CHIEF EXECUTIVE OFFICER'S REPORT

ANNUAL SHAREHOLDERS' MEETING

APRIL 22, 2024

Acerinox

Good morning, esteemed shareholders, and thank you very much for attending our Annual Shareholders' Meeting.

Once again, I have the honor of addressing you to report on the company's results for fiscal year 2023 and to thank you for the trust you place in Acerinox's senior management team.

In 2023, our sales, amounting to €6,608 million, decreased by 24% compared to those of the record year 2022, and our EBITDA decreased by 45%, to 703 million. Nevertheless, we consider 2023 a positive year, and it was the fourth best in our history. In addition, thanks to the strict control of working capital, operating cash flow stood at 481 million, which allowed us to reduce net financial debt by 99 million to €341 million, only 0.49 times EBITDA.

At a low point in the cycle, the improvements made in recent years, together with a new geostrategic situation in the world that works in our favor, and our commitment to more sophisticated materials with greater value added, have enabled us to vastly improve our competitiveness as a Group and position ourselves at the forefront among the most successful producers in our sector internationally. On top of all this, we have the clearest and most exciting strategy.

Our results were possible thanks to the leadership position we hold in the United States, as I will explain shortly, and our diversification toward more sophisticated materials, a process that we began with the acquisition of VDM Metals in 2020. VDM made a record profit of €175 million last year, driven by demand for our materials to fund investments in the oil and gas, chemical processes, and aerospace sectors. Both VDM's earnings, which have doubled since before the acquisition, and the successful integration process, underscore the soundness of the transaction, which opens doors for us to continue investing in this sector and strengthen our position as the manufacturer with the widest range of corrosion- and temperature-resistant alloys on the international market.

From the most standard stainless steels and even certain types of carbon steels, to the most exclusive high-performance alloys, including both flat and long products and a wide range of dimensions, Acerinox offers it all. This enables us to become a provider of materials and solutions for modern and sustainable industry, much more than a traditional stainless steel manufacturer.

Returning to the events of 2023, I cannot remember in my long history at Acerinox such a negative cycle in the stainless steel sector as the one we experienced last fiscal year, with 20% drops in apparent consumption in our main markets, the United States and Europe. I want to emphasize the complexity that this adds to a manufacturing industry, which must quickly adapt its production process to a decrease in demand of this magnitude. To put it in perspective, the COVID lockdown and the consequent economic paralysis, something never before experienced, meant an 18% drop in Spanish GDP in the second quarter of 2020, with a 24% drop in the industrial GDP. Imagine a 20% drop in annual terms.

To understand how this situation came to be, we must go back to the raw materials supercycle that began in mid-2020 and lasted until mid-2022, the so-called "bullwhip effect," caused by the desire of all market players to rapidly replenish stocks throughout the supply chain, which was left empty following the staggered lockdowns across world economies. This prompted intense activity in factories and a disproportionate increase in purchases, as well as a turn to imports from other excess-capacity markets. This process came to an end in the second quarter of 2022, when the central banks announced their intention to adopt measures to curb inflation, even at the cost of causing a controlled recession, raising interest rates and dampening expectations for consumption.

From that moment on, stocks at both distributors and goods processors, which were until then considered insufficient for the expected sales volume, became excessive, rapidly changing the dynamics of the market and causing new purchases to plummet—and with them, production in our factories. Specifically, our steel production fell by 11% to 1.95 million tons. The last time we saw steel production below 2 million tons within the Acerinox Group was in 2009.

These circumstances occurred in practically all markets across the world, with the exception of China, which was the only country that continued to increase production by 13% at its factories despite the circumstances. This hindered the inventory reduction process and caused an unprecedented fall in prices that affected mostly Asian markets, but also the European one. This is further proof that China follows different dynamics than those of market economies.

Thanks to China, world stainless steel production rose 5% to 58.4 million tons, despite that the rest of the markets were forced to cut back: 6% in the case of Europe, 10% in the United States, and 7% in South Korea. The sum of production in China, plus that of Chinese manufacturers in Indonesia, now exceeds 70% of world production.

While the evolution of our main markets was very similar to that described in terms of sales volumes, the same was not true of price behavior.

In the United States, the 25% tariff imposed under Section 232 to protect American industry, coupled with our customers' preference for regular, reliable, and close supply, allowed us to undertake the stock regularization process without drama and without losing stability. It is true that the United States has made a firm commitment to its industry, and the measures adopted to that end are proving effective.

In Europe, on the other hand, as we have stated on multiple occasions, the safeguard measures are inefficient in down markets, and we were invaded by a flood of Asian imports at very low costs, reaching the lowest prices in our history. If we add high energy costs, rigidity of the labor market, and overregulation to this scenario, one can understand why European and Spanish industry are lagging behind those of other markets.

The European Commission should reconsider its strict defense of the rules established within the World Trade Organization, because it is being left alone in this endeavor. This hampers industrial activity and allows unfair competition from other countries that find in our open market fertile ground for exporting their surpluses. Acerinox and industry associations have been continuously denouncing the disadvantage that we have been suffering for years. Let us hope that now, as this distress spreads downstream to such important sectors as the automotive industry, a deep reflection will take place to reverse the current situation within the industry and the loss of investments and jobs, and to facilitate the longed-for "strategic autonomy." At least this is where the latest reports point, such as the one published by Letta recently.

It is clear that the geostrategic environment is changing. The March 2024 report by the Real Instituto Elcano, "The European economic model amid the return of geopolitics: diagnosis and proposals for reform," says: "In the world prior to the Global Financial Crisis, the EU focused on promoting change through trade, encouraging geopolitical convergence by means of economic interdependence. That world—transformed by the COVID-19 pandemic, the crisis stemming from the Russian invasion of Ukraine and growing Sino-US rivalry—no longer exists. In the current geopolitical scenario, interdependence has turned into a double-edged sword, and hard-to-quantify concepts such as strategic autonomy and economic security have emerged."

If I may, I would like to add a couple of thoughts myself. First, that the change began prior to the pandemic and originated in the United States, when the country became aware of its dependence on other countries for strategic supplies and technologies, as well as the associated loss of industrial jobs. It was in March 2018 that the American administration decided to impose 25% tariffs on steel imports from a large number of countries that did not agree to limiting quotas, a measure that has been maintained through the different administrations up until now and that could even be tightened.

Second, that not only countries, but also companies, have learned the need to diversify and bring the origin of their supplies closer to home. This is not only because of the factors mentioned in the report, but also because of those related to global maritime traffic, such as ship breakdowns in the Suez Canal, water scarcity in the Panama Canal, lack of safety on the Red Sea, and the need to reduce Scope 3 emissions, which are those emitted at the place of origin and during transport. These factors are in addition to those already mentioned in the report, such as the disruptions in the delivery of our providers due to the cessation of activity during the pandemic or after the invasion of Ukraine.

As I mentioned in my letter in the 2022 report, this new geostrategic framework inevitably leads us toward a process of deglobalization, reversing a situation in which we may have gone too far, neglecting many of the risks I mentioned. With time, we will likely date back to 2018 the beginning of this process of regionalization of trade and the end of globalization, which was imposed after the end of the Cold War and the blocs policy around 1990.

In Acerinox we have been observing this trend for a long time. We are very aware of it and we are concentrating our strategy on our main markets, not only the United States and Europe, but also South Africa, as we await the awakening of the African continent, in which we hold close to 50% market share. We must be prepared for a new situation in international trade, with closer supplies, greater export restrictions, and for the resurgence of American, European, and Spanish industry.

Added value is our differentiator

We are convinced that we must continue moving toward the manufacture of more sophisticated materials adapted to the needs of the most demanding customers as the best solution to shield ourselves from overcapacity in Asian countries. This applies especially to China and Indonesia, the latter of which recently made a quick rise to the ranking of the main world producers thanks to investments by companies that are also Chinese under the "New Silk Road" policy. In addition, we are promoting research to develop, together with our customers, stainless steels and high-performance alloys best suited to each application, completing our product range with super stainless steels and steel grades developed to meet today's needs and tomorrow's industry applications. In this way, we seek to differentiate ourselves from standard products, offer the broadest product range in the sector, and achieve greater added value in our activities.

This is one of the pillars of our business model and our strategic plan. Added value, together with excellence in operations, is underpinned by our financial strength and our commitment to sustainability and the circular economy.

With Beyond Excellence, we give a further edge to our competitiveness

Through initiatives such as Beyond Excellence, we continue to recognize the importance of increasing our competitiveness, while turning to efficiency to minimize the environmental impact in the areas in which we operate.

With the plan, we strive to reduce to a minimum the resources needed to manufacture each ton of ready-to-use material, minimizing the consumption of raw materials, energy, and supplies. In this way, we seek the dual benefit of lowering our production costs and reducing process emissions.

The new plan, launched in 2023, aims precisely to boost competitiveness, enhance operational excellence, and promote a culture of continuous improvement and innovation across the organization. Its foundation is based on six pillars: decarbonization, efficiency, development of special alloys, productivity, supply chain, all the while putting the customer at the center of our activity.

This program, which will run between 2024 and 2026, will help improve the Group's earnings by an estimated €100 million thanks to the combination of cost reductions, revenue improvements, and promotion of a culture of continuous excellence and innovation across the organization. To achieve this, we will apply techniques of digital transformation and artificial intelligence, enhancing our knowledge of the process.

For 2024, we have identified new projects focused on key business areas, such as improving quality and performance in the production of high-value-added steels, optimizing the use of recycled materials as the main raw material, increasing production line availability through digitalization, implementing predictive quality and maintenance systems to anticipate problems, improving energy and consumable efficiency with consequent emission reduction, and minimizing and recovering the waste generated throughout the process. We expect these projects to generate a financial impact of €45 million throughout the year and to allow us to move forward in closing the loop of the circular economy.

Because we pursue leadership in sustainability

We use more than 90% recycled materials to produce stainless steels and high-performance alloys that are durable and eternally recyclable without losing their characteristics. By recovering our waste, of which we already recycle more than 80%, we are without a doubt the paradigm of the circular economy.

We efficiently manufacture stainless steels and high-performance alloys with a respectful approach and we are committed to a responsible management model that helps protect the planet, reduce inequalities, and promote a more prosperous and sustainable world.

Acerinox continues and will continue to promote its firm commitment to sustainability and the values in terms of ESG and the UN Sustainable Development Goals, largely reflected in our "360 Positive Impact" sustainability plan, which allows us to move toward our 2030 goals.

In 2023, we achieved significant milestones. As an example, we increased renewable electricity consumption by 50% and reduced carbon intensity by 5%. Of great note is the reduction of our accident rate by almost 25%, which is a source of pride for its significance and for the effort we are investing to make our factories very safe places to work.

We also earned the highest international recognition, validating and supporting our goal of creating the most efficient materials for the future, generating a positive impact. For the second year in a row, we earned the EcoVadis Platinum Medal, the highest corporate sustainability rating in the assessment of corporate social responsibility within global supply chains.

This year, Acerinox's overall score was 82 points, placing us in the 99th percentile, at the top of the sector, and surpassing the score we received last year (79 points). The assessment includes 21 sustainability-related criteria divided into four main categories: environment, labor and human rights practices, ethics, and sustainable procurement. In 2023 we also joined the Together for SDGs initiative, raising the flag of the United Nations Sustainable Development Goals (SDGs), in addition to joining the CEOs for diversity initiative.

But none of this would be possible without our financial strength

All of our ambitious goals rest on the foundation of our traditional financial strength. Only three years after acquiring VDM Metals, and at a low point in the stainless steel cycle, we have returned to debt ratios of only 0.49 times EBITDA.

This good health has allowed us to take on new challenges for growth, both organic and inorganic, and to continue increasing shareholder remuneration. We proposed to shareholders at the Annual Meeting the distribution of a dividend of €0.62 per share, an increase of 24% in two years.

At the end of 2023, we announced the approval of a new expansion phase for our subsidiary North American Stainless (NAS), the largest integrated stainless steel factory in the United States, which will strengthen its position to support the growth of this market. It will do so thanks to digital solutions and investments in new equipment that will allow a gradual 20% increase in capacity over the next four years, on which we will spend $244 million.

In addition, in 2024 we announced the expansion of VDM Metals, the Acerinox Group's high-performance-alloys division and a world leader in its sector. Through a €67 million investment, it will be able to increase sales by 15%, also doing so gradually. Among the new equipment is a second atomizer for the production of stainless steel and high-performance-alloy powders for use in additive manufacturing. This will increase our product range by bringing even more solutions to the market and betting on high-tech solutions.

Finally, thanks to the successful integration of VDM Metals and the creation of a platform in Europe for the sale of flat and long products made of corrosion- and high-temperature-resistant materials, including both stainless steels and high-performance alloys, we wanted to replicate the model in the United States through the offer made for the acquisition of Haynes International, a leading American company in the development and manufacture of high-performance alloys with a large technological component and a strong presence in the aerospace sector. This transaction, which is to be carried out through a cash acquisition by North American Stainless, has already been approved by the board of directors and by Haynes shareholders and is still pending approval by the regulatory authorities.

The offer involves a total enterprise value of $970 million for Haynes, and Acerinox would purchase all outstanding shares of Haynes for $61 per share, to be paid in cash by our American company, North American Stainless.

The transaction also includes Acerinox's commitment to reinvest $200 million over the next four years to modernize the facilities and exploit significant synergies estimated at more than $71 million annually.

In short, we can affirm that Acerinox is in a great moment and that we have one of the clearest and most exciting strategies in the sector. We are confident that all these plans will be implemented successfully and will allow us to generate great value for our shareholders and other stakeholders. They can count on the experience, dedication, and commitment of all of us who form part of the Group to achieve this.

I cannot conclude my statements without mentioning the collective bargaining agreement at the Acerinox Europa factory in Campo de Gibraltar, which after more than fifteen months of meetings has resulted in a strike that is now approaching 80 days in duration.

The company's desire has always been to negotiate and to maintain ties with the workers' representatives and protect the capacity for dialogue. Let us hope that this will be resolved as soon as possible, working together in an act of accountability to maintain jobs and well-paid, quality employment, and to continue contributing to the development of the region, while facilitating the shift toward a business model focused on quality and good customer service and that is flexible enough to adapt production to industry cycles and ensure viability.

Once again, I must express my gratitude to all the members of the Acerinox family, who by their example encourage us to continue improving. I can only feel privileged to continue working for this great company, which continues to excel year after year thanks to the good work and involvement of all the people who make it up.

I conclude my message by reiterating my thanks to all those who make our work possible: customers, suppliers, and, above all, to our shareholders for your support and trust, which motivates and encourages us. All of you will continue to find in Acerinox a responsible partner you can rely on. The company is in a good place and maintains its strength and ability to move forward with the same spirit and ambition that has always defined it.

Thank you very much.

Bernardo Velázquez Herreros

Chief executive officer

April 2024