835,361 shares for an amount of EUR 9,418 thousand had been acquired the previous year). As explained in the section on share capital, all shares corresponding to this buy-back programme were redeemed in 2022 amounted to EUR 124,294 thousand. Effective 30 August 2022, 10,821,848 shares of Acerinox, S.A. were delisted from trading on the Madrid and Barcelona Stock Exchanges.

In June 2022, 109.378 treasury shares were delivered to Group executives as a result of the completion of the second cycle of the First Multi-Year Remuneration Plan. Treasury shares totalling EUR 1,234 thousand were derecognised. The difference between the equity instruments recorded in accordance with the valuation made at the beginning of the plan and the treasury shares delivered were recorded against reserves of the parent company in the amount of EUR -810 thousand.

As explained in **Note 14.3**, 40,000 treasury shares amounting to EUR 419 thousand were acquired last year to cover the multi-year remuneration plans for Group executives.

10.4 Earnings per share

The basic earnings per share are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding in the year, less treasury shares.

(Amounts in thousands of euros)

	2023	2022
Net Profit	114,187	332,013
Weighted average number of common shares outstanding	249,260,083	257,598,114
Earning/(loss) per share (in Euros)	**0.46**	**1.29**

Although there were other equity instruments that gave access to capital at 31 December 2023, as indicated in **Note 14.3**, these do not have a significant effect on the calculation of earnings per share and, therefore, diluted earnings or losses per share are the same as basic earnings or losses per share.

10.5 Distribution of dividends

The Board of Directors of Acerinox, S.A., held on 20 December 2023, has agreed to propose to the Shareholders' Meeting the payment of a dividend of EUR 0.62 per share, i.e. an increase of 3.33% over the last approved dividend, of which EUR 0.31 gross per share has been payable in cash to each of the existing and outstanding shares of the Company entitled to receive such dividend on 26 January 2024 through the depositary entities participating in the "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal" (IBERCLEAR).

In accordance with Acerinox's Dividend Policy approved on 20 December 2022, the total shareholder remuneration is maintained, so that the reduction in the number of shares as a result of the last share buyback plan results in a higher payment per share.

The provisional accounting statement prepared by the directors in accordance with Article 277 of the Spanish Corporate Enterprises Act, which shows the liquidity status for the payment of the interim dividend, is as follows:

(Amounts in thousands of euros)

		2023
Cash on hand at 30 November 2023		**6,939**
Plus:		
Planned cash increases between 30 November 2023 and 26 January 2024		**97,464**
Dividend collection	83,486	
Receivables from operating activities	4,980	
Collection of tax refunds	8,998	
Less:		
Planned cash decreases between 30 November 2023 and 26 January 2024		**-6,800**
Payments for operating activities	4,820	
Payments from financial operations	1,980	
Projected liquidity as at 26 January 2024		**97,603**
Credit line capacity		**156,300**
Available liquidity at 26 January 2024		**253,903**

The Annual General Meeting held on 23 May 2023 resolved to distribute a dividend of EUR 0.60 per share. The amount of the dividend distribution was the aggregate result of the sum of the following amounts:

- the payment of the interim dividend for 2022 in the amount of EUR 0.30 gross per share agreed by the Board of Directors at its meeting on 20 December 2022, which was paid on 27 January 2023, and amounted to EUR 74,799; and
- a complementary dividend charged to the financial year 2022 at a rate of EUR 0.30 gross per share for each of the 259,724,345 existing shares (without prejudice to the provisions of Article 148 of the Corporate Enterprises Act with respect to the shares held as treasury stock at the time of payment). This complementary dividend was paid on 17 July 2023 in the amount of EUR 74,765 thousand.

The amount paid amounted to EUR 149,562 thousand.

NOTE 11 – FOREIGN CURRENCY

The detail of the main items in the balance sheet and statement of profit or loss denominated in a foreign currency is as follows:

(Amounts in thousands of euros)

	2023		2022	
	USD	MYR	USD	MYR
Trade and other receivables	140		384	
Dividend receivable	298,643		187,512	
Payable to suppliers and other payables	140			
Loans to group companies		15,761		17,228

The detail, by class of financial instrument, of the exchange differences recognised in profit or loss is as follows:

(Amounts in thousands of euros)

	2023		2022	
	Realised exchange differences	Unrealised exchange differences	Realised exchange differences	Unrealised exchange differences
Trade and other receivables	861	-1,223	-3,474	-679
Bank borrowings	14		12	
Payable to suppliers and other payables	3		1,286	-1
TOTAL	**878**	**-1,223**	**-2,176**	**-680**

"Trade and other receivables" includes the dividend receivable and other intercompany loans within the Group.

Losses are shown as positive figures and gains as negative.

These exchange differences were partly offset by the gain arising from the revaluation of financial instruments at fair value (currency forwards), amounting to EUR 144 thousand (2022: EUR -1,032 thousand). The differences between the two amounts are mainly due to the interest rate differences between the currencies involved in the exchange rate insurance taken out and the differences between the insurance taken out and the monetary items in foreign currency.

NOTE 12 – TAX MATTERS

Acerinox, S.A. files consolidated tax returns. At 31 December 2023 and 2022, the consolidated scope of the tax group was made up of: Acerinox, S.A., Acerinox Europa, S.A.U., Roldan, S.A., Inoxfil, S.A., Inoxcenter, S.L.U. and Inoxcenter Canarias, S.A.U.

12.1 Legislative amendments

The legislative amendments passed in this period relating to corporate income tax that may have an impact on the Company are as follows.

- In March 2022, the Organisation for Economic Co-operation and Development (OECD) approved the new international taxation model known as Pillar 2, within the scope of what are known as GloBE standards. These rules aim to ensure that multinational groups pay a minimum level of tax on their profits in each jurisdiction in which they operate. The Pillar 2 standard apply to all multinational groups with a turnover of more than EUR 750 million. The basic principle of this standard, with some exceptions, is to ensure that the minimum payment in each jurisdiction is at least 15%, requiring the establishment of a supplementary tax system.

  A Directive was recently adopted at European Union level that defines the content of the GloBE standards in order to ensure their consistent and harmonised application in all EU Member States. This Directive should have been transposed by EU member states by 31 December 2023 at the latest, with effect from 2024. Transposition is pending in Spain, although the prior public consultation document on the transposition of the Pillar 2 Directive into Spanish law was published on 6 March 2023.

  The Group has carried out an analysis of the potential impacts of the application of this standard on the Group. The country-by-country report for 2022 presented this year has been used as a basis for the analyses. The GloBE standards provide for the possibility of applying safe harbours, based on a number of established parameters, which are calculated per jurisdiction on the basis of data published in the country-by-country report. Compliance with these parameters allows companies to limit the number of jurisdictions affected by the calculation of the minimum payment. The implementation of safe harbours is a temporary measure applicable for the first three years of implementation of the law, i.e. from 2025 to 2027.

  From the analysis carried out by the Group, it follows that all jurisdictions significant to the Group would be eliminated from the application of the minimum tax, so the Group does not expect the application of this standard to have a significant impact.

- Law 38/2022 of 27 December introduced, among other things, a temporary measure concerning the calculation of corporate income tax for companies taxed under the tax consolidation regime. Commencing with tax periods beginning in 2023, the taxable income of the tax group will be determined by integrating the taxable income of the entities forming part of the tax group and 50 per cent of the individual tax losses. Any remaining individual tax losses not accounted for in the tax group's taxable income shall be integrated evenly over the initial ten tax periods beginning on or after 1 January 2024.

- On 24 May 2023, Law 13/2023 was approved, which introduced amendments to Law 27/2014 on corporate income tax. In particular, the amendment concerns the calculation of the operating profit applicable to the limitation of the deductibility of financial expenses. The provision makes it clear that income, expenses or earnings that are not included in the basis of assessment for this tax are never part of the operating profit. This prevents the inclusion of dividends from foreign subsidiaries, which are exempt from the calculation of the tax, in the calculation of operating profit. The rule is applicable from 1 January 2024.

  The Spanish tax group has accumulated excess operating profits that have not been utilised in previous years and that can be utilised over a period of 5 years, meaning that the application of this standard should have no impact in the medium term. From the fifth year onwards, Acerinox could be affected by this standard due to its financial structure if the operating profit of the consolidated tax group is insufficient to cover the net financing costs, but the forward-looking estimates of the consolidated tax group made at the end of the year do not appear to show any material impact.

- On 18 January 2024, the Constitutional Court has declared certain corporate tax measures introduced by Royal Decree-Law 3/2016, of 2 December to be unconstitutional. The Court considers that the approval of these measures by Royal Decree-Law has violated Article 86.1 of the Spanish Constitution, as this regulatory instrument cannot "affect the rights, duties and freedoms of citizens regulated in Title I". In particular, it considers that the duty to contribute to the support of public expenditure is affected.

  The changes to corporate income tax that have been annulled include, in particular: the setting of limits of 25% for offsetting tax losses, the introduction of a limit on the application of deductions for double taxation and the obligation to automatically include in the tax base the impairment of holdings deducted in previous years.

  With the annulment of this RD 3/2016, the original Corporate Income Tax Act is once again applicable according to its original wording, which allows the recoverability of tax losses with a limit of 70% (instead of 25%) of the taxable income generated in the year. This measure has a significant impact on the recognition of unused tax credits, which the tax group has taken into account this year, allowing it to capitalise the tax credits generated this year as explained in **Note 12.3.1**. This capitalisation has had no impact on the Company, as it did not generate any tax loss carryforwards in this year.

The Company, in anticipation of a possible declaration of invalidity, challenged its corporate income tax returns for the years 2016 to 2020 in 2021. These claims are currently before the National High Court. In 2022, it also challenged the 2021 corporate income tax return.

The Company, in view of the final judgement of the Constitutional Court, considers that its claims should be resolved in 2024, which will mean an income for the Group of EUR 11.5 million plus interest. These refunds mainly correspond to the higher application of carry-forward tax losses from previous years. The Group has not recognised any asset for this item during the year as it was not applicable at year-end and it has not received any notification from either the National High Court or the Tax Agency regarding the possible enforcement of the judgement.

12.2 Income tax expense on earnings

The income tax expense recognised was as follows:

(Amounts in thousands of euros)

	2023	2022
Adjustments from prior years		137
Current tax for the year	-5,317	-3,265
Deferred taxes	-738	-2,143
Income tax	**-6,055**	**-5,271**

The Company has not generated any tax loss carryforwards in this year.

Following impairments from past years, the Company has not recognised any tax assets. Although it achieved both a positive result and a positive taxable income this year, it was unable to use the outstanding tax credits from previous years due to the poor results of the tax group.

Note 12.3.1 explains the recoverability analyses conducted this year with respect to tax loss carryforwards.

The amount recognised under “other taxes” in the consolidated statement of profit or loss includes the taxes paid abroad as a result of the withholdings made on the payment of interest and dividends.

The Company received dividends from its subsidiaries in the amount of EUR 306 million, most of which were exempt from tax withholdings (2022: EUR 488 million, and practically all of them were exempt from taxation).

Withholdings on interest payments are deductible from corporate income tax under the double taxation conventions, and they reduce the income tax expense.

Due to the different treatment permitted under tax legislation for certain transactions, the accounting profit or loss for the year differs from the tax base. Below is a reconciliation of the accounting profit for the year to the tax loss that the Company expects to contribute to the consolidated tax return following the requisite approval of the annual accounts:

(Amounts in thousands of euros)

2023	Statement of profit or loss			Income and expenses recognised directly in equity		
Balance of income and expenses for the year			**114,187**			**-11,997**
	Increases	Decreases	Net	Increases	Decreases	Net
Corporate income tax	6,201		6,201	-3,999		-3,999
Permanent differences	186,220	281,555	-95,335			
Temporary differences						
- arising in the year	2,279	6,029	-3,750	3,821	-12,175	15,996
- arising in prior years		32	-32			
Taxable income			**21,271**			**0**
Allocation of positive taxable income to tax group companies:			-21,271			
Taxable income (Tax result)			**0**			**0**

2022	Statement of profit or loss			Income and expenses recognised directly in equity		
Balance of income and expenses for the year			**332,013**			**28,633**
	Increases	Decreases	Net	Increases	Decreases	Net
Corporate income tax	5,552		5,552	9,542		9,542
Permanent differences	197,442	512,174	-314,732		1,070	-1,070
Temporary differences						
- arising in the year	2,617	6,062	-3,445	-35,183	1,922	-37,105
- arising in prior years		6,330	-6,330			
Taxable income			**13,058**			**0**
Allocation of positive taxable income to tax group companies:			-13,058			
Taxable income (Tax result)			**0**			**0**

The permanent differences include:

- Increases mainly include non-deductible expenses, among which are the impairment charge for investments made and detailed in **Note 9.2.6**.
- Decreases include dividends from Group companies to which the exemption from double taxation applies, with a limit of 95%. The past financial year also includes the reversal of the impairment of the investment made, which is detailed in **Note 9.2.6** and which was not taxed for tax purposes as the impairments previously made were non-deductible.

The most significant temporary differences are as follows:

– Arising in the year:

<u>Increases</u>:

- An adjustment of EUR 1,315 thousand was included in 2023 in relation to the expense incurred arising from defined benefit plans to cover the obligations assumed with respect to certain employees, which were non-deductible this year. (2022: EUR 1,512 thousand).

- EUR 964 thousand, arising from the long-term incentive plan approved by the Group by means of payments in company shares, which are non-deductible until the time of payment, were also included (2022: EUR 1,105 thousand).

Decreases:

- Goodwill: a negative adjustment of EUR 3,917 thousand was made to the tax base under Transitional Provision Fourteen of the Spanish Corporate Income Tax Act.
- EUR 1,315 thousand derived from the delivery of treasury shares to certain employees as a result of the settlement of the second cycle of the Incentive Plan (2022: EUR 1,303 thousand).
- EUR 798 thousand for payments made to employees as a result of obligations assumed from defined benefit plans (2022: EUR 842 thousand).

Below is a reconciliation of the tax expense and the accounting profit or loss for 2023 and 2022:

(Amounts in thousands of euros)

	2023		
	Recognised in profit or loss	Recognised directly in equity	Total recognised income and expenses
Balance of income and expenses for the year	**114,187**	**-11,997**	**102,190**
Income tax	6,055	-3,999	2,056
Other taxes	146		146
Profit (loss) before tax	**120,388**	**-15,996**	**104,392**
Tax on profits using local tax rate (25%)	-30,097	3,999	-26,098
Effects on tax charge:			
Tax incentives not recognised in the income statement	208		208
Tax effect of permanent differences in the taxable income	23,834	-3,999	19,835
Total income tax for the year	**-6,055**	**0**	**-6,055**

The tax incentives not recognised in the statement of profit or loss relate mainly to the removal of double taxation tax credits and donations.

(Amounts in thousands of euros)

	2022		
	Recognised in profit or loss	Recognised directly in equity	Total recognised income and expenses
Balance of income and expenses for the year	**332,013**	**28,633**	**360,646**
Income tax	5,271	9,542	14,813
Other taxes	281		281
Profit (loss) before tax	**337,565**	**38,175**	**375,740**
Tax on profits using local tax rate (25%)	-84,391	-9,544	-93,935
Effects on tax charge:			
Adjustments from prior years	137		137
Tax incentives not recognised in the income statement	300		300
Tax effect of permanent differences in the taxable income	78,683	9,544	88,227
Total income tax for the year	**-5,271**	**0**	**-5,271**

12.3 Deferred taxes

The changes in deferred tax assets and liabilities were as follows:

(Amounts in thousands of euros)

	Deferred tax assets	Deferred tax liabilities
Balance as of 31 December 2021	**7,952**	**14,770**
Temporary differences for the year recorded in profit or loss	-1,465	979
Transfers	8,437	8,437
Temporary differences from prior years' adjustments	119	
Adjustments from prior years	67	
Temporary differences taken directly to equity		
- Changes in value of financial instruments	-9,419	125
Credits for tax loss carryforwards and deductions	300	
Balance as of 31 December 2022	**5,991**	**24,311**
Temporary differences for the year recorded in profit or loss	32	979
Temporary differences from prior years' adjustments	6	
- Changes in value of financial instruments		-3,999
Credits for tax loss carryforwards and deductions	209	
Balance as of 31 December 2023	**6,238**	**21,291**

The origin of the deferred tax assets and liabilities is as follows:

(Amounts in thousands of euros)

	2023			2022		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Goodwill		17,626	-17,626		16,647	-16,647
Investments in Group companies and associates						
Financial assets at fair value through equity						
Non-deductible financial expenses						
Non-deductible amortisation	10		10	19		19
Other liabilities for pensions and other incentives	5,702	-773	6,475	5,656	-773	6,429
Financial instruments		4,438	-4,438		8,437	-8,437
Tax credit for tax loss carryforwards to be offset	14		14	14		14
Deductions pending application	512		512	302		302
Prepaid / deferred taxes	**6,238**	**21,291**	**-15,053**	**5,991**	**24,311**	**-18,320**

The Company has tax assets not recognised for accounting purposes arising from temporary differences amounting to EUR 229 million (2022: EUR 183 million) as a result of impairment losses recognised for accounting purposes that had not been deducted for tax purposes. These tax assets arise from the impairment losses recognised for accounting purposes on Acerinox, S.A.'s investments in certain of its investees that are not deductible until the investments giving rise to the related temporary difference are settled.

12.3.1 Analysis of the recoverability of deferred tax assets

The Company has tax credits of EUR 65,624 thousand, which corresponds to tax loss carryforwards of EUR 262,497 thousand, of which only EUR 14 thousand are recognised.

The Company files consolidated tax returns and, accordingly, when assessing the recoverability of its tax assets, takes into account the results of the whole tax group.

As stated in the accounting policies, the Company recognises deferred tax assets in the balance sheet provided that those assets are recoverable within a reasonable period, also taking into consideration the legally established limitations on their use. Management deems a period of approximately ten years to be reasonable.

To assess the recoverability of the unused tax assets, the Company prepares a five- to ten-year budget for each of the companies forming part of the tax consolidation, based on which it performs the tax adjustments necessary to determine the tax bases. It also takes into account the limitations on the offset of tax bases established by law, as well as the minimum payment regulations. In addition, the Company assesses the existence of deferred tax liabilities against which tax losses may be offset in the future.

In Spain there are limitations on the use of carry-forward tax losses. Royal Decree 3/2016 introduced an amendment to the Corporate Income Tax Act, limiting the possibility of offsetting carry-forward tax losses to 25% of the taxable income generated in a given year. As explained in section on regulatory modifications, the Constitutional Court has declared this Royal Decree null and void, so that the limitations established in the original Corporate Income Tax Act, which raise the compensation percentage to 70%, are back in force.

In preparing budgets, the Group considers the financial and macroeconomic circumstances and those of the stainless-steel market itself, adapted to the entity's operating environment. Parameters such as expected growth, use of installed production capacity, prices, etc. are projected on the basis of the forecasts and reports of independent experts, as well as historical figures and the targets set by management. Relevant key assumptions such as exchange rates, raw material prices or energy prices are extrapolated using highly conservative criteria, always tied to the most recent values recorded in the pertinent markets at the date of the analysis. As explained in **Note 9.2.6**, in item "Valuation corrections for impairment," the Group has updated the five-year results forecasts based on the new circumstances and taking into account the future strategic plans approved by the management, which have been designed with the aim of trying to improve the results of Acerinox Europa, the main component of the Spanish fiscal Group, redirecting a greater part of its sales towards end customers and towards products with higher added value. The Group has also engaged an independent expert to perform an impairment analysis of Acerinox Europa's assets.

To analyse the recoverability of the tax credits capitalised in the Spanish tax group, the Group has taken into account the budgets of Acerinox Europa prepared by the independent expert, which are detailed in **Note 9.2.6**, in addition to the five-year budgets of the other companies in the consolidated tax group.

In this financial year, the fall in demand, due to high inventories in the supply chain, as well as the decrease in stainless-steel prices in Europe, which reached record lows, caused some of the Group's Spanish companies to report losses.

The key assumptions considered in the preparation of the budgets are based on demand estimates, raw material and selling prices, exchange rates, consumer price increases, energy costs estimates and the Company's strategy itself.

Considering all these aspects and taking into account the new restrictions on the application of tax losses, the five-year budgets extrapolated to 10 years and taking into account historical average yields and margins, the recovery of tax losses generated this year by other companies that are part of the tax group is justified.

As the results generated by the Company mainly come from dividends, 95% of which are tax-exempt, the recoverability of the tax credits of the Group's parent company depends on the possibility that the other companies in the Group will generate taxable income. Although the entities of the tax group have been able to recognise the tax loss carryforwards that arose in this year, at 31 December 2023, there are other unrecognised tax credits from prior years in all entities that form the consolidated tax group and, therefore, the parent company has been unable to recognise the outstanding tax credits from prior years.

12.4 Current tax

The current tax asset recognised at year-end amounts to EUR 13 thousand, which corresponds to the withholdings made and which the Company will receive back when the tax is settled from July 2024. At year-end 2022, EUR 12,267 thousand corresponding to the amount receivable in Spain resulting from the 2021 and 2022 taxes settlement and which the Group has collected this year.

As a result of the consolidated tax regime, Group companies generated balances in the amounts of EUR 5,390 thousand receivable and EUR 67 thousand payable in 2023 (2022: EUR 6,095 thousand receivables and EUR 2,831 thousand payable). The receivables from companies belonging to the consolidated tax group as a result of the offset of tax loss carryforwards amount to EUR 8,620 thousand receivables and EUR 770 payable (2022: EUR 13,173 thousand receivables and no amount payable).

12.5 Tax audits and years open for review

Pursuant to the Spanish Income Tax Law, tax loss carryforwards declared in the tax returns for years open for review become statute-barred ten years from the day following the final day of the period established for filing the tax return or self-assessment for the tax period in which the right to offset arose. Once this period has elapsed, taxpayers must demonstrate that the carry-forward tax losses that they wish to offset, and the amount thereof, are appropriate by submitting the assessment or self-assessment and the accounting records, together with evidence that they were filed at the Companies Registry within the aforementioned period.

At 31 December 2023 and 2022, Acerinox, S.A. had all the taxes applicable to them open for review by the tax authorities in relation to the following years:

Type of tax	2023	2022
Corporate income tax	2017-2022	2017-2021
Value added tax	2020-2023	2019-2022
Customs duties	2020-2023	2019-2022
Personal income tax	2020-2023	2019-2022

On 21 December 2023, the start of a partial review and investigation was notified, relating to the review of the application for rectification of corporate income tax for 2021 filed by the consolidated tax group and the deductions for technological innovation (TI) expenses pending in the financial years 2017 to 2021, concerning the consolidated tax group companies, Acerinox Europa, S.A.U. and Roldan, S.A.

The first meeting took place in February 2024.

12.6 Balances with the Public Administrations

At 31 December 2023 and 2022, the following were the Company's balances with the Public Administrations (except corporate income tax balances):

(Amounts in thousands of euros)

	2023		2022	
	Receivables	Payables	Receivables	Payables
Social Security payable	4	193	7	149
Personal income tax		441		381
Value added tax	406		406	
TOTAL	**410**	**634**	**413**	**530**

NOTE 13 – INCOME AND EXPENSES

13.1 Staff costs

The detail of "staff costs" is as follows:

(Amounts in thousands of euros)

	2023	2022
Wages, salaries and similar	17,656	20,593
Social security	1,848	1,539
Other employee benefits	599	669
Staff costs	**20,103**	**22,801**

13.2 Revenue and other operating income

The detail of revenue is as follows:

(Amounts in thousands of euros)

	2023	2022
Dividends received from Group companies	306,131	487,916
Provision of services	39,325	33,742
Interest on loans to Group companies	31,668	13,843
Revenue	**377,124**	**535,501**

“Other operating income” in the statement of profit or loss includes mainly lease income amounting to EUR 356 thousand (2022: EUR 341 thousand).

13.3 Outsourced services

The detail of outside services is as follows:

(Amounts in thousands of euros)

	2023	2022
Repairs and maintenance	1,950	1,143
Freelance services	9,345	5,002
Supplies	79	128
Travel expenses	851	556
Communications	964	875
Insurance	1,930	1,734
Advertising	168	216
Other	2,164	2,206
Outside services	**17,451**	**11,860**

NOTE 14 – PROVISIONS AND CONTINGENCIES

14.1 Long-term provisions

There are no long-term provisions at 31 December 2023 or 31 December 2022.

14.2 Contingent liabilities

Guarantees

At 31 December 2023, the Company had provided guarantees totalling EUR 1.7 million to third parties, mainly public authorities and suppliers (2022: EUR 1.7 million), which correspond mainly to guarantees presented to the Public Administration and suppliers.

Company management does not expect any significant liabilities to arise as a result of these guarantees and, accordingly, no provision was recognised in these annual accounts in this connection.

14.3 Share-based payment transactions

At its meeting held on 22 March 2018, the Board of Directors of Acerinox, S.A. approved a multi-year remuneration or long-term incentive (LTI) plan enabling the CEO and senior executives of the Acerinox Group to receive a portion of their variable remuneration in the form of treasury shares of Acerinox, S.A. The target amount is 30-50% of their base salary, subject to a personal limit of 200% of the respective target. This plan was subsequently submitted to, and approved by, the shareholders of Acerinox at the General Meeting held on 10 May 2018.

The approved LTI plan consists of three three-year cycles. The First Cycle of the plan ran from 1 January 2018 to 31 December 2020. The Second Cycle commenced on 1 January 2019 and ended on 31 December 2021, and the Third Cycle commenced on 1 January 2020 and ended on 31 December 2022.

On 1 January 2021, a new multi-year remuneration plan started, consisting of three cycles, each with a duration of three years. Other Group executives have also been included in this second plan.

Under both remuneration plans, employees receive shares of the parent ("performance shares") at the end of each cycle. The delivery of the shares and the number to be delivered are contingent upon the fulfilment of certain vesting requirements relating to the employee remaining in service and the achievement of individual corporate objectives, certain of which depend on market circumstances.

The Company considers that the services are to be provided over the irrevocability or vesting period as consideration for the future delivery of the shares. Accordingly, the services rendered are recognised on a straight-line basis over the period in which the rights to receive those shares become irrevocable.

The Company measures the goods or services received, as well as the corresponding increase in equity, at the fair value of the equity instruments granted at the grant date.

To calculate this theoretical number of shares, the shares of Acerinox, S.A. are measured at their quoted price 30 trading days prior to commencement of the Plan, and their subsequent increase or decrease in value is assumed by the employee. The resulting number of performance shares is used as the basis for determining the actual number of Acerinox, S.A. shares to be delivered (if any) at the end of each cycle, depending on the extent to which objectives are achieved and subject to compliance with the requirements set out in the regulations governing each plan.

The Group engaged an independent expert to calculate the percentage of objectives achieved, subject to market conditions. Using accepted valuation techniques (the Monte Carlo method), the expert calculated the reasonable percentage of shares attributable to each employee subject to the remuneration plan. According to this valuation, the number of shares to be delivered in the performance of each of the plan cycles would be 78,853 shares for the first plan and 203,830 shares for the second, which would represent 0.3% of the share capital of Acerinox, S.A. at the end of the three cycles.

This year, 110,563 treasury shares were delivered to Group executives as a result of the completion of the third cycle of the First Multi-Year Remuneration Plan (2022: 109,378 treasury shares delivered). The difference between the value of the treasury shares delivered (2023: EUR 1,072 thousand and 2022: EUR 1,234 thousand) and the equity instruments provisioned on the basis of the estimates made (2023 and 2022: EUR 940 thousand), after deducting withholdings on account, was moved to reserves in the amount of EUR -769 thousand and EUR -810 thousand, respectively.

The expense incurred in 2023 amounted to EUR 964 thousand (2022: EUR 1,105 thousand), the balancing entry of which was recognised under "other equity instruments". The amount recognised at year-end under "other equity instruments" in the balance sheet totalled EUR 4,288 thousand (2022: EUR 3,798 thousand).

14.4 Employee benefits and other obligations

In addition, there are obligations arising from certain senior executive retirement benefit arrangements amounting to EUR 18.8 million (2022: EUR 17.9 million). Since these obligations were appropriately insured in both 2023 and 2022, and their estimated amount was covered by cash flows arising from the insurance policies taken out for this purpose, no liabilities were recognised in this connection.

The assumptions used to calculate the fair value are detailed below:

	2023	2022
Mortality table	PER2020_Col_1er.orden	PER 2020_Col_1st.order
CPI	2.00%	2.00%
Salary growth	2.00%	2.00%
Growth in social security	IPC+0.115%	2.00%
Retirement age	65 years	65 years
Accrual method	Projected Unit Credit	Projected Unit Credit

NOTE 15 – RELATED PARTY BALANCES AND TRANSACTIONS

15.1 Related parties

The Company's annual accounts include transactions performed with the following related parties:

- Group companies
- Associates
- Key executives of the Group and members of the Boards of Directors, as well as persons related thereto, of the various Group companies
- Significant shareholders of the Company.

All the transactions performed with related parties are performed under market conditions.

15.2 Balances and transactions with Group companies

The detail of the trade balances with Group companies at 31 December is as follows:

(Amounts in thousands of euros)

COMPANY	2023 Receivables	2023 Payables	2022 Receivables	2022 Payables
Acerinox Australasia PTY. LTD	6		6	
Acerinox do Brasil Representaçoes Ltda.	11		4	
Acerinox Benelux, S.A.-N.V.	9		6	
Acerinox Argentina, S.A.	377		326	
Acerinox Chile, S.A.	-68		21	4
Acerinox Colombia S.A.S.	36		24	
Acerinox Deutschland GmbH	150		122	
Acerinox Europa, S.A.U.	6,367	6	5,509	4
Acerinox France S.A.S.	34		36	
Acerinox India Pte. Ltd.	38		27	
Acerinox Italia S.R.L.	1,378		739	
Acerinox Metal Sanayii Ve Ticaret, Ltd. Sirketi	82		54	
Acerinox Middle East Dmcc	48		29	
Acerinox Pacific Ltd.	8		9	
Acerinox Polska, SP.Z.O.O.	58		59	
Acerinox Russia Llc	28		26	
Acerinox Scandinavia, A.B.	77		81	
Acerinox (Schweiz) Ag.	12		7	
Acerinox SC Malaysia Sdn. Bhd.	64		615	
Acerinox Shanghai Co. Ltd.	73		52	
Acerinox (S.E.A.) Pte. Ltd.	174		141	
Acerinox U.K. Ltd.	83		79	
Acerol Comercio e Industria de Aços Inoxidaveis Unipersoal, Ltda.	60		54	
Bahru Stainless Sdn. Bhd.	565	2	854	
Columbus Stainless (Pty) Ltd.	3,491		1,656	
Corporación Acerinox Peru, S.A.C.	45		29	
Inoxcenter, S.L.U.	228		220	
Inoxcenter Canarias, S.A.U.	8		8	
Inoxfil, S.A.	136		127	
Inoxidables Euskadi, S.A.	63		72	
Inox Re S.A.	1			
Metalinox Bilbao, S.A.U.	44		44	
North American Stainless, Inc.	2,357		1,981	
Roldan, S.A.	555		530	
VDM Metals Holding GmbH	8,986		42	
TOTAL	**25,584**	**8**	**13,589**	**8**

The detail of the short- and long-term loans granted to Group companies and associates at 31 December 2023 and 2022 is as follows:

(Amounts in thousands of euros)

	Short-term loans granted		Long-term loans granted	
	2023	2022	2023	2022
Acerinox Europa, S.A.U.	532,209	452,430		
Acerinox SC Malaysia Sdn. Bhd.	15,761	17,228		
Acerinox Colombia S.A.S.	117			
VDM Metals Holding GmbH		75,235		
Corporación Acerinox Perú S.A.	166	115		
Inoxcenter Canarias S.L.	164	118		
Inoxcenter S.L.U.	46,647	21,617		40,000
Inoxfil, S.A.	716	787		
Roldan, S.A.	16,274	6,415		30,000
TOTAL	**612,054**	**573,945**	**0**	**70,000**

This section also includes the credits arising from the application of the tax consolidation regime between the companies that make up the tax group and which are described in **Note 12.4**.

The detail of the short- and long-term loans received from Group companies and associates at 31 December 2023 and 2022 is as follows:

(Amounts in thousands of euros)

	Short-term loans received		Long-term loans received	
	2023	2022	2023	2022
Acerinox Europa, S.A.U.	770			
Inox Re S.A.	33,918	33,713		
Inoxcenter, S.L.U.	109			
TOTAL	**34,797**	**33,713**	**0**	**0**

The interest rates set are in all cases market interest rates which take into account both the currency in which the loans are granted and the risk of the associate, as well as the interest rates on the financing obtained by the Group from banks.

The transactions performed with Group companies are as follows:

(Amounts in thousands of euros)

	2023	2022
Income from services rendered	39,325	33,742
Other operating income	479	619
Interest income	31,668	13,843
Income from ownership interest	306,131	487,916
Interest expenses	1,590	2,530

"Interest income" includes mainly the interest at market rates charged by the Company on the loans granted to Group companies.

"Interest expenses" includes mainly the interest at market rates on loans received from Group companies, primarily Inox Re, S.A.

15.3 Transactions and balances with associates

The Company did not perform any transactions or recognise any balances with associates in 2023 or 2022.

15.4 Directors and key management personnel

The remuneration received in 2023 by the twenty senior executives (2022: five), who do not hold positions on the Board of Directors of Acerinox, S.A., amounts to EUR 7,970 thousand. Of this amount, EUR 3,871 thousand relate to salaries, EUR 3,100 thousand to variable remuneration based on the previous year's results and EUR 999 thousand to remuneration in kind. There have been no per diems in this financial year.

In December 2023, at the proposal of the Appointments and Remuneration Committee, a Management Committee was created that included not only those who report directly to the Chief Executive Officer but also those who, without this direct reporting line, perform a corporate function in the company's Central Services and whose remuneration includes a specific retention system.

In 2022, the five senior executives received EUR 4,680 thousand, of which EUR 1,695 thousand related to salaries, EUR 2,397 thousand to variable remuneration based on the previous year's results and EUR 588 thousand to remuneration in kind.

The members of the Management Committee are those who report directly to the Chief Executive Officer and those who perform a corporate function in the company's Central Services without this direct reporting line, and their remuneration includes a clear system of management by objectives and a specific retention system.

In 2023, the members of the Board of Directors of Acerinox, S.A., including those who also hold senior executive positions and sit on the Boards of Directors of other Group companies, earned EUR 4,129 thousand in fixed allowances, attendance fees, and fixed and variable salaries (based on the previous year's results), of which EUR 1,490 thousand related to salaries and fixed allowances for Directors, EUR 679 thousand to attendance fees, EUR 1,500 thousand to variable remuneration based on the previous year's results and EUR 460 thousand to remuneration in kind. In 2022, the remuneration received amounted to EUR 4,250 thousand, of which EUR 1,443 thousand related to salaries and fixed allowances of Directors, EUR 726 thousand to attendance fees, EUR 1,500 thousand to variable remuneration based on the previous year's results and EUR 581 thousand to remuneration in kind.

With regard to the breakdown of the Chief Executive Officer's variable remuneration, the annual bonus for 2022 has been settled in this year. The metrics used for their calculation combined financial, environmental and other business aspects specified in the Annual Report on Directors' Remuneration (IARC) for the year.

The Appointments, Remuneration and Corporate Governance Committee considered the different levels of compliance and submitted its proposal to the Company's Board of Directors, which generated a combined achievement coefficient that resulted in a preliminary bonus of EUR 740 thousand and a bonus pool (a percentage to be distributed of 0.616% of EBITDA, shared with the rest of the senior executives) of an additional EUR 962 thousand. As the maximum remuneration for this item is capped, the total bonus received amounted to EUR 1,500 thousand. This amount was paid during the month of March.

There are obligations arising from certain senior executive retirement benefit arrangements amounting to EUR 18.8 million (2022: EUR 17.9 million), of which EUR 5.5 million correspond to the Chief Executive Officer (2022: EUR 5.3 million). In 2023 and 2022, these obligations were duly covered by insurance contracts, to which EUR 1,315 thousand were contributed in 2023 (2022: EUR 1,512 thousand). There are no obligations contracted with proprietary or independent directors of Acerinox, S.A. At 31 December 2023 there are no advances or loans granted to or balances with members of the Board of Directors or senior executives.

In relation to the multi-year remuneration or long-term incentive (LTI) plan, the terms and conditions of which are detailed in **Note 15.1.3**, the expense incurred in the year in relation to the Chief Executive Officer and senior executives of Acerinox, S.A., the balancing entry of which is recognised under “other equity instruments”, amounts to EUR 727 thousand, of which EUR 233 thousand relate to the Chief Executive Officer (2022: EUR 868 thousand, of which EUR 286 thousand relate to the Chief Executive Officer). During the year, the shares corresponding to the third cycle of the first approved share-based remuneration plan were delivered. A total of 78,314 shares were delivered (85,675 shares corresponding to the second cycle were delivered in 2022), after deducting applicable withholdings, of which 23,498 corresponded to the Chief Executive Officer (2022: 34,537).

The Company’s directors and their related parties were not involved in any conflict of interest that had to be reported pursuant to Article 229 of the Consolidated Spanish Corporate Enterprises Act.

The Group has taken out a third-party liability insurance policy which covers the directors and senior executives, as well as Group employees. The premium paid in 2023 amounted to EUR 754 thousand (2022: EUR 718 thousand).

In 2023 and 2022, the members of the Board of Directors did not perform any transactions with the Company or with Group companies that were outside the normal course of business or were not on an arm’s length basis.

15.5 Significant shareholders

The Acerinox Group has not entered into any related party transactions with any significant shareholders in 2023 or 2022.

The directors have no conflict of interest with the Company’s interests.

NOTE 16 – OTHER DISCLOSURES

16.1 Average number of employees in the year

	2023		2022	
	Men	Women	Men	Women
Senior Vice President	6		7	
Director	9	5	7	5
Manager	11	10	12	7
Analyst / Supervisor	14	12	13	12
Specialist	10	7	7	5
Administrative staff	11	15	8	16
TOTAL	**61**	**49**	**54**	**45**

At 31 December 2023, the Company complies with the provisions of the Spanish General Law on the Rights of Persons with Disabilities and their Social Inclusion.

16.2 Breakdown by gender, of personnel and directors, at 31 December 2023 and 2022

	2023		2022	
	Men	Women	Men	Women
Board Members	6	5	7	4
Senior Vice President	6		5	
Director	10	5	8	5
Manager	11	10	12	8
Analyst / Supervisor	15	13	15	11
Specialist	10	7	8	7
Administrative staff	13	15	7	16
TOTAL	**71**	**55**	**62**	**51**

16.3 Fees paid to auditors

The shareholders at the Annual General Meeting held on 23 May 2023 resolved to reappoint the auditors PricewaterhouseCoopers Auditores, S.L. to perform the review and statutory audit of the financial statements of ACERINOX, S.A. and its Consolidated Group for 2023.

The detail of the fees and expenses incurred for the respective services rendered in 2023 and 2022 is as follows:

(Amounts in thousands of euros)

	2023	2022
For audit services	252	217
For other verification services	128	70
TOTAL	**380**	**287**

The amounts detailed in the foregoing table include the total fees for services rendered in 2023 and 2022, irrespective of when they were billed.

"Other verification services" includes the limited review of the interim condensed consolidated financial statements as at 30 June 2023 and 2022, the report on agreed-upon procedures regarding the system of Internal Control over Financial Reporting (ICFR) and the report on agreed-upon procedures relating to the achievement of the financial ratios required by the ICO. For the first time, this year the independent review of the non-financial information contained in the Consolidated Statement of Non-Financial Information in the Consolidated Group's 2023 Directors' Report is included in other verification services.

NOTE 17 – EVENTS AFTER THE REPORTING PERIOD

Acerinox, S.A. closes an agreement for the acquisition of the US company Haynes International

The Boards of Directors of Acerinox, S.A. and Haynes International have agreed to the acquisition by the Acerinox Group of 100% of Haynes International (Haynes), a US-listed company based in Indiana (United States) specialising in the specialty alloys sector.

The Haynes Board of Directors will submit to its shareholders the sale of 100% of its shares. If the sale agreement is accepted by a majority of Haynes shareholders, it will be binding on all of them and they will receive the agreed amount (USD 61 per share) in cash, for a total consideration of USD 798 million, corresponding to an enterprise value of USD 970 million.

Haynes will become wholly owned by North American Stainless (NAS), which in turn is wholly owned by Acerinox, S.A.

The agreement will be subject to prior clearance by the US competition authorities and the US Foreign Investment Committee.

The closing of the transaction, and thus the takeover of the Haynes Group, is subject to the approval of Haynes' own Annual General Meeting and the aforementioned competition authorities. Depending on the date of obtaining approval, it is estimated that the transaction could go through by mid-2024.

With this deal, Acerinox will strengthen its position in the North American market, where it is currently the leader in the stainless-steel segment, and further solidify its dominant position in the global high-performance alloy markets.

Interim dividend

The Board of Directors of Acerinox, S.A. held on 20 December 2023 has decided to propose to the Ordinary Annual General Meeting of Shareholders of the Company a dividend of EUR 0.62 per share charged to 2023 results, of which EUR 0.31 were paid as an interim dividend on 27 January 2024. This dividend will be submitted for approval at the Annual General Meeting to be held in 2024.

Management Report

2023

ACERINOX

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1. Acerinox S.A.

Acerinox, S.A. is the parent company of the Acerinox Group and the direct holder of the stocks of the companies that make up the Group. As the Group's parent company, it performs top-level management and control of the Group's business, as well as corporate duties and general coordination with other entities. It is responsible for establishing, designing, and implementing the Group's policies and financial strategy, drafting investment and environmental policies, establishing the R&D strategy, supervising the management services provided to subsidiaries, and implementing corporate governance policies.

The head office, with 116 employees, is located in Madrid and where the main decision-making and management bodies convene.

Acerinox's shares are listed on the continuous market and the company is part of the selective Spanish IBEX 35. Approximately 45,000 shareholders, including individuals and legal entities, own stock in the company.

At December 31, 2023, Acerinox's share capital consisted of 249,335,371 ordinary shares with a nominal value of EUR 0.25 each.

2. Balance sheet

The most important figures for the year and their change with respect to the previous one are summarized in the following table:

EUR million	12M 2023	12M 2022	% 12M 23 / 12M 22
Revenue	**377**	**536**	**-30%**
EBIT	153	364	-58%
EBIT margin	41%	68%	
Pre-tax income	**120**	**338**	**-64%**
Profit after tax	**114**	**332**	**-66%**
Operating cash flow	201	552	-63%
Net financial debt	1,403	1,473	-5%

Statement of financial position and financing

ASSETS

EUR million	2023	2022	Variation
Non-current assets	**1,725**	**1,996**	**-14%**
Current assets	**972**	**802**	**21%**
Receivables	26	27	-1%
Cash	21	3	600%
Other current financial assets	925	772	20%
Total assets	2,697	2,798	-4%

LIABILITIES

EUR million	2023	2022	Variation
Equity	**1,130**	**1,181**	**-4%**
Non-current liabilities	**1,198**	**1,326**	**-10%**
Bank borrowings	1,177	1,302	-10%
Other non-current liabilities	21	24	-12%
Current liabilities	**369**	**291**	**27%**
Bank borrowings	247	175	42%
Trade payables	4	1	164%
Other current liabilities	118	115	3%
Total Liabilities	2,697	2,798	-4%

This document is not required to include in its entirety the Statement of Non-Financial Information (NFIS), which is presented as a separate document and to which reference is made for further consultation.

3. Average payment period

The average period of payment to suppliers, both domestic and international, is as follows:

	2023	2022
Average period of payment to suppliers	54 days	45 days
Ratio of operations settled	55 days	46 days
Ratio of transactions pending payment	39 days	37 days
(Amounts in EUR thousands)	**Amount**	**Amount**
Total payments made	27,389	22,845
Total outstanding payments	2,139	1,318

Regarding the volume and number of invoices paid, the breakdown is as follows:

	2023	2022
a) Monetary volume of invoices paid within a period equal to or less than the maximum established in the regulations on late payment (in EUR thousands)	14,482	14,393
Percentage share of total monetary payments to its suppliers	53 %	63 %
b) Number of invoices paid within a period equal to or less than the maximum period established in the late payment regulations	5,797	4,195
Percentage share of total number of invoices of payments to its suppliers	84 %	84 %

The table includes, the same as above, the payments made to any supplier, whether domestic or foreign.

4. Human resources

At December 31, 2023, Acerinox's parent company had an average of 111 employees, including the Chief Executive Officer.

The figures are similar to those in 2022. Broken down by job category, Acerinox S.A. employed a total of 6 members of senior management, 14 directors, 21 managers, 26 analysts, 17 specialists and 26 administrative staff in 2023.

Below is a summary table of the company's average data:

	2023		2022	
	Men	**Women**	**Men**	**Women**
Senior Vice President	6		7	
Director	9	5	7	5
Manager	11	10	12	7
Analyst / Supervisor	14	12	13	12
Specialist	10	7	7	5
Administrative staff	11	15	8	16
TOTAL	**61**	**49**	**54**	**45**

5. Stock market performance

Acerinox's share capital on December 31, 2023, after the redemption of 10,388,974 shares approved at the Annual Shareholders' Meeting on May 23, 2023, was set at EUR 62,333,843. It is represented by 249,335,371 shares, with a par value of EUR 0.25 per share.

All shares are admitted to official trading on the Madrid and Barcelona stock exchanges and are traded on the continuous market.

At December 31, 2023, Acerinox had a total of 44 thousand shareholders:

	No. of shares	% capital
Corporación Financiera Alba SA	48,101,807	19.29%
Danimar 1990 SL	14,224,988	5.71%
Industrial Development Corporation of South Africa LTDA	8,809,294	3.53%
Other investors	178,199,282	71.47%

Domestic investors represent 58% of the share capital and foreign investors 42%.

Share price performance

Evolution in the stock markets in 2023 was marked by different milestones in each of the regions where episodes of high volatility took place:

- The uncertainty generated throughout the year by the complexity of the geopolitical environment and the conflict in Ukraine was compounded by the situation in the Middle East.
- The banking crisis in March (Silicon Valley Bank) shook the US financial system and had repercussions in Europe, with the collapse of internationally recognized institutions (Credit Suisse).
- The rate hikes that began in 2022 came to an end in the middle of the year. The last Fed rate increase took place in July, reaching its highest level in 22 years (5.25%-5.5%). In Europe, increases slowed in September, reaching their highest level since 2001 (4.5%).

Despite geopolitical uncertainty and adverse circumstances, most stock exchanges ended the year with gains.

The Acerinox share reached a high of EUR 10.7/share on December 28 and a low of EUR 8.8/share on October 23. Acerinox rose +15% in 2023, while the IBEX35 reached +23%.

Acerinox's share price performance in 2023, although below the IBEX 35, outstripped its competitors. In a complex year, with a decline in apparent consumption in the US and Europe, the Group was able to generate very positive results thanks to its strategy of offering higher-value-added solutions and the strength of the US plant.

Analysts' recommendations regarding Acerinox did not change significantly during the year. 85% issued a "buy" recommendation at the beginning of the year, as did 81% at the close; 14% of analysts reporting on the Company advised holding and 5% selling.

The average target price of analysts following Acerinox was EUR 13.3/share, a potential increase of 25% from EUR 10.7/share at year-end 2023.

In 2023, Acerinox shares traded on the 255 days the continuous market was in operation. The total number of shares traded amounted to 229,197,103, with average daily trading of 898,812 shares.

In 2023, trading totaled EUR 2,229,325,733, entailing a daily average of EUR 8,742,453.857.

6. Shareholder remuneration

In 2023, Acerinox shareholders received EUR 150 million in dividends.

Dividend payment

As established in the dividend policy approved by the board of directors in December 2022, an interim dividend of EUR 0.30 gross per share was paid for 2022 to shareholders on January 27, 2023.

In addition, following approval by the 2023 Annual Shareholders' Meeting, a supplementary dividend of EUR 0.30 gross per share for 2022 was paid on July 17. The total paid to shareholders in 2023 was consequently EUR 0.60 gross per share, 20% higher than the 2022 dividend.

The board meeting of December 20, 2023, resolved to propose to the next Annual Shareholders' Meeting a total remuneration for 2024 of EUR 0.62 gross per share, 3.3% more than the previous year:

- Interim dividend for 2023 of EUR 0.31 gross per share, paid in January 26, 2024.
- Supplementary dividend of EUR 0.31 gross per share to be paid in July.

Shareholder remuneration policy

The purpose of the dividend policy, approved by the board of directors in December 2022, is to establish the essential principles that will govern the shareholder compensation agreements submitted by the board of directors to the Acerinox Annual Shareholders' Meeting for approval, connecting shareholder compensation to the Group's financial results.

Proposals for shareholder compensation must be sustainable and compatible with the maintenance of financial soundness.

Provided that market conditions, the Group's earnings performance, and net debt does not exceed 1.2x the average EBITDA for the cycle permit, the board of directors may resolve to provide extraordinary shareholder remuneration through share buyback plans or the payment of extraordinary dividends pursuant to authorization at the Annual Shareholders' Meeting.

As a general rule, the dividend will be paid in two tranches:

- A payment on account in January.
- A supplementary payment in July.

This policy may be revised when there are significant and tangible organic and/or inorganic investments in the short term or when conditions so advise.

7. Treasury shares

Treasury shares at the end of this period amounted to 106,367 shares with a value of EUR 1,031 thousand.

The board of directors meeting held on July 27, 2022, in view of the Company's financial strength, cash generation prospects and the low level of the share price, agreed to initiate a new 4% share buy-back program, similar to the one carried out the year before. This program fulfilled the Company's commitment to redeem the shares that were issued in the years when scrip dividends were made. All the shares (10,388,974 shares) were acquired in 2022 for EUR 90,685 thousand.

The Annual Shareholders' Meeting held on May 23, 2023, approved the reduction of Acerinox, S.A.'s share capital by EUR 2,597 thousand through the cancellation of 10,388,974 treasury shares held as treasury stock. The purpose of this reduction of share capital through the redemption of treasury shares is to increase the value of the shareholders' stake in the Company. This capital reduction was carried out in August of this financial year.

In this same financial year, 213 thousand treasury shares were also acquired to cover the Group's multi-year executive compensation plans for an amount of EUR 2,084 thousand. Furthermore, 110,563 treasury shares were delivered to company executives as a result of the completion of the third cycle of the First Multi-annual Remuneration Plan.

8. Risks

Acerinox has implemented a risk management model backed by the board of directors and senior management. It aims to identify, evaluate, and mitigate the risks inherent to the industry in which the Company operates, as well as their impact on financial goals and strategic objectives to the continued benefit of all its stakeholders. Acerinox thus has a risk management and control policy that sets out the basic principles and general framework for the control and management of all types of risks to which the Company and the Group are exposed.

You can read about this policy here:

https://www.acerinox.com/opencms901/export/sites/acerinox/.content/galerias/galeria-descargas/OtrosDocumentos/Poltica-General-de-Control-y-Gestin-de-Riesgos-de-Acerinox-S.A.-y-de-su-Grupo-de-Empresas.pdf

The main risks that affect the entity directly or indirectly through its investees are as follows:

Category	Main risks	Description and examples	Main responses
External	**Economic cycles**	The global economic and geopolitical environment may be affected by tensions and adverse changes affecting stainless steel and, therefore, the Acerinox Group's business in its main markets.	Strategic Plan and Beyond Excellence underway at the Acerinox Group
	Geopolitical	Geopolitical tensions arising from Russia's invasion of Ukraine, the Israel-Hamas conflict or the growing tension between China and Taiwan can hamper economic development and put stress on supply chains.	Constant global monitoring to mitigate and/or anticipate economic impacts and potential supply chain disruptions
	Trade barriers and competitiveness	Acerinox is a group that works across the globe; its activities span multiple countries and are exposed to different regulatory frameworks. Due to the global nature of the business, the Group is exposed to possible risks arising from the existence and/or elimination of trade restrictions such as anti-dumping/anti-subsidy tariffs, export restrictions, special control measures, etc.	Monitoring of global trade and geopolitical trends with an active presence in the main local and international organizations and institutions
ESG	**CO_2 emissions**	In matters relating to environmental, social and corporate governance (ESG), the most significant risks are those related to the reduction of CO_2 emissions, energy and occupational health and safety. Acerinox has targets for 2030 linked to these three areas; the specific action plans can be found in the corresponding sections of this report.	Concrete plans to reduce CO_2 and improve efficiency
	Energy		Energy efficiency plans for each facility.
	Health and safety		Preventive maintenance programs, safety awareness campaigns, training plans
	Climate change (emerging risk)	In addition, climate change was identified as an emerging risk, so transition risks and physical were assessed following TCFD (more information in the Eco-efficiency and climate change mitigation chapter)	Decarbonization plan. Implementation of energy efficiency measures, increased use of renewable energies and greater use of sustainable fuels.
Financial	**Raw material price volatility**	The production of stainless steel and high-performance alloys requires raw materials, mainly nickel, ferrochromium, molybdenum, and scrap. For the most part, commodity prices are subject to significant volatility due to the aforementioned geopolitical tensions.	Alloy surcharge mechanisms and/or, if applicable, financial hedges to try to minimize the impact of the volatility of the main raw materials (nickel, chrome, etc.)
	Macroeconomic, market and third-party insolvency variables	This same context may put special stress on different macroeconomic and market variables, such as interest rates, exchange rates and commodity prices, and likewise the insolvency of third parties. These are risks that the Group faces in its daily operations in order to achieve its financial targets	Partially insure the risk through financial hedging mechanisms and commercial credit insurance policies. There is an internal commercial credit risk management instruction as well as a global Commercial Risk Committee

Technological	**Cybersecurity**	Increased cybercrime has led to greater risks for the company's operations. The development of AI puts the spotlight on the risks associated with new technologies. Cyberattacks can lead to business interruption and the loss of critical information, as well as loss of customer and supplier confidence and the imposition of governmental fines.	The company added a Global CISO in 2023. Reporting to the CEO, the CISO will lead the deployment of the cybersecurity strategy. The Cybersecurity Master Plan is underway; this will increase our protection capacity and improve our response to potential threats
Operational	**Supply chain. Availability of raw materials / basic supplies**	The availability of raw materials and, in general, of the supply chain is essential to maintain the continuity of the production process. Events such as the recent Israel-Hamas conflict, the first impact of which has caused transportation problems across the Red Sea, highlight the risks to which supply chains are exposed. Risks affecting transportation, access to raw materials, or availability of other basic supplies.	Reduction of specific consumption. The Group strives to maintain adequate stability in the supply chain, monitoring the quality and reliability of the main suppliers of raw materials, such as nickel and chrome, as well as the other basic supplies necessary to ensure the continuity of our production process
Strategic	**Strategic plans**	The execution and correctness of the strategic plans implemented by the company always comes with a risk of not achieving the targets set. Strategic investments, M&A processes, plans for improvement and target achievement, etc.	Regular review of climates and variables that may affect the achievement of strategic plans

9. Research, development, and innovation (R&D&I)

Acerinox is strongly committed to research, development, and innovation; this is one of the Group's fundamental pillars. The Group's factories are the ones who really drive and carry out our various projects. They are supported by an Innovation and Technology Committee headed by the Group's CEO and made up of managers from various parts of the business, located at different facilities, whose main objective is to coordinate the R&D&I strategy, alongside managing and monitoring the funds for the same.

R&D&I projects focus on three priority areas: development of new materials, process improvement and waste valorization. For example, some of the projects launched in 2023 were related to the use of stainless steel for renewable hydrogen storage and the use of hydrogen for fuel in factory heating furnaces

Our parent company, Acerinox SA, did not carry out any R&D&I-related activities during 2023; regardless, performing these activities remains a pillar of its strategy.

10. Sustainability

Acerinox is committed to best practices in governance and sustainability to contribute to economic and social development. To this end, it has a responsible management model that structures, coordinates and strengthens the activities necessary to make this a reality.

In order to guide targets and ensure the sustainability of our business, a sustainability committee was created in 2020 within the board of directors. The sustainability director, a direct report of the CEO, reports to the sustainability committee. Its purpose is to supervise and promote actions related to the Group's commitment in this area.

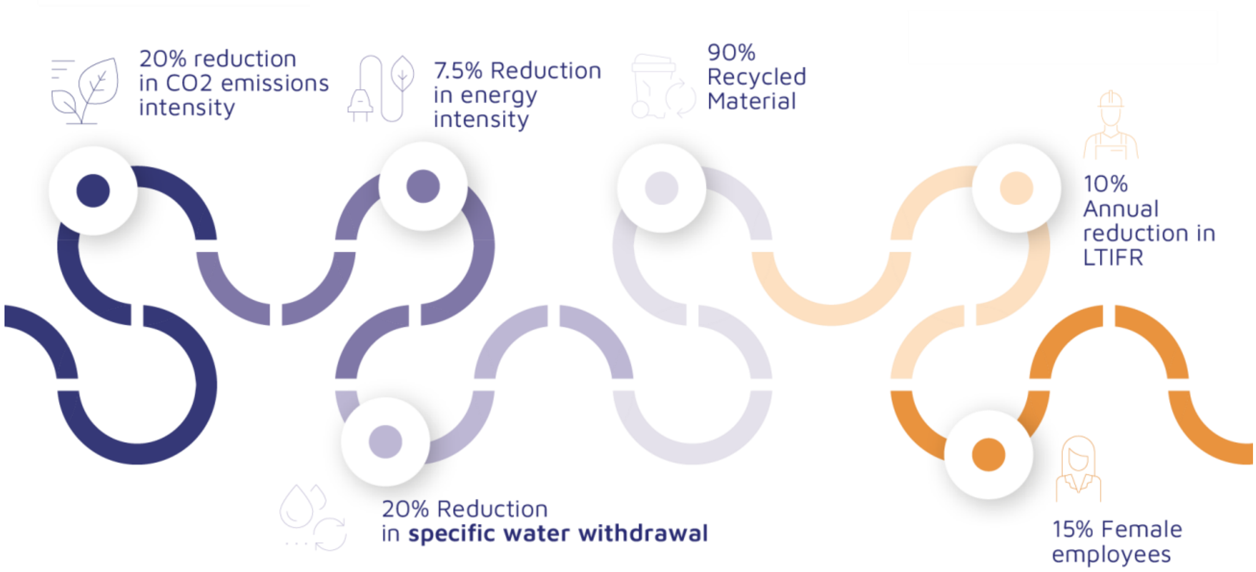
For the deployment and implementation of our commitment to sustainability, the company has a sustainability plan, 360º Positive Impact, which responds to the ESG risks and materiality analysis, identifies the levers of value generation, and establishes long-term objectives to make this a reality.

Positive Impact 360º sets out the Group's main environmental, social and corporate governance initiatives. This multi-year plan is implemented through annual sustainability programs defined and agreed with the Group's different areas and factories. These programs are a legitimate tool for achieving continuous improvement in responsible execution.

The sustainability plan is structured around five strategic pillars:

Ethical, accountable, and transparent governance	**Eco-efficiency and climate change mitigation**	**Circular economy and sustainable products**	**Committed team, culture, diversity, and safety**	**Supply chain and community impact**
Promote the development of a responsible and transparent management model and solid corporate governance, with a sustainable and long-term vision, which identifies and proposes responses to new ESG challenges and opportunities.	Establish commitments and objectives in climate change mitigation and develop an action plan to achieve them that includes energy efficiency measures, which are the bedrock of the climate change model.	Integrate circular economy processes into all operations by driving the development of sustainable and low-emission products.	Strengthen the alignment of people with the values of Acerinox, boosting their commitment to sustainability, promoting equality, the development of talent and the improvement of the climate, guaranteeing safety, health and well-being.	Manage the supply chain responsibly and be a company recognized for its commitment to local society and creating positive community impact.

In 2020 Acerinox set sustainable goals linked to its environmental, social and corporate governance performance, aligned with Positive Impact 360º, its Sustainability Master Plan, and the main international standards (Paris Agreement, Sustainable Development Goals, etc.).



Progress in these objectives is as follows:

Pillar	2030 targets**	Degree of progress	2023 vs 2022
	20% reduction in CO_2 emissions intensity (Scopes 1 and 2) compared to 2015.	-11% vs 2015	-3%
	7.5% reduction in energy intensity compared to 2015	8% vs 2015	6%
	20% reduction in water withdrawal intensity compared to 2015	-18% vs 2015	-3%
	90% waste recycled	80%	1%
	10% annual reduction in LTIFR	–	-26%
	15% women at the organization	13.28%	0.37%*

*Increase in the percentage of women on staff compared to the previous year.

**Carbon intensity, energy intensity, water intake intensity, and % waste recycled targets were set for the stainless steel division only. In 2024, they will be extended to the Group level.

The identification and management of environmental risks is a matter of critical importance to Acerinox, in line with the risk model detailed in section 5. Risks of this report. In addition to legal obligations, the Group's own factories also have procedures in place to control environmental risks with appropriate assessment of likelihood and severity. All Acerinox factories have an environmental management system in accordance with the ISO 14001 standard.

To meet all these challenges, the Group believes that the innovation and R&D&I strategy must go hand in hand with the environmental challenges in order to produce a sustainable product. The implementation of eco-efficient management of production processes, from the source to the end of the product life cycle, supports these competitiveness and sustainability targets.

11. Anti-corruption and bribery

In all its actions, Acerinox takes into account its commitment to zero tolerance of corruption, bribery, fraud or similar illegal activities. The board of directors, through the chief compliance officer and whistleblowing channels, ensures compliance with and observance of the Crime Prevention Model, which provides for the application of sanctions and referral to the competent jurisdiction in extreme cases.

The information and measures to combat corruption and bribery within the Group are mainly based on the provisions of the code of conduct and best practices and the crime prevention model, which set out the obligations and ethical responsibilities and are the main tools for compliance and prevention of crime by the Group, as well as establishing measures to prevent money laundering.

To encourage the application of the code of conduct, the Company has a whistleblowing channel, a communication tool accessible to all Acerinox employees and stakeholders to report behavior that breaches the provisions of the code.

In 2023, the Group's whistleblowing channel was modified per Law 2/2003 of February 20, 2003, on the protection of persons who report regulatory violations and the fight against corruption. The aforementioned legislation incorporates the Whistleblower Directive into Spanish law. No cases of corruption were reported in 2023.

In 2023, Acerinox took another step down the path of continuous improvement to prevent and mitigate risks by subjecting the crime prevention program to an external audit carried out by AENOR. This was part of the process for obtaining certification under UNE 19601: Management system for criminal compliance, a standard aimed at reducing criminal risk exposure and promoting a culture of crime prevention.

12. Equality, diversity, and inclusion

The Acerinox Group has an equality, diversity and inclusion policy, which has been approved by the board of directors and integrated into the strategic plan, to which a board diversity and director selection general policy was added for Acerinox, S.A.

Acerinox understands equality, diversity, and inclusion as the sum of different potentials and personal and professional characteristics that enable it to multiply opportunities and achieve unique results in a changing and agile environment in order to succeed in the markets in which it operates.

Acerinox has been working for years to promote parity throughout its workforce, which has led to the integration of a cultural change in the Company. This process is leveraged by the implementation and annual development of the Acerinox Group equality plan and the eight vectors on which it is based (communication and awareness raising; selection and recruitment; classification, promotion, and under-representation of women; training and professional development; gender pay gap; co-responsibility and work/life balance; prevention of occupational risks and all types of harassment; and vigilance in gender-based violence).

Acerinox has equality plans negotiated with the representatives of workers at all the Group's companies in Spain and continues to promote specific initiatives adapted to the reality of each country where it is present.

In 2023, 91% of the measures established in the equality plans were carried out. These included initiatives related to supplier equality, as well as others related to communication and awareness-raising.

The Group's diversity and inclusion policy is supported by the board of directors and senior management, which have enshrined this concept as a strategic priority. The challenges of recent years, digital transformation, the coexistence of different generations and an increasingly uncertain and volatile environment have led the Company to pay particular attention to the strategic management of diversity, which is not just focused on reasons of age, gender, race, or disability.

Given the Company's global footprint, making the most of the diversity of available talent has become an asset and an undeniable business opportunity. Diversity management is therefore a strategic pillar and a fundamental criterion in the Group's decision-making process.

The percentage of women has increased from 45% in the previous year to 46%. This is the result of the initiatives implemented to attract and retain female talent.

Cultural diversity and vulnerable groups

Since the 2008 financial crisis, especially in Spain, employment loss for people aged over 45 has become an unfortunate reality. This age group experiences major difficulties in accessing the labor market. A stumbling block that becomes chronic after the age of 50, which means that a group that stands out for its experience and the knowledge that it can pass on to the new generations is not integrated into the labor market.

Acerinox offers complete careers where young people can shape their career plan with opportunities and have access to experiences in other countries and cultures that have high value for their professional trajectory. This allows them to interact with peers of different ages and 65 different nationalities. It is undoubtedly one of the main sources of enrichment and development of skills compared to traditional training.

To manage diversity and non-discrimination due to any kind of personal or social circumstances, Acerinox considers the specific conditions at the locations where it operates, which, in view of their geographical dispersion, present major cultural differences. Specifically, the promotion of workplace inclusion of people with different abilities is reflected in the 259 employees with some form of disability.

CEO for diversity

Bernardo Velázquez, the Company's CEO, has joined the CEO Alliance for Diversity backed by the Adecco Foundation and the CEOE Foundation. This initiative's mission is to unite companies around a common and innovative vision of diversity, equity, and inclusion (DEI). Its focus is also on accelerating the development of strategies that contribute to business excellence, the competitiveness of talent in Spain, and the reduction of inequality and exclusion in Spanish society.

13. Corporate governance

Corporate governance

Acerinox adopts best corporate practices in its operations, keeping it ahead of international standards.

In 2023, George Donald Johnston was appointed as lead independent director, following the departure of the previous chairman for age-related reasons. In addition, Carlos Ortega Arias-Paz was appointed as Acerinox's new non-executive chairman. Although the chair is a non-executive position, it was decided to create this position because of the benefits it brings.

When the Company increased the dividend per share to EUR 0.60, compared to EUR 0.50 in prior years, it also approved a new dividend policy. This explicit policy states the commitments undertaken vis-à-vis shareholders and provides much-needed predictability regarding expected returns in future years.

The board of directors carries out an annual evaluation of the board and its various committees in order to identify areas for improvement and to approve the measures needed to boost their performance. The resulting improvement plans are periodically monitored and analyzed halfway through and at the end of the year in question. Its usefulness is evidenced by the fact that the ratings improve year after year. The 2023 assessment was performed by the Company's internal services. For the next fiscal year, it will be performed by external services.

At the request of the board of directors, the Company has strengthened the area of sustainability in recent years. First, the sustainability directorate was created and, subsequently, a specialized committee was set up under the board itself.

The Acerinox, S.A. Annual Corporate Governance Report, the Group's. Directors' Remuneration Report and the Management Report for the 2023 financial year will be available on the CNMV website and on the Acerinox company website from the date of publication of the 2023 financial statements.

Board of directors and its committees

In 2023, Acerinox's board of directors met 14 times and consisted of 11 directors. At the Annual Shareholders' Meeting held on May 23, 2023, Mr. Ignacio Martín San Vicente stepped down as independent director, having completed the statutory term for which he had been appointed. Mr. Pedro Sainz de Baranda Riva was appointed independent director for a term of four years. At this same meeting, Mr. George Donald Johnston was re-elected as independent director.

Internal regulations

The Group's Annual Shareholders' Meeting - held on May 23, 2023, as proposed by the board of directors at their April 12, 2023, meeting and following a report from the appointments, remuneration, and corporate governance committee - approved an amendment to the directors' remuneration policy. This change, which was approved at the 2022 Annual Shareholders' Meeting, consists of the inclusion of a clawback clause for all variable compensation granted to the Company's executive directors and senior management personnel.

At its meeting on February 27, 2023, the board of directors amended its regulations to complete the regulation of the position of lead independent director; this was reported at the 2023 Annual Shareholders' Meeting. The aforementioned amendment to the regulations was registered with the Madrid Company Register.

Committees

Name	Charge	Gender	Director			Committee				Other
			Executive	Proprietary	Independent	Executive	Audit	Appointments and Remuneration	Sustainability	First appointment
Carlos Ortega Arias-Paz	Chairman	Men		☑		☑				2022
Bernardo Velázquez Herreros	Chief Executive Officer	Men	☑			☑				2010
Laura G. Molero	Director	Women			☑		☑	☑*C		2017
Rosa María Garcia Piñeiro	Director	Women			☑	☑			☑*C	2017
George Donald Johnston	Lead independent director.	Men			☑	☑	☑			2014
Francisco Javier García Sanz	Director	Men			☑	☑		☑		2020
Tomás Hevia Armengol	Director	Men		☑			☑		☑	2016
Leticia Iglesias Herraiz	Director	Women			☑		☑*C		☑	2020
Pedro Sainz de Baranda Riva	Director	Men			☑			☑	☑	2023
Marta Martinez Alonso	Director	Women			☑				☑	2017
Santos Martinez-Conde	Director	Men		☑		☑		☑		2002
Luis Gimeno Valledor	Secretary	Men				SEC	SEC	SEC	SEC	-

Men | Women

*C: Chairman

Board of directors

CARLOS ORTEGA ARIAS-PAZ

Chairman.

Member of the board of directors since May 2022.

He chairs the Executive Committee.

External proprietary, representing Corporación Financiera Alba.

Elected with the favorable vote of 91.99% of the subscribed voting capital attending the 2022 Annual Shareholders' Meeting.

Holder of 11,111 shares at December 31, 2023.

BERNARDO VELÁZQUEZ HERREROS

Chief Executive Officer

Member of the board of directors since 2010,
re-elected in 2014, 2018 and 2022.

Chief Executive Officer since July 2010. He is a member of the Executive Committee.

Executive.

Re-elected with the favorable vote of 92.55% of the subscribed voting capital attending the 2022 Annual Shareholders' Meeting.

Holder of 82,690 shares at December 31, 2023.

ROSA MARÍA GARCÍA PIÑEIRO

Independent

Member of the board of directors since 2017,
re-elected in 2021.

She chairs the Sustainability Committee and is a member of the Executive Committee.

External independent.

Re-elected with the favorable vote of 97.32% of the subscribed voting capital attending the 2021 Annual Shareholders' Meeting.

LAURA G. MOLERO

Independent

Member of the board of directors since 2017,
re-elected in 2021.

She chairs the Appointments, Remuneration and Corporate Governance Committee and is a member of the Audit Committee.

External independent.

Re-elected with the favorable vote of 97.94% of the subscribed voting capital attending the 2021 Annual Shareholders' Meeting.

GEORGE DONALD JOHNSTON

Independent

Member of the board of directors since 2014,
re-elected in 2019 and 2023.

He is a member of the Audit Committee and the Executive Committee.

Lead Independent Director.

Holder of 6 shares at December 31, 2023.

Re-elected with the favorable vote of 87.76% of the subscribed voting capital attending the 2019 Annual Shareholders' Meeting.

FRANCISCO JAVIER GARCÍA SANZ

Independent

Member of the board of directors since 2020.

He is a member of the Executive Committee and the Appointments, Remuneration and Corporate Governance Committee.

External independent.

Elected with the favorable vote of 92.78% of the subscribed voting capital attending the 2020 Annual Shareholders' Meeting.

TOMÁS HEVIA ARMENGOL

Proprietary

Member of the board of directors since 2016,
re-elected in 2021.

He is a member of the Audit and Sustainability Committees.

External proprietary, representing Corporación Financiera Alba, S.A.

Re-elected with the favorable vote of 99.13% of the subscribed voting capital attending the 2021 Annual Shareholders' Meeting.

LETICIA IGLESIAS HERRAIZ

Independent

Member of the board of directors since 2020.

She chairs the Audit Committee.

External independent director and member of the Sustainability Committee.

Elected with the favorable vote of 92.59% of the subscribed voting capital attending the 2020 Annual Shareholders' Meeting.

PEDRO SAINZ DE BARANDA RIVA

Independent

Member of the board of directors since 2023.

He is a member of the Appointments, Remuneration and Corporate Governance Committee, as well as the Sustainability Committee.

External independent.

Elected with the favorable vote of 92.05% of the subscribed voting capital attending the 2023 Annual Shareholders' Meeting.

MARTA MARTÍNEZ ALONSO

Independent

Member of the board of directors since 2017,
re-elected in 2021.

She is a member of the Sustainability Committee.

External independent.

Elected with the favorable vote of 98.05% of the subscribed voting capital attending the 2021 Annual Shareholders' Meeting.

SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

Proprietary

Member of the board of directors since 2002,
re-elected in 2006, 2010, 2014, 2018 and 2022. He is a member of the Executive Committee and the Appointments, Remuneration and Corporate Governance Committee

External proprietary, representing Corporación Financiera Alba, S.A.

Re-elected with the favorable vote of 91.57% of the subscribed voting capital attending the 2022 Annual Shareholders' Meeting.

Holder of 9,997 shares at December 31, 2023.

LUIS GIMENO VALLEDOR

Secretary

Secretary of the Board and General Secretary of the Acerinox Group.

Holder of 23,579 shares at December 31, 2023.

Management Committee

At December 31, 2023, the following members sat on the Acerinox Management Committee:

Ms. Lucía Alonso de Noriega	**Internal Audit**
Mr. Daniel Azpitarte	**Chief Integration Officer**
Ms. Esther Camós	**Consolidation, Budgeting and Taxation**
Mr. José Campuzano	**Health, safety, and environment**
Mr. Carlos Castillo	**Legal Advice**
Ms. Marisa Dafauce	**Human Resources**
Mr. Mark Davis	**CEO of Bahru Stainless**
Mr. Antonio Fernández de Mesa	**Treasury**
Mr. Miguel Ferrandis	**Chief Financial Officer**
Mr. Cristóbal Fuentes	**CEO of North American Stainless**
Mr. Juan García	**Risks**
Mr. Rodrigo García-Vega	**Compliance**
Mr. Antonio Gayo	**Strategy**
Mr. Luis Gimeno	**Secretary General and Secretary of the Board**
Mr. Fernando Gutiérrez	**CEO of Acerinox Europa**
Mr. Hans Helmrich	**Chief Operating Officer**
Mr. Carlos Lora-Tamayo	**Investor Relations and Communication**
Mr. Carlos Marqués	**Raw material purchases**
Mr. Niclas Müller	**CEO of VDM Metals**
Ms. Deniza Puce	**Indirect Purchases**
Mr. Alberto Ruiz	**Cybersecurity**
Mr. Carlos Ruiz	**Sustainability**
Mr. Johan Strydom	**CEO of Columbus Stainless**
Ms. Isabel Vaca	**Information Systems**
Mr. Bernardo Velázquez	**Chief Executive Officer**

Annual shareholders' meeting

The Acerinox Annual shareholders' meeting was held on May 23, 2023, in Madrid with the physical attendance of the Company's shareholders. A total of 1,754 shareholders, either in person or by proxy, were in attendance, representing 54.54% of the subscribed voting capital. All items on the agenda were approved with the sufficient majorities required by the Corporate Enterprises Act and the Company's articles of association.

14. Subsequent events

Acerinox, S.A. closes an agreement to acquire the US company Haynes International

The boards of directors of Acerinox, S.A. and Haynes International have agreed that Acerinox Group shall acquire 100% of Haynes International (Haynes), a company listed on the NYSE and headquartered in Indiana (United States) specializing in the special alloys industry.

Haynes' board of directors will submit to its shareholders the sale of 100% of its shares. If the sale agreement is accepted by a majority of Haynes shareholders, it will be binding on all shareholders, who will receive the agreed amount - US$61 per share - in cash. This represents a total consideration of US$798 million, corresponding to a company value of US$970 million.

Haynes will become 100% owned by North American Stainless (NAS), which in turn is 100% owned by Acerinox S.A.

The agreement will be subject to the prior approval of the US antitrust authorities and the US Committee on Foreign Investment.

The transaction's closing - and with it, the takeover of the Haynes Group - is subject to the approval of the Haynes Annual Shareholders' Meeting and the aforementioned antitrust authorities. Depending on the date this approval is granted, it is estimated that the transaction could be completed by mid-2024.

With this operation, Acerinox will consolidate its presence in the North American market, where it is already the leader in the area of stainless steel, as well as strengthening its preeminence in the global high-performance-alloy market.

Interim dividend

The board of directors of Acerinox, S.A. held on December 20, 2023, has decided to propose to the Ordinary Annual General Meeting of Shareholders of the Company a dividend of EUR 0.62 per share charged to 2023 results, of which EUR 0.31 were paid as an interim dividend on January 27, 2024. This dividend will be submitted for approval at the Annual Shareholders' Meeting to be held in 2024.