# 2020 BUSINESS YEAR RESULTS

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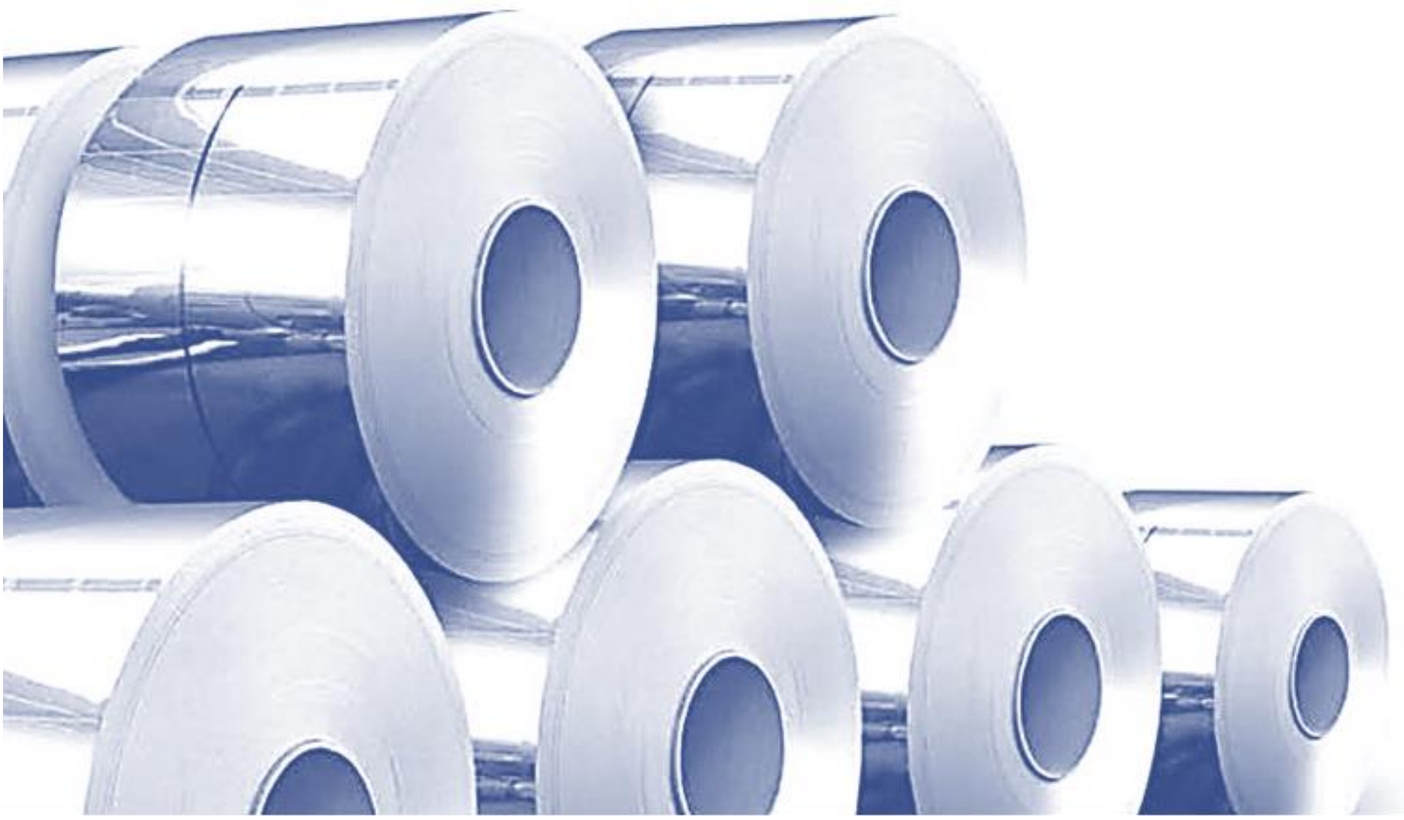


# Telephone conference and live broadcast of the presentation of the results for the 2020 Business Year Results

Acerinox will hold the presentation for the results of the fourth quarter and year 2020, in English, on 1 March, at 10.00 AM (CET) directed by Rafael Miranda, Chairman, Bernardo Velázquez, CEO, Miguel Ferrandis, Group CFO, and accompanied by the Investor Relations team.

The presentation can be followed by phone and online.

To access the presentation via telephone conference, you can use one of the following numbers, 5-10 minutes before the start of the event:

From Spain: 919 01 16 44 Access Code: 012866

From the UK (local): 020 3936 2999 Access Code: 012866.

From United Kingdom (Toll free): 0800 640 6441. Access Code: 012866

Rest of countries: +44 20 3936 2999 Access Code: 012866

To follow the presentation online, you can access the following link in the Shareholders and Investors section of the Acerinox website.

Both the presentation and all the audiovisual material will be available on the Acerinox website.

## Integrated Report for Fiscal Year 2020

The Audited Integrated Report for Fiscal Year 2020, comprising the Management Report, Sustainability Report, the Acerinox Annual Report and the opinion of the auditors, is available on the Acerinox website, www.acerinox.com

# Highlights

**“The rapid response to the COVID pandemic, cost control, good performance of the U.S. subsidiary NAS and the integration of VDM offset the impact of the coronavirus crisis.”**

## Full Year 2020

- In a year marked by the worldwide pandemic, Acerinox invoiced 4,668 million euros, a figure only 2% lower than in 2019. Melting production, 2,196,490 tons, was also 2% lower than the previous year.
- EBITDA in 2020, at 384 million euros, was 5% higher than 2019
- EBITDA sales margin remained at 8% despite the difficulties in the market.
- Result before taxes and minority interests were 132 million euros, 5.7 times as much as in 2019 (23 million euros)
- Cash generation was outstanding, supported by good working capital management. The o*perating cash flow* (before investments) was 421 million euros, the highest level since 2012.
- As of December 31, Acerinox had immediate liquidity of 1,772 million euros
- The Group's net financial debt of 772 million euros increased by 278 million euros due to the acquisition of VDM Metals, which increased the Group's total debt by 398 million euros in March.
- Net financial debt/EBITDA ratio, 2.0 times, is very satisfactory in our sector, especially in a year in which the significant acquisition of VDM Metals took place.
- Shareholders were paid €0.50/share (€0.40/share as dividend and €0.10/ share as issue premium).

## Fourth Quarter 2020

**"Improved expectations for the economy, combined with rising commodity prices, and low inventory levels across the supply chain have led to an improved activity in the fourth quarter."**

- Melting production, 613,992 tons, was 14% higher than in the third quarter of 2020.
- Columbus has developed a range of carbon steels and started to distribute them in the local South African market, optimizing the company’s production capacity.
- Group sales, 1,217 million euros, were 9% higher than in the third quarter of 2020.
- EBITDA, 131 million euros, is 50% higher compared to the previous quarter.
- An inventory adjustment at net realizable value of 14 million euros was performed.
- The operating *cash flow* (before investments) amounted to 254 million euros.
- Net financial debt of 772 million euros, decreased 68 million euros compared to September 30, with 135 million euros being paid as shareholder compensation.

## Outlook

- The recovery of the stainless steel market, which began in the middle of the fourth quarter, is continuing. The order backlog at all our plants has improved.
- In the area of high-performance alloys, there are signs of improvements, which will take effect towards the end of the quarter.
- In this situation, we expect EBITDA in the first quarter 2021 to be slightly higher than in the fourth quarter 2020.

## Key business and financial figures

| CONSOLIDATED GROUP | QUARTER | | | | ACCUMULATED | | |
|---|---|---|---|---|---|---|---|
| | Q1 2020 | Q2 2020 (1) | Q3 2020 | Q4 2020 | 2019 | 2020 | Variation 2020/2019 |
| Melting shop (thousand Mt) | 599 | 445 | 538 | 614 | 2,231 | 2,196 | -2% |
| Net sales (million EUR) | 1,159 | 1,172 | 1,120 | 1,217 | 4,754 | 4,668 | -2% |
| **Adjusted EBITDA (2)** (million EUR) | **85** | **94** | **87** | **131** | **402** | **398** | **-1%** |
| *% over sales* | *7%* | *8%* | *8%* | *11%* | *8%* | *9%* | |
| EBITDA (million EUR) | 85 | 80 | 87 | 131 | 364 | 384 | 5% |
| *% over sales* | *7%* | *7%* | *8%* | *11%* | *8%* | *8%* | |
| EBIT (million EUR) | 44 | -11 | 43 | 86 | 23 | 163 | 620% |
| *% over sales* | *4%* | *-1%* | *4%* | *7%* | *0%* | *3%* | |
| Result before taxes and minorities (million EUR) | 41 | -19 | 40 | 70 | 23 | 132 | 470% |
| **Result after taxes and minorities (million EUR)** | **28** | **-26** | **28** | **19** | **-60** | **49** | **-** |
| Depreciation (million EUR) | 41 | 48 | 45 | 46 | 175 | 179 | 2% |
| Number of empoyees | 6,507 | 8,385 | 8,331 | 8,195 | 6,605 | 8,195 | 24% |
| Net financial debt (million EUR) | 854 | 872 | 841 | 772 | 495 | 772 | 56% |
| Debt to equity (%) | 43.7% | 46.4% | 46.4% | 47.8% | 25.6% | 48% | 86% |
| Number of shares (million) | 271 | 271 | 271 | 271 | 271 | 271 | 0% |
| Return to shareholders (per share) | 0.00 | 0.00 | 0.00 | 0.50 | 0,50 / 0,68 (3) | 0.50 | --- |
| Daily average shares traded (nº of shares, million) | 1.11 | 0.94 | 0.68 | 0.95 | 1.07 | 0.92 | -14% |
| Result after taxes and minorities per share | 0.10 | -0.10 | 0.10 | 0.07 | -0.22 | 0.18 | - |

(1) The purchase of VDM took place on 17 March. The second quarter includes the results of VDM for the March -June period
(2) 2019 Adjusted EBITDA: EBITDA stripping out the EUR 38 million layoff plan at Acerinox Europa
2020 Adjusted EBITDA: EBITDA stripping out EUR 14 million for the costs from the purchase of VDM in the second quarter of 2020
(3) EUR 0.18/share correspond to indirect remuneration through a share buyback programme

| Million EUR | Fourth Quarter | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Stainless Group | High Performance Alloys | Consolidated Group | Stainless Group | High Performance Alloys (1) | Consolidated Group |
| Melting production (thousand Mt) | 601 | 13 | 614 | 2,144 | 52 | 2,196 |
| Net sales | 1,067 | 150 | 1,217 | 4,055 | 614 | 4,668 |
| Adjusted EBITDA (2) | 116 | 15 | 131 | 358 | 40 | 398 |
| Adjusted EBITDA margin | 11% | 10% | 11% | 9% | 6% | 9% |
| EBITDA | 116 | 15 | 131 | 344 | 40 | 384 |
| EBITDA margin | 11% | 10% | 11% | 8% | 6% | 8% |
| Amortization and Depreciation (3) | -38 | -6 | -46 | -155 | -20 | -179 |
| EBIT | 79 | 10 | 86 | 147 | 20 | 163 |
| EBIT margin | 7% | 6% | 7% | 4% | 3% | 3% |

(1) The purchase of VDM took place on 17 March. The second quarter includes the results of VDM for the March -June period
(2) Adjusted EBITDA: EBITDA stripping out EUR 14 million for the costs from the purchase of VDM in the second quarter of 2020
(3) Adjustments of 4 million EUR have been made to the consolidated figures

# Stainless Steel Division

## Stainless steel market

Year 2020 began with a recovery of activity in all markets in the stainless steel sector. With the global COVID 19 pandemic, the demand decreased while the supply was not adjusted in the same way.

The market remained very unstable, with declines in production and demand, and only showed some signs of recovery in the last two months of the year.

The estimated stainless steel production of 51 million tons, decreased by 3% compared to last year. Only China increased its production by 3%.

| Thousand Mt | Year | | |
|---|---|---|---|
| | 2019 | *2020 e* | Variation *2020 e / 2019* |
| Europe | 6,805 | 6,368 | -6.4% |
| USA | 2,593 | 2,144 | -17.3% |
| China | 29,400 | 30,139 | 2.5% |
| India | 3,933 | 3,085 | -21.6% |
| Japon | 2,963 | 2,483 | -16.2% |
| Others | 6,524 | 6,467 | -0.9% |
| **Total** | **52,218** | **50,686** | **-2.9%** |

*e: estimated*
Source: ISSF and Acerinox

### United States

According to the latest available data, apparent consumption of flat product in the North American market descreased by 10% in 2020. The demand recovered during the third and fourth quarters, primarily in sectors such as household appliances, automotive industry and with the reactivation of sectors such as construction.

On June 22, the Supreme Court declined a lawsuit brought by US steel importers against the duties imposed by Section 232 since 2018.

Imports remained at a narrow level, with a flat product market share of around 14%. Inventories in the United States remained below the average of recent years and ended the year at a historical low record. In the other North American markets, Mexico and Canada, the decrease in flat products was almost 20%.

### Europe

Apparent consumption of flat steel decreased around 14% in 2020. After the stagnancy experienced by COVID-19 in the second quarter with a decline of 30%, it recovered in the second half of the year with a better performance in Northern Europe and sectors such as household appliances and construction.

Faced with increasing pressure from imports from third countries, the European Union took measures and initiated a series of proceedings:

- Anti-dumping duties on hot-rolled products from China (up to 19%), Indonesia (up to 17%) and Taiwan (up to 7.5%). These duties were imposed provisionally in April and definitively in October.

- The commencement of an anti-dumping investigation was announced on September 30 for cold-rolling product imports from India and Indonesia, remaining the possibility of imposing measures in the second quarter of 2021.

The safeguard measures, which were not designed for a shrinking market, failed to curb imports overall, which maintained a penetration of almost 25% for cold-rolled flat products, while hot-rolled products fell from 40% to 17% due to the above mentioned measures.

# Stainless Steel Division

### Asia

In Asian markets, the situation deteriorated further due to overproduction in China and Indonesia, resulting in a sustained decline in prices.

The impact of COVID-19 in China led to a decline in consumption and prices rather than production, as evidenced by the slight 2% decline in the first half of the year, compared to the rest of the world, which saw declines of 23% in Asia, 20% in the U.S. and 16% in Europe. This contrast was particularly evident in the third quarter, with a 30% increase in China and a 27% decrease in the rest of Asia.

The Malaysian government imposed provisional anti-dumping measures on imports from Vietnam and Indonesia.

### Africa

Apparent consumption of stainless steel in South Africa decreasedl by 20% up to November. The South African government announced its intention of proposing a package of measures to help the local ferrochrome industry; including a levy on the export of chrome ore. If implemented, these measures would encourage local production of stainless steel.

### Prices

Base prices developed unevenly in the various markets. In Asia, overproduction by China and Indonesia led to decline prices, which eventually also affected the European market.

Prices remained stable on the American market.

## Production figures

The Stainless group was able to manage the negative effect caused by the coronavirus pandemic in the course of the year. The impact during the second quarter was considerable, but production began to recover in the last two quarters of the year. As a result, melting production decreased by 4%, and cold rolling by 14%.

| Thousand Mt | 2020 | | | | | Variation 2020 over 2019 | |
|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | 12 Months | Q4 | 12 Months |
| Melting shop | 599 | 420 | 524 | 601 | 2,144 | 23% | -4% |
| Cold rolling shop | 393 | 291 | 331 | 369 | 1,383 | 6% | -14% |
| Long product (Hot rolling) | 57 | 49 | 51 | 53 | 210 | 17% | -4% |

Shutdowns of factories by order of the respective governments due to COVID-19:

Spain: 29 March - 2 April
South Africa: 26 March – 30 April
Malaysia: 18 March – 15 April

Columbus has developed a range of carbon steels and started to distribute them in the local South African market, allowing the company to optimize its production capacity.

# Stainless Steel Division

## Results

| Million EUR | Stainless Group | | | | Stainless Group | | |
|---|---|---|---|---|---|---|---|
| | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | 12M 2019 | 12M 2020 | % Var |
| Melting production (thousand Mt) | 599 | 420 | 524 | 601 | 2,231 | 2,144 | -4% |
| Net sales | 1,159 | 894 | 935 | 1,067 | 4,754 | 4,055 | -15% |
| Adjusted EBITDA (1) | 85 | 71 | 86 | 116 | 402 | 358 | -11% |
| Adjusted EBITDA margin | 7% | 8% | 9% | 11% | 8% | 9% | |
| EBITDA | 85 | 57 | 86 | 116 | 364 | 344 | -5% |
| EBITDA margin | 7% | 6% | 9% | 11% | 8% | 8% | |
| Amortization and Depreciation | -41 | -40 | -37 | -38 | -175 | -155 | -11% |
| EBIT | 44 | -26 | 49 | 79 | 23 | 147 | 550% |
| EBIT margin | 4% | -3% | 5% | 7% | 0% | 4% | |
| Operating cash flow (before investments) | -36 | 104 | 27 | 242 | 359 | 337 | -6% |

(1) 2019 Adjusted EBITDA: EBITDA stripping out the EUR 38 million layoff plan at Acerinox Europa
2020 Adjusted EBITDA: EBITDA stripping out EUR 14 million for the costs from the purchase of VDM in the second quarter of 2020

The improvement in activity experienced in the third quarter was consolidated in the fourth quarter with production increases, improved margins and a solid cash flow generation.

It is important to highlight the excellent management of the company, demonstrated in such a complicated year, focusing particularly on the variability of fixed costs to adapt to the decline in demand. With a decrease in sales of 15%, EBITDA only managed to correct by 5%. This was possible thanks to a quick reaction to the coronavirus crisis, which allowed us to reduce costs, both personnel and operating, by 16%.

Operating cash flow for the year amounted to 337 million euros. Of particular note was the reduction in inventories of 165 million euros, which led to a decrease in working capital of 175 million euros.

| | Jan - Dec 2020 |
|---|---|
| EBITDA | 344 |
| Changes in working capital | 147 |
| Changes in operating working capital | 175 |
| - Inventories | 165 |
| - Trade debtors | 62 |
| - Trade creditors | -52 |
| Other adjustments to working capital | -28 |
| - Acerinox Europa lay-offs | -26 |
| - Others | -2 |
| Income tax | -92 |
| Financial expenses | -28 |
| Other adjustments to the result | -34 |
| **OPERATING CASH FLOW** | **337** |

# High-Performance Alloy Division

## High-performance alloy market

With its High Performance Alloy division, the Acerinox Group is the world's largest producer of these materials, with a sales volume of more than 37,000 tons in 2020.

According to a survey by market analyst SMR the high-performance alloys market decreased 20% in production to 285,000 tons in 2020. The sector's largest market was the US, followed by China, Japan, Germany and France.

According to the latest studies the decline in demand in 2020 mostly affected the aerospace industry (-37%), followed by the automotive industry (-25%), the oil and gas industry (-23%) and the electronics and electrical engineering sector (-8%). Global demand in the chemical industry (including power generation) remained almost at the same level as in 2019. In other sectors, the decrease in demand was 18%.

VDM's sales were positively influenced by its lesser dependency on the aerospace industry.

## Production figures

The high- performance alloy division also suffered the effects of the coronavirus. Both melting production and finished product have decreased 10% since the acquisition of VDM (March to December 2020 compared to 2019)

| Thousand Mt | 2020 | | | |
|---|---|---|---|---|
| | Q2 (*) | Q3 | Q4 | Mar-Dec |
| Melting Shop | 25 | 14 | 13 | 52 |
| Finish Shop | 14 | 10 | 8 | 32 |

(1) The purchase of VDM took place on 17 March. The second quarter includes the results of VDM for the March -June period

## Results

| Million EUR | High Performance Alloys | | | |
|---|---|---|---|---|
| | Q2 2020 (1) | Q3 2020 | Q4 2020 | Mar-Dec 2020 |
| Melting production (thousand Mt) | 25 | 14 | 13 | 52 |
| Net sales | 279 | 185 | 150 | 614 |
| EBITDA | 23 | 2 | 15 | 40 |
| EBITDA margin | 8% | 1% | 10% | 6% |
| Amortization and Depreciation | -7 | -7 | -6 | -20 |
| EBIT | 15 | -5 | 10 | 20 |
| EBIT margin | 6% | -3% | 6% | 3% |
| Operating cash flow (before investments) | 7 | 64 | 12 | 84 |

(1) The purchase of VDM took place on 17 March. The second quarter includes the results of VDM for the March -June period.

# High-Performance Alloy Division

The negative impact of COVID-19 in the high-performance alloy division was perceivable in the third quarter, unlike the stainless steel division, where the effects were noticed during the second quarter. VDM's fourth quarter brought improvements in EBITDA and EBIT. VDM's contribution to the results of the Consolidated Group increased in the last quarter, as may be observed in the table above.

Sound management of working capital, with a reduction in inventories of 59 million euros, resulted in an operating cash flow of 84 million euros from March to December

| | Mar- Dec 2020 |
|---|---|
| **EBITDA** | **40** |
| Changes in working capital | 76 |
| Changes in operating working capital | 61 |
| - Inventories | 59 |
| - Trade debtors | 21 |
| - Trade creditors | -19 |
| Other adjustments to working capital | 15 |
| Income tax | -7 |
| Financial expenses | -8 |
| Other adjustments to the result | -17 |
| **OPERATING CASH FLOW** | **84** |

# Results of the Consolidated Acerinox Group

In a year as complicated as the one we have described in this report, the results of the Acerinox Group are very satisfactory.

EBITDA was 5% higher than in 2019, despite the global impact of COVID-19, with apparent stainless steel consumption decreased 10% in the USA and 14% in Europe. This was made possible by cost reductions and diversification of the product range through the acquisition of VDM. The Group's year-end debt increased by 278 million euros due to the acquisition of VDM, which increased the Group's March debt by 398 million euros. The operating cash flow was 421 million euros, enabling the company to pay out a cash dividend (135 million euros) and maintain investment payments for 99 million euros.

The acquisition of VDM by Acerinox became effective on 17 March, and so its contribution during the year was only 10 months.

The key figures for the year and the change compared with the previous year are summarized in the following table:

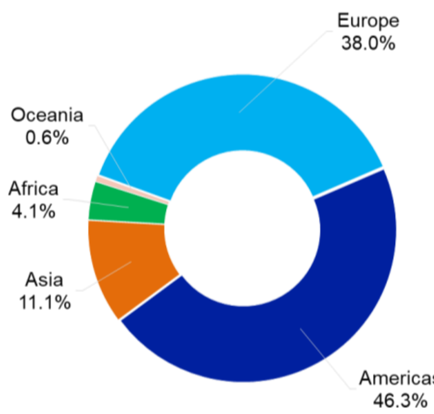
| Million EUR | YEAR | | |
|---|---|---|---|
| | 2019 | 2020 (1) | Variation 2020/2019 |
| Net sales | 4,754 | 4,668 | -2% |
| Adjusted EBITDA (2) | 402 | 398 | -1% |
| Ajusted EBITDA margin | 8% | 9% | |
| EBITDA | 364 | 384 | 5% |
| EBITDA margin | 8% | 8% | |
| Amortization and Depreciation | (175) | (179) | 2% |
| EBIT | 23 | 163 | 620% |
| EBIT margin | 0% | 3% | |
| Net Financial Result | 0 | (32) | - |
| Result before taxes | 23 | 132 | 470% |
| Result after taxes and minorities | (60) | 49 | - |

(1) The purchase of VDM took place on 17 March. The second quarter includes the results of VDM for the March-June period

(2) 2019 Adjusted EBITDA: EBITDA stripping out the EUR 38 million layoff plan at Acerinox Europa
2020 Adjusted EBITDA: EBITDA stripping out EUR 14 million for the costs from the purchase of VDM in the second quarter of 2020

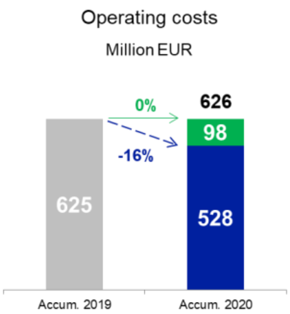
Turnover for the year, 4,668 million euros, decreased by 2%, as did sales volumes in tons, which declined by 5%.

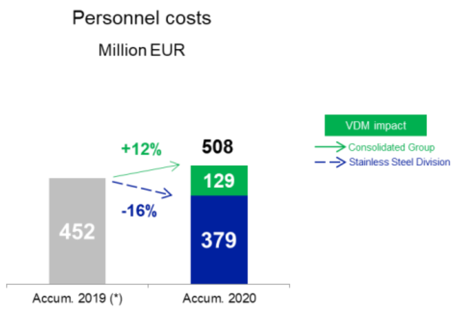
Geographical distribution of sales



The Group's rapid reaction to the coronavirus crisis enabled it to significantly reduce both fixed and variable costs. At the Stainless Steel Division personnel and operating costs were reduced by 16%. The Group's consolidated expenses increased by 5% due to the integration of VDM.

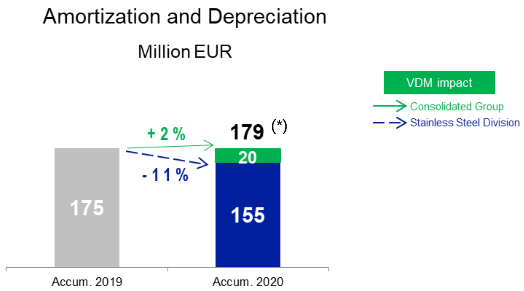
The diagrams below show the development in relation to 2019 of the Stainless Steel Division and the contribution of VDM in 2020:



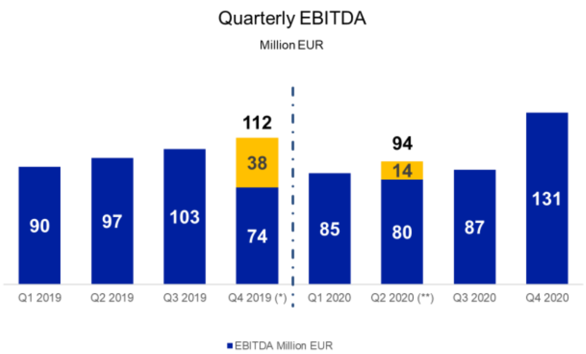

(*) 2019 includes EUR 38 million lay off plan at Acerinox Europa

Amortisation in the stainless division decreased by 11%. For the Group, including VDM, 179 million euros, increased by 2% compared to the previous year.




(*) Adjustments of 4 million EUR have been made to the consolidated figures

Cost- reductions and diversification to the high-performance alloy sector succeeded in neutralising the economic impact of the pandemic. Adjusted EBITDA (disregarding the 14 million euros for the acquisition of VDM) was 398 million euros, only 1% lower than in 2019. The reported EBITDA, 384 million euros, 5% higher than in 2019.




2019 Adjusted EBITDA (*): EBITDA not including the provision of 38 million EUR for the lay off in Acerinox Europa
2020 Adjusted EBITDA (**): EBITDA, stripping out EUR 14 million EUR for the costs from the purchase of VDM in the second quarter of 2020

In line with the regulator's recommendations, impairment tests were carried out as of June 30 in view of the global economic impact of COVID-19. As a result of the evaluations, Bahru Stainless assets were impaired by 41 million euros, which impacted EBIT. At year-end all the Group's assets were valued and no additional impairment charges were necessary.

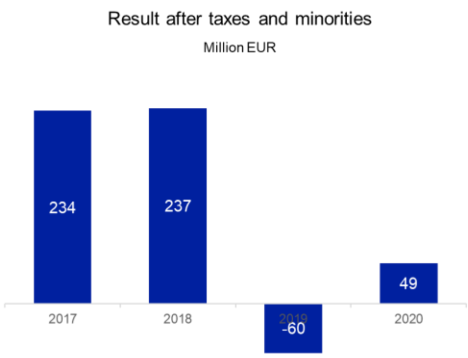
EBIT increased to 163 million euros, compared to 23 million euros in 2019 after year-end adjustments.

Net financial result was 32 million euros. Financial expenses amount to 45 million euros for financing the acquisition of VDM and the integration of its debt. This impact was offset by financial income of 7 million euros, and positive exchange differences of 6 million euros.

Profit before taxes were 132 million euros (23 million euros in 2019).

At year-end, taking into consideration the restrictions imposed by Spanish legislation in accounting terms to recover tax loss carryforwards, an impairment loss of 24 million euros was recognized on deferred tax assets. This measure, which is a consequence of the Company's accounting prudence, may be reversed in future years, when the uncertainties mentioned above have been resolved.

After this tax adjustment, result after taxes and minority interests amounted to 49 million euros (-60 million euros in 2019).



# Cash generation

Cash generation, which was established as one of the priority targets in the Group's strategic plan, also developed excellently.

The sound results achieved and the control of working capital enabled the Group to secure an operating cash flow of 421 million euros, its highest mark since 2012, of which 337 million euros are attributable to the Stainless Steel Division, and 84 million euros to the ten months of operation by VDM.

Working capital decreased by 236 million euros. Particularly noteworthy was the reduction of inventories by 223 million euros

Cash Flow

| Million EUR | Jan - Mar 2020 | Apr - Jun 2020 | Jul - Sep 2020 | Oct - Dec 2020 | Jan-Dec 2020 | Jan-Dec 2019 |
|---|---|---|---|---|---|---|
| **EBITDA** | 85 | 80 | 87 | 131 | 384 | 364 |
| Changes in working capital | -97 | 63 | 74 | 183 | 223 | 96 |
| Changes in operating working capital | -65 | 50 | 65 | 186 | 236 | 44 |
| - Inventories | 9 | 95 | 92 | 27 | 223 | 2 |
| - Trade debtors | -47 | 93 | -1 | 38 | 83 | 41 |
| - Trade creditors | -27 | -139 | -26 | 122 | -70 | 0 |
| Other adjustments to working capital | -32 | 13 | 9 | -3 | -13 | 52 |
| - Acerinox Europa lay-offs | -26 | 0 | 0 | 0 | -26 | --- |
| - Others | -6 | 13 | 9 | -3 | 13 | 52 |
| Income tax | -23 | -3 | -49 | -24 | -99 | -116 |
| Financial expenses | -3 | -9 | -13 | -11 | -36 | -15 |
| Other adjustments to the result | 3 | -20 | -8 | -26 | -51 | 29 |
| **OPERATING CASH FLOW** | -36 | 111 | 91 | 254 | 421 | 359 |
| Payments for VDM acquisition | -313 | 0 | 0 | 0 | -313 | --- |
| Payments for investments on fixed assets | -23 | -27 | -29 | -19 | -99 | -128 |
| **FREE CASH FLOW** | -373 | 84 | 62 | 235 | 8 | 231 |
| Dividends and treasury shares | 0 | 0 | 0 | -135 | -135 | -184 |
| | -373 | 84 | 62 | 100 | -127 | 47 |
| Conversion differences | 13 | -16 | -31 | -35 | -70 | 10 |
| Grants and others | 0 | 0 | 0 | 4 | 4 | 0 |
| Net financial debt acquired from VDM | 0 | -85 | 0 | 0 | -85 | --- |
| **Variation in net financial debt** | -360 ↑ | -17 ↑ | 31 ↓ | 68 ↓ | -278 ↑ | 57 ↓ |

(*) This figure does not coincide with the variation in the balance sheet items for the purchase of VDM

After investment payments of 99 million euros (disregarding the acquisition of VDM), the free cash flow generated was 322 million euros, enabling the payment of a cash dividend (135 million euros) and mitigating an increasing debt. Despite the 398 million euros from the acquisition of VDM and the inclusion of its debt in March, the Group's debt increased by only 278 million euros at December 31.

# Balance sheet

ASSETS

| Million EUR | 2020 | 2019 | Variation |
|---|---|---|---|
| **Non-current assets** | **2,070** | **1,933** | **7.0%** |
| **Current assets** | **2,664** | **2,463** | **8.1%** |
| - Inventories | 1,182 | 1,016 | 16.4% |
| - Debtors | 532 | 555 | -4.1% |
| *Trade debtors* | *464* | *484* | *-4.1%* |
| *Other debtors* | *68* | *71* | *-4.4%* |
| - Cash | 917 | 877 | 4.6% |
| - Other current assets | 32 | 16 | 105.9% |
| **TOTAL ASSETS** | **4,733** | **4,397** | **7.6%** |

LIABILITIES

| Million EUR | 2020 | 2019 | Variation |
|---|---|---|---|
| **Equity** | **1,615** | **1,929** | **-16.3%** |
| **Non-current liabilities** | **1,827** | **1,254** | **45.7%** |
| - Interest-bearing loans and borrowings | 1,410 | 1,052 | 34.0% |
| - Other non-current liabilities | 417 | 202 | 106.6% |
| **Current liabilities** | **1,291** | **1,214** | **6.3%** |
| - Interest-bearing loans and borrowings | 280 | 320 | -12.6% |
| - Trade creditors | 879 | 784 | 12.2% |
| - Other current liabilities | 132 | 110 | 19.8% |
| **TOTAL EQUITY AND LIABILITIES** | **4,733** | **4,397** | **7.6%** |

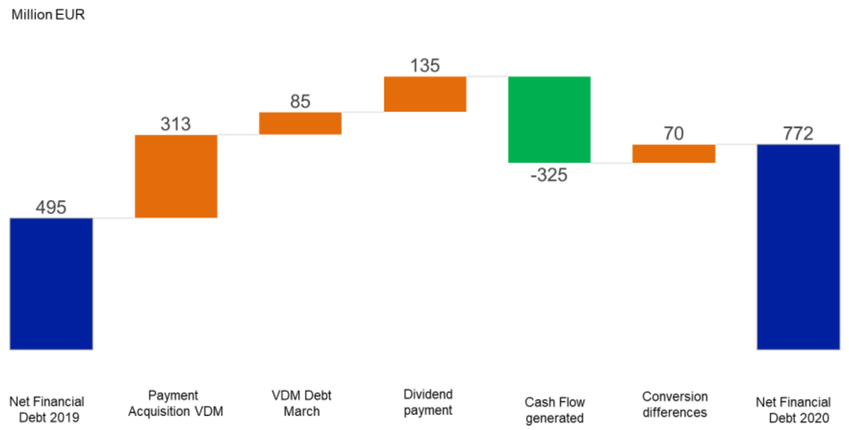
Working capital increased by 51 million euros due to the acquisition of VDM, which added 287 million euros in working capital to the initial balance sheet. The Stainless Steel Group reduced working capital by 175 million euros, and VDM since its acquisition by 61 million euros. .

Working capital
Million EUR

| | December 2020 | December 2019 |
|---|---|---|
| Inventories | 1,182 | 1,016 |
| Trade debtors | 464 | 484 |
| Trade creditors | 879 | 784 |
| Working capital | 767 | 716 |

Net financial debt as of December 31, 2020, 772 million euros, increased by 278 million euros due to the acquisition of VDM (313 million euros) and the assumption of its debt (85 million euros).

The depreciation of the US dollar in 2020 has resulted in the euro equivalent of the Group's high cash position in the USA being lower, so net financial debt has increased by 70 million euros due to translation differences.



# Financing

During the year, the Group prioritised long-term financing and securing liquidity.

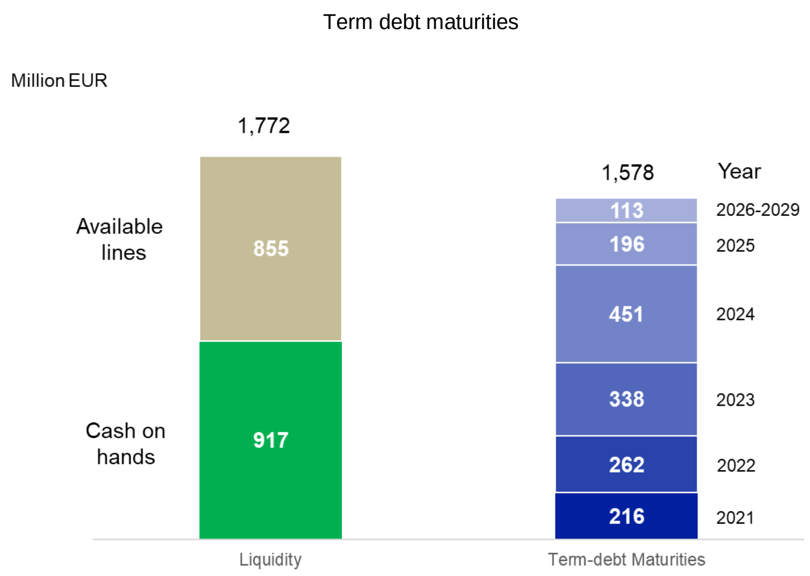
Of note in long-term financing is the loan for the acquisition of VDM. Three of these loan contracts are considered green loans (BBVA in 2020; CaixaBank and Sabadell in 2021). The external consultant Sustainalytics confirmed that the operations are in line with Sustainability Linked Loan Principles 2019, the principles on which these types of transactions are based. In this way, the credit margin has been linked to the evolution of two established indicators that are reviewed annually: the relative intensity of emissions (direct and indirect) per ton of steel produced and the frequency of occupational accidents.

Liquidity was also ensured through several financing and loan operations in Spain with the Group's financial institutions, underwritten by the Spanish Official Credit Institute ICO, and through the renewal and conclusion of new loan facilities.

83% of all Group financing at 31 December had maturities of more than one year. 90% of the Group's loans are at fixed interest rates

As of December 31, Acerinox had immediate liquidity of 1,772 million euros. 917 million euros are cash, and 855 million euros are free credit lines.

The total maturities of the Group's current liabilities amount to 1,578 million euros and are fully covered by current liquidity.



# Excellence 360º

In 2020 Acerinox focused on its multidisciplinary strategy Excellence 360º, which includes all projects of the company's Digital Strategy combined with traditional cost optimization and continuous improvement plans.

The main objective of Excellence 360º is to optimise all supply chains, from the first moment when orders are placed until delivery to the customer. With this strategy, we expect recurring savings of 125 million euros annually as of 2023, increase in process reliability and productivity, the optimisation of stock and the delivery process and the mix of raw materials during purchase. This project The project positions Acerinox at the top of an increasingly competitive market.

In the second year of Excellence 360º, Acerinox estimated that savings of more than 37 million euros were achieved, representing 30% of the total.

Excellence 360º is composed of three major projects: firstly, the Planning 360º; secondly, the Advanced Analytics Programme; and thirdly Automation and Robotisation.

1. Planning 360º:

   Implementation of an optimisation tool for the finished product shop and transportation, and a planning tool for demand across the Group.

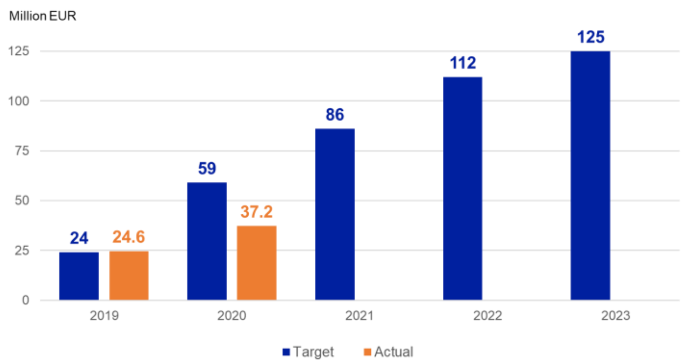
   At the same time the second phase of the project was implemented to optimise planning of the cold-rolling workshop.

2. Advanced Analytics Programme:
   This programme provides a response to the strategic orientation of decision-making based on data. The programme's methodology consists of creating data analysis teams employing usage scenarios with a direct impact on operating excellence.
   Three projects were launched in 2020, with an impact on the income statement of 1.3 million euros

- Predictive model to optimise the stainless steel smelting process, with a direct impact on environmental sustainability due to lower electricity consumption.
- Predictive models to improve quality in the hot-rolling mill.

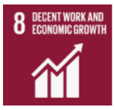
   As a result of implementation of this programme, new sensors continue to be identified and added to pick up data that will enhance the predictive models.

3. Automation and Robotisation of Processes:
   Introduction of Automated Guided Vehicles (AGVs). These vehicles can transport 90 coils a day, and can cover 108 kilometres outdoors on a permanent basis. Constant activity thanks to autonomous battery-changing boosts flexibility; automation of processes; elimination of administrative tasks and tasks with no added value, and it also helps update stocks in real time. In the second year of the Excellence 360º plan, Acerinox made estimated savings of more than 37 million euros, representing 30% of the total scope.



# Sustainability

On the basis of the directives of the UN's Agenda 2030, Acerinox can state that by 2020 it has now been fostering sustainable development in the countries in which it operates for 50 years. The Group also accounts for its contribution to the 17 Sustainable Development Goals (SDG). For most of the goals, the contribution is direct, distinguished:




Positive impact on the creation of quality employment and economic growth (SDG 8), investment in industrialization and innovation.


Investment in industrialization and innovation


Leadership in the circular economy, which, thanks to responsible production, enables customers and users to consume sustainable materials such as stainless steel.

In 2020, a specific Sustainability Committee was established within the Board of Directors. At the end of the year, a strategic sustainability plan called "Acerinox Positive Impact 360" was approved, which includes five defined pillars and specific action lines for each of them.

The following 6 goals are prioritized for 2030 (with 2015 as the baseline year) to align with the 15 years that apply to the 2030 Agenda SDG.

**20% reduction of greenhouse gas emission by renewing the commitment to achieve climate neutrality by 2050**

**20% reduction in water withdrawal**

**7.5% reduction of Energy intensity**

**Annual reduction of 10% in the incidence rate of sick leave accidents**

**98% waste recycling (only 2% ends up in landfills)**

**Annual increase of 10% in the percentage of minorities in new recruitments, distinguishing that -in 2020 - the hiring of women increased by 19.6%**

The final outcome in terms of achievement of these goals in the first 5 years is positive; €96,854,467 were spent on environmental investment in 2020, along with an improvement on the year 2019 in terms of the already optimised circular economy indicators, where Acerinox is a worldwide benchmark:

- 9.4% increase in upgradable waste in one year
- An increase from 91.21% to 93.6% of the recycling contents of our products during the year

With respect to social indicators, in a year marked by pandemic and employment instability, Acerinox demonstrated its commitment to stable employment, with 98% of permanent contracts. It has also continued to cultivate the enriching experience of diversity, as shown by a workforce of 64 nationalities in more than 50 countries, containing generations with age differences of up to 50 years.

## General Meeting of Shareholders

Acerinox held its General Meeting of Shareholders by telematic means on 22 October. The resolutions approved included shareholder remuneration of €0.50 per share for all shares outstanding, with an initial payment of €0.40 by way of a dividend on 2 December 2020, and a payment of €0.10 per share as a premium payback, on 3 December 2020.

Turning to the changes envisaged on the Board of Directors, the General Meeting approved the appointment of Ms. Leticia Iglesias Herraiz as Independent Director, and of Mr. Francisco Javier García Sanz, also as Independent Director, both of whom are leading personalities in the business world.

The Board approved the creation of a new Sustainability Committee.

## Alternative Performance Measures (definitions of terms used)

**Excellence 360º Plan:** estimated efficiency savings for the 2019-2023 period

**Operating Working Capital:** Inventories + Trade receivables – Trade payables

**Net Cash Flow:** Results after taxes and minority interests + depreciation and amortisation

**Net Financial Debt:** Bank borrowings + bond issuance - cash

**Net Financial Debt / EBITDA:** Net Financial Debt / annualised EBITDA

**EBIT:** Operating income

**Adjusted EBIT:** EBIT, stripping out material extraordinary items

**EBITDA:** Operating income + depreciation and amortisation + variation of current provisions

**Adjusted EBITDA:** EBITDA, stripping out material extraordinary items

**Debt Ratio:** Net Financial Debt / Equity

**Net financial result:** Financial income – financial expenses ± exchange rate variations

**ROCE: Net o**perating income / (Equity + Net financial debt)

**ROE:** Results after taxes and minority interests / Equity

**ICR (interest coverage ratio):** EBIT / Financial expenses

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