Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails

# Interim Management Report

First Half of

2022

# Presentation of the First Half 2022 results via webcast and conference call

Acerinox will hold a presentation for its First Half 2022 results today, 28 July, at 12.00 PM CEST, led by the CEO, Mr. Bernardo Velázquez and the CFO, Mr. Miguel Ferrandis, accompanied by the Investor Relations team.

To access the presentation via telephone conference, you can join 5-10 minutes before the event, on the following numbers:

From Spain:
919 01 16 44. PIN: 369098

From United States:
1 646 664 1960. PIN: 369098

From UK (local):
020 3936 2999. PIN: 369098

Rest of countries:
+44 20 3936 2999. PIN: 369098

You can follow the presentation through the Shareholders and Investors section of the Acerinox website (www.acerinox.com).

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

## Highlights

"Acerinox obtains the best half-year results in history, despite the global geopolitical situation, the uncertainties generated by the invasion of Ukraine, cost inflation and the disruptions experienced in the supply chain"

# Second Quarter of 2022

- Melting shop production, at 622,080 tonnes, decreased by 7% with respect to the first quarter of 2022 (8% down on the second quarter of 2021).
- Revenue, EUR 2,535 million, increased by 11% compared to the first quarter of 2022 (56% higher than the second quarter of 2021).
- EBITDA, which totalled EUR 523 million, represented a 24% increase on the first quarter of 2022 (2.4 times higher than in the second quarter of 2021). The EBITDA margin was 21%.
- Profit after tax and non-controlling interests, amounting to EUR 343 million, was 29% higher than in the first quarter of 2022 (2.7 times higher than in the second quarter of 2021).
- Operating cash flow amounted to EUR 2 million.
- The Group's net financial debt, totalling EUR 574 million, decreased by EUR 55 million with respect to 31 March 2022.

# First Half of 2022

- The accident rate fell by 26% with respect to 2021 year-end.
- The Group ceased sales in Russia.
- Melting shop production, at 1,290,115 tonnes, decreased by 4% with respect to the first half of 2021.
- Revenue, amounting to EUR 4,821 million, increased by 57% in comparison with the same period of 2021.
- EBITDA, which totalled EUR 945 million, was 2.5 times higher than in the first half of 2021. The EBITDA margin was 20%.
- Profit after tax and non-controlling interests, at EUR 609 million, was 3 times higher than the first half of 2021.
- Operating cash flow amounted to EUR 77 million.
- The Group concluded the share buyback programme of 4%, which commenced in December. The cash outflow of the first quarter totalled EUR 115 million (the entire programme totalled EUR 125 million).
- The Group's net financial debt, totalling EUR 574 million, decreased by EUR 5 million with respect to 31 December 2021, despite the EUR 807 million increase in working capital.
- The Annual General Shareholders´ Meeting held on 16 June approved the distribution of a dividend of EUR 0.50/share, which was paid on 5 July 2022.
- The Board of Directors meeting held on 16 June, after the General Shareholders' Meeting, appointed Mr. Carlos Ortega Arias-Paz as non-executive Chairman of Acerinox. He succeeds Mr. Rafael Miranda, who served as Chairman for the 2014-2022 period.
- The Board of Directors of Acerinox, S.A. held on 30 June 2022, unanimously approved the appointment of the Independent Director Mr. Donald Johnston as Lead Director.
- The Board of Directors also agreed to sell the 747,346 shares it held in Nippon Steel as it did not consider them strategic. Now that the strategic alliance with Nippon Steel has been finalised, Acerinox has begun commercial activity in Japan.
- The Board of Directors meeting on 27 July agreed to initiate a new 4% share buy-back programme for its possible later amortisation.

# Bernardo Velázquez, Chief Executive Officer of Acerinox

"The regionalisation process that is taking place will increase local purchases and will offset, to a certain extent, the economic slowdown. Not only do we expect a greater local purchasing component in our main markets, but the closer sourcing will also boost the development of the industry in the countries in which we operate, which will further promote stainless steel consumption.

If we add to this situation the congestion and high transport costs and the measures against unfair competition in the different markets, which will make exports less competitive, we believe that this new decade that we are starting in such a turbulent way will allow us to value the geographical diversification of the Acerinox Group and all the progress we are making, which will boost Acerinox's results.

It is for all these reasons, the acquisition of VDM and the progress we have been making with the Excellence 360º Plan, that we expect the market to recognise the real value of the Company.

In view of the Company's financial strength, cash generation prospects and the low level of the share price, the Board of Directors meeting on 27 July agreed to initiate a new 4% share buyback programme for its possible later amortisation. This programme fulfils the Company's commitment to redeem the shares that were issued in the years when the dividend paid was made through scrip dividend."

# Outlook

There remains a healthy demand from end customers, but there has been a drop in dealer orders following the end of the inventory rebuilding process that started at the end of 2020.

The strength of the market and the stability of costs in the US, coupled with the Group's order backlog, provide us with optimism for the third quarter.

The exceptional EBITDA achieved in the second quarter, helped by the revaluation of inventories, is a new historical record for Acerinox. Expected EBITDA in the third quarter of 2022 is likely to be in line with the average quarterly results of the excellent 2021, the best year in the Group's history.

The second half of the year will be marked by the conflict in Russia and Ukraine and the many uncertainties arising from it. The factor which causes greatest concern at the moment is energy, not only because of high prices in Spain, but also because of uncertainties about future regular supply in Germany.

The Group has very diversified supply sources, in line with its strategy of responsible procurement. Thanks to our efforts, we have managed to ensure that our supply of raw materials does not depend on countries that do not respect human rights and international law.

# Main economic and financial figures

| Consolidated Group | Quarter | | First Half | | |
|---|---|---|---|---|---|
| | Q1 2022 | Q2 2022 | 2022 | 2021 | Variation 2022/2021 |
| Melting shop production (thousands of tonnes) | 668 | 622 | 1,290 | 1,344 | -4% |
| Revenue (EUR million) | 2,287 | 2,535 | 4,821 | 3,066 | 57% |
| **EBITDA (EUR million)** | **422** | **523** | **945** | **378** | **150%** |
| ***% of sales*** | ***18%*** | ***21%*** | ***20%*** | ***12%*** | |
| EBIT (EUR million) | 375 | 473 | 847 | 290 | 192% |
| *% of sales* | *16%* | 19% | 18% | 9% | |
| Profit before tax and non-controlling interests (EUR million) | 367 | 456 | 823 | 269 | 207% |
| **Profit after tax and non-controlling interests (EUR million)** | **266** | **343** | **609** | **203** | **201%** |
| Depreciation and amortisation (EUR million) | 46 | 48 | 94 | 88 | 7% |
| No. of employees at period-end | 8,284 | 8,429 | 8,429 | 8,302 | 2% |
| Net financial debt (EUR million) | 628 | 574 | 574 | 838 | -32% |
| Gearing ratio (%) | 26% | 20% | 20% | 48% | -58% |
| No. of shares (millions) | 271 | 271 | 271 | 271 | 0% |
| Shareholder remuneration (per share) | 0.43 [(1)] | 0.00 | 0.43 [(1)] | 0.50 | --- |
| Average daily volume of trading (millions of shares) | 1.54 | 1.64 | 1.59 | 1.23 | 29% |
| Profit per share after tax and non-controlling interests | 0.98 | 1.27 | 2.25 | 0.75 | 201% |

[(1)] Indirect remuneration arising from the share buyback programme

| *Millions of euros* | Second Quarter of 2022 | | | First Half of 2022 | | |
|---|---|---|---|---|---|---|
| | Stainless Division | High performance alloys | Consolidated Group | Stainless Division | High performance alloys | Consolidated Group |
| Melting shop production | 601 | 21 | 622 | 1,247 | 44 | 1,290 |
| Revenue | 2,232 | 303 | 2,535 | 4,237 | 584 | 4,821 |
| **EBITDA** | **481** | **41** | **523** | **880** | **65** | **945** |
| **EBITDA margin** | **22%** | **14%** | **21%** | **21%** | **11%** | **20%** |
| Depreciation and amortisation | -41 | -6 | -48 | -79 | -11 | -94 |
| EBIT | 439 | 36 | 473 | 797 | 54 | 847 |
| EBIT margin | 20% | 12% | 19% | 19% | 9% | 18% |

# Results of the consolidated Acerinox Group

Revenue totalled EUR 4,821 million in the half year, an increase of 57% compared to the same period of 2021, driven by the recovery in demand and the improvement in prices.

The most significant figures are summarised in the table below:

| *Millions of euros* | Q2 2022 | Q1 2022 | Q2 2021 | S1 2022 | S1 2021 | %Q2 22 / Q2 21 | % S1 22 / S1 21 |
|---|---|---|---|---|---|---|---|
| Melting shop production | 622 | 668 | 675 | 1,290 | 1,344 | -8% | -4% |
| Revenue | 2,535 | 2,287 | 1,625 | 4,821 | 3,066 | 56% | 57% |
| **EBITDA** | **523** | **422** | **217** | 945 | **378** | **141%** | **150%** |
| **EBITDA margin** | **21%** | **18%** | **13%** | 20% | **12%** | | |
| EBIT | 473 | 375 | 173 | 847 | 290 | 174% | 192% |
| EBIT margin | 19% | 16% | 11% | 18% | 9% | | |
| Profit before tax | 456 | 367 | 163 | 823 | 269 | 180% | 207% |
| Profit after tax and non-controlling interests | 343 | 266 | 125 | 609 | 203 | 175% | 201% |
| Operating Cash Flow | 2 | 74 | 84 | 77 | 108 | -97% | -29% |
| Net financial debt | 574 | 628 | 838 | 574 | 838 | -32% | -32% |

Operating expenses increased by 61% in the first half, mainly due to high energy prices and transport-related costs. Special mention should be made regarding energy costs (including electricity and gas consumption, among others), which increased 2.5 times in Spain.

Quarterly EBITDA in millions of euros


(1) Q4 2019 adjusted EBITDA: EUR 112 million. EBITDA without taking into account the provision totalling EUR 38 million for the layoffs at Acerinox Europa
(2) Q2 2020 adjusted EBITDA: EUR 94 million. EBITDA disregarding the EUR 14 million for the costs from the acquisition of VDM

Despite higher costs, EBITDA in the first half of the year, at EUR 945 million, was 55% higher than in the previous half. This was the eight consecutive quarter growth and the best half-year EBITDA ever. The EBITDA margin on sales was 20%.

EBITDA in the second quarter, amounting to EUR 523 million, was 2.4 times higher than in the second quarter of 2021 and 24% higher than in the preceding quarter.

Profit after tax and non-controlling interests, at EUR 609 million, was 3 times higher than in the first half of 2021. A profit of EUR 343 million was generated in the quarter, which was 2.7 times higher than in the second quarter of 2021 and 29% higher than in the first quarter of 2022.

# Cash generation

The good results enabled the Group to obtain operating *cash flow* in the first half of EUR 77 million.

Special mention should be made regarding working capital. The strong activity and the increase in raw material prices and of our prices gave rise to an increase in working capital of EUR 807 million. Also contributing to this increase was the Company's strategy of securing supplies at competitive prices in this turbulent period for raw materials through cash payments.

Following investment payments of EUR 46 million, free cash flow amounted to EUR 31 million.

In March, the Group concluded the share buyback programme of 4%, which commenced in December. The cash outflow totalled EUR 115 million (the entire programme totalled EUR 125 million).

The appreciation of the US dollar had a significant impact on conversion differences amounting to EUR 91 million.

## Cash flow (millions of euros)

| | Q2 2022 | Q1 2022 | Q2 2021 | S1 2022 | S1 2021 |
|---|---|---|---|---|---|
| **EBITDA** | **523** | **422** | **217** | **945** | **378** |
| Changes in working capital | -462 | -345 | -100 | -807 | -253 |
| Income tax | -92 | -8 | -26 | -101 | -3 |
| Finance costs | -6 | -8 | -9 | -14 | -18 |
| Other adjustments to profit | 40 | 13 | 2 | 54 | 2 |
| **OPERATING CASH FLOW** | **2** | **74** | **84** | **77** | **108** |
| Payments due to investment | -24 | -22 | -20 | -46 | -49 |
| **FREE CASH FLOW** | **-22** | **53** | **64** | **31** | **59** |
| Dividends and treasury shares | 0 | -115 | -135 | -115 | -135 |
| **CASH FLOW AFTER DIVIDENDS** | **-22** | **-62** | **-71** | **-84** | **-77** |
| Translation differences | 78 | 13 | -11 | 91 | 11 |
| Grants and other | -1 | -1 | 0 | -2 | 0 |
| **Changes in net financial debt** | **55** | **-50** | **-82** | **5** | **-66** |

# Balance sheet

| ASSETS | | | | | LIABILITIES | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *Millions of euros* | **Jun 22** | **2021** | **Jun 21** | **Variation** | *Millions of euros* | **Jun 22** | **2021** | **Jun 21** | **Variation** |
| **Non-current assets** | **2,112** | **2,067** | **2,060** | **2.1%** | **Equity** | **2,837** | **2,215** | **1,756** | **28.1%** |
| **Current assets** | **5,382** | **3,917** | **3,288** | **37.4%** | **Non-current liabilities** | **1,748** | **1,802** | **1,764** | **-3.0%** |
| Inventories | 2,652 | 1,777 | 1,504 | 49.3% | Bank borrowings | 1,329 | 1,368 | 1,367 | -2.8% |
| Receivables | 1,143 | 837 | 754 | 36.5% | Other non-current | 419 | 434 | 397 | -3.3% |
| Trade receivables | 1,060 | 773 | 693 | 37.1% | | | | | |
| Other receivables | 83 | 64 | 61 | 29.3% | **Current liabilities** | **2,908** | **1,968** | **1,828** | **47.8%** |
| Cash | 1,517 | 1,275 | 991 | 19.0% | Bank borrowings | 762 | 485 | 463 | 57.1% |
| Other current financial assets | 70 | 28 | 39 | 148.1% | Trade payables | 1,688 | 1,315 | 1,161 | 28.4% |
| | | | | | Other current liabilities | 458 | 168 | 204 | 173.0% |
| **Total assets** | **7,494** | **5,984** | **5,348** | **25.2%** | **Total equity and liabilities** | **7,494** | **5,984** | **5,348** | **25.2%** |

Net financial debt amounted to EUR 574 million, decreasing by EUR 5 million compared to December 2021 despite the increase in working capital (EUR 807 million) and the share buyback programme (EUR 115 million).

At 30 June 2022, Acerinox had immediate liquidity of EUR 1,897 million, consisting of EUR 1,517 million in cash and EUR 380 million in available credit lines.

The Group's term debt maturities total EUR 1,506 million and are fully covered by the current liquidity.

# Stainless steel division

## Stainless steel market

The beginning of the first half of 2022 was characterised by improved activity and confidence in the economy. However, from March onwards, the volatility of commodity prices on official markets and the geopolitical and energy situation have generated global uncertainty, which has led to a change in trend that will affect our industry.

COVID, problems in the supply chain, transportation costs and trade defence measures, among other reasons, are favouring the regionalisation of our main markets.

### United States

According to the latest data available, apparent consumption in the US increased by 14% until May.

Production problems related to component and labour shortages continued to hamper end-users in many industries, limiting overall production, although demand for stainless steel remained solid throughout the first half of the year.

Imports of cold-rolled flat products increased throughout the semester due to good consumption expectations, although they did not alter the dynamics of the North American market, despite being at historically high levels (27%)

Stock levels increased as a result of the good market development and the simultaneous arrival of imports, although they remain in line with the historical average.

### Europe

According to the latest available data, apparent consumption of flat products grew by around 13% until June.

Imports of cold-rolled flat products increased, due to material from China and the high price differential between Europe and Asia, reaching a penetration share of around 32%.

As a result, inventories were at levels close to the average of the last three years.

The main developments in trade defence are as follows:

- Approval of the revision of the safeguard measures in June for year 5 (Jul '22 - Jun '23), highlighting the exclusion of Malaysia and the inclusion of South Africa.

- The European Union approved anti-subsidy measures against India and Indonesia on 16 March.

### Asia

The first half of the year was strongly marked by commodity volatility, which was bullish until the suspension of nickel trading on the LME in March.

Strict lockdowns in China led to a sharp drop in domestic demand while factories were still producing. Attempts to export excess production precipitated the fall in prices in the region.

The fall in nickel and the aggressive pricing strategy of Asian producers, mainly Indonesia, sped up the drop in prices.

## Stainless steel division production

The Stainless Division improved production in the cold-rolling and long product workshops compared to the first half of 2021. The drop in melting shop production reflects the lower activity expected for the third quarter due to the seasonality typical of this period of the year.

| | 2021 | | | | | 2022 | | | Variation | |
|---|---|---|---|---|---|---|---|---|---|---|
| *Thousands of tonnes* | **Q1** | **Q2** | **Q3** | **Q4** | **12 months** | **Q1** | **Q2** | **S1** | **Q2 22 / Q2 21** | **S1 22 / S1 21** |
| Melting shop | 650 | 654 | 629 | 608 | 2,541 | 646 | 601 | 1,247 | -8% | -4% |
| Cold-rolling | 394 | 400 | 408 | 423 | 1,625 | 433 | 416 | 849 | 4% | 7% |
| Long products (hot-rolling) | 63 | 61 | 59 | 62 | 245 | 65 | 61 | 126 | 0% | 2% |

North American Stainless (NAS) operated at full capacity during the first half of the year.

Acerinox Europa suffered the impact of the metal strike in Cadiz and the transport strike in Spain as well as the three-day stoppage of the melting shop due to high energy prices in the first quarter. Despite this, production levels have been satisfactory.

Columbus continued with the development and marketing, with long-term contracts, of a range of non-stainless steel for the local South African market, which allowed it to optimise its production capacity.

Bahru Stainless continued with its commercial diversification strategy, although the volatility in the Asian market caused a decrease in its cold-rolling production in the last months of the half year.

# Stainless steel division results

| *Millions of euros* | Q2 2022 | Q1 2022 | Q2 2021 | S1 2022 | S1 2021 | % Q2 22 / Q2 21 | % S1 22 / S1 21 |
|---|---|---|---|---|---|---|---|
| Melting shop production (thousands of tonnes) | 601 | 646 | 654 | 1,247 | 1,304 | -8% | -4% |
| Revenue | 2,232 | 2,006 | 1,425 | 4,237 | 2,698 | 57% | 57% |
| **EBITDA** | **481** | **398** | **201** | **880** | **353** | **140%** | **149%** |
| **EBITDA margin** | **22%** | **20%** | **14%** | **21%** | **13%** | | |
| Depreciation and amortisation | -41 | -39 | -37 | -79 | -74 | 9% | 7% |
| EBIT | 439 | 358 | 163 | 797 | 279 | 169% | 186% |
| EBIT margin | 20% | 18% | 11% | 19% | 10% | | |
| Operating cash flow (before investments) | 120 | 145 | 98 | 265 | 123 | 22% | 116% |

In the first half of 2022, activity remained strong, as reflected in price increases, improved margins and good cash generation.

Half-year revenue of EUR 4,237 million was 57% higher than in the first half of 2021. Likewise, revenue in the quarter were 57% higher than in the same period of 2021.

EBITDA amounted to EUR 880 million, with a margin on sales of 21%, despite the cost inflation already mentioned in the Consolidated Group section. EBITDA in the quarter was EUR 481 million, with the margin on sales up 2 percentage points from the previous quarter to 22%.

Operating cash flow in the first half amounted to EUR 265 million, despite the EUR 556 million increase in working capital.

| *Millions of euros* | Q2 2022 | Q1 2022 | Q2 2021 | S1 2022 | S1 2021 |
|---|---|---|---|---|---|
| **EBITDA** | **481** | **398** | **201** | **880** | **353** |
| Changes in working capital | -307 | -249 | -67 | -556 | -214 |
| Income tax | -91 | -7 | -28 | -99 | -1 |
| Finance costs | -5 | -6 | -8 | -11 | -14 |
| Other adjustments to profit | 41 | 9 | 0 | 51 | -1 |
| **OPERATING CASH FLOW** | **120** | **145** | **98** | **265** | **123** |

# High performance alloys division

## High performance alloys market

The high performance alloys market experienced a good half year, despite the increase in nickel prices and the collapse of the LME in the first quarter.

Strong demand is allowing both raw material and energy price increases to be passed on to the market.

The oil and gas sector has developed very positively thanks to the good pipeline situation.

The chemical process industry remains strong, with high demand for electrolysis equipment.

The aerospace sector experienced a significant recovery, although it is still significantly below normal activity levels. The demand for turbines is growing.

The automotive sector has seen some recovery, although it has been weighed down by supply problems resulting from the invasion in Ukraine and the lack of semiconductors.

The only sector with worse performance has been the electronics industry, which has experienced lower activity due to the drop in the consumption of household appliances

## Production

In the first half of 2022, melting shop production of the high-performance alloys division reflected the good market momentum, with a 10% growth compared to the first half of 2021. Finishing shop production also increased by 18% compared to the same period of 2021.

| | 2021 | | | | | 2022 | | | Variation | |
|---|---|---|---|---|---|---|---|---|---|---|
| *Thousands of tonnes* | **Q1** | **Q2** | **Q3** | **Q4** | **12 months** | **Q1** | **Q2** | **S1** | **Q2 22 / Q2 21** | **S1 22 / S1 21** |
| Melting shop | 18 | 22 | 19 | 19 | 78 | 22 | 21 | 44 | -1% | 10% |
| Finishing shop | 8 | 11 | 11 | 11 | 40 | 11 | 11 | 22 | 3% | 18% |

# Results

Sales increased compared to the same period of 2021, as a result of the good backlog situation and the increase in prices.

| *Millions of euros* | Q2 2022 | Q1 2022 | Q2 2021 | S1 2022 | S1 2021 | % Q2 22 / Q2 21 | % S1 22 / S1 21 |
|---|---|---|---|---|---|---|---|
| Melting shop production | 21 | 22 | 22 | 44 | 40 | -1% | 10% |
| Revenue | 303 | 281 | 201 | 584 | 368 | 51% | 59% |
| **EBITDA** | **41** | **24** | **16** | **65** | **26** | **153%** | **152%** |
| **EBITDA margin** | **14%** | **8%** | **8%** | **11%** | **7%** | | |
| Depreciation and amortisation | -6 | -6 | -6 | -11 | -11 | 1% | 2% |
| EBIT | 36 | 18 | 11 | 54 | 15 | 233% | 262% |
| EBIT margin | 12% | 6% | 5% | 9% | 4% | | |
| Operating cash flow (before investments) | -118 | -71 | -14 | -188 | -15 | --- | --- |

EBITDA generated in the first half was EUR 65 million, with a margin on sales of 11%. EBITDA for the quarter, at EUR 41 million, was the highest since the acquisition of VDM and represented a margin of 14% on sales.

Working capital increased by EUR 251 million due to the significant increase in inventories, which was not only due to the revaluation of the price of nickel, but also due to advance payments to secure the supply of raw materials during the period when the price of nickel was suspended.

The sound financial situation of the Company enabled it to secure raw materials at competitive prices through cash payments. This strategy involved an investment in working capital during the first half.

| *Millions of euros* | Q2 2022 | Q1 2022 | Q2 2021 | S1 2022 | S1 2021 |
|---|---|---|---|---|---|
| **EBITDA** | **41** | **24** | **16** | **65** | **26** |
| Changes in working capital | -155 | -96 | -32 | -251 | -39 |
| Income tax | -1 | -1 | 2 | -2 | -1 |
| Finance costs | -2 | -1 | -1 | -3 | -3 |
| Other adjustments to profit | -1 | 4 | 1 | 3 | 4 |
| **OPERATING CASH FLOW** | **-118** | **-71** | **-14** | **-188** | **-15** |

# VDM integration synergies

After two full years of work since VDM Metals was acquired by Acerinox in March 2020, full integration has been achieved in many areas that service day-to-day operations. We continue to work tirelessly on the operational side and on finding new customers.

Synergies in the half year totalling EUR 12.9 million out of the expected EUR 16.7 million for the full year were achieved. This is EUR 5.5 million above budget to date, a 73% improvement.

In order to offer an increased product portfolio in both divisions, we continue to work on technical exchanges between the two divisions in both long and flat products, in Europe and in the United States. We currently have 73 best practices exchange projects underway to ensure that our standard product is manufactured more efficiently and with the aim of being more competitive in the market. Shared resources enabled new products to be created in eight different types of alloy, such as wide coil, plates and precision strips. All of them, have shown encouraging results.

The development of joint commercial strategies is allowing us to optimise our relationship with joint customers, to grow our presence in the project sector and to increase sales in certain geographical areas. The commercial network has developed 89 new customers.

Finally, we continue to deepen our efforts to identify synergies in purchasing, both in raw materials and general purchasing, and in R&D&I, both in product and process.

# Sustainability

## Our Contribution to Sustainable Development

Acerinox has the firm intention of contributing to the achievement of the Sustainable Development Goals (SDGs) approved by the United Nations, among others, by contributing to the fight against climate change through the manufacture of entirely and indefinitely recyclable products; promoting innovation, education, protecting and fostering respect for human rights, the development of professional relationships based on diversity, inclusion, equal opportunities and contributing to the development of the communities where we operate.


## Our Sustainability Plan

Acerinox has a Sustainability Plan to support and reinforce the business strategy and respond to social, environmental and good governance challenges. This Plan has been called 'Acerinox Positive Impact 360º', and defines a series of objectives and actions based on the five main pillars summarised below and which will run from 2021 to 2025:


Within this Sustainability Plan, a number of long-term objectives were set and are reported on a quarterly basis together with the Group's financial data. Below, we have detailed their development:

- Acerinox continues to make progress towards its target of reducing $CO_2$ emissions intensity (Scope 1 and 2) with an 11.3% reduction since the 2015 reference year, and expects to meet its target of a 20% reduction by 2030.

  This is in addition to the recent commitment made by signing up to the SBTi (Science Base Target Initiative) whereby we will work to set targets for greenhouse gas (GHG) emission reductions in line with its methodology, i.e. aligned with the recommendations of science to achieve the Paris Agreement goals, doing everything possible to limit global temperature increase to 1.5°C.

- Linked to the aforementioned objective, we also continue to make positive progress in the objective of reducing relative energy intensity with the measures being implemented in all our factories to reduce energy consumption. A 2.3% reduction has already been achieved since the 2015 base year, leading to a 7.5% reduction by 2030.

- The other long-term objective related to climate change is the use we make of water, a fundamental part of our production process. This year we have already exceeded the target we had set ourselves to reduce specific water withdrawals by 20% since 2015, so we are working on setting other more ambitious targets.

- Not only are we one of the stainless steel manufacturers that uses the highest percentage of scrap in our production process, over 85%, but we also endeavour to recover all the waste generated during the process. Currently, over 76% of all waste generated is being recovered, with the aim of reaching 90% by 2030.

- Safety, our priority. The objective of reducing the accident rate in all Group companies by involving employees and contractors is being achieved year by year. As a result, we have again reduced Lost Time Injury Frequency Rate (LTIFR) by 26% in the first half of the year compared to the end of 2021.

  In April 2022, to commemorate ***World Steel Safety,*** Acerinox celebrated its ***Safety Week,*** with specific activities and information for employees and contractors from all over the world. Focussing mainly on working at heights and with the participation of hundreds of employees in plants on four continents, training courses, audits of potential hazards and safety improvements took place, resulting in new advances in this area, in addition to an important component of awareness on the subject.

# Code of Conduct for Business Partners

Committed to the highest standards of ESG management, the Acerinox Group, has embarked on an ambitious programme that involves strengthening its governance and sustainability system within a framework of continuous improvement.

In this general context, the company has resolved to go a step further and extend its ESG commitments to the entire value chain by approving a Code of Conduct for its Business Partners, the acceptance of which is a prerequisite for maintaining the business relationship.

It is a code that seeks to promote sustainability throughout the supply chain and is based on compliance with current legislation, respect and integrity, business ethics, human rights, health and safety and environmental protection.

Thus, the company has set itself the objective of assessing the sustainability management of most of its suppliers over the next two years. In a first approach, the assessment will focus on the main global suppliers.

The evaluation model includes seven management indicators based on 21 sustainability criteria in four areas: environment, labour practices and human rights, ethics and sustainable procurement, and is based on the main international standards, such as GRI (Global Reporting Initiative), the UN Global Compact and the ISO 26000 Standard. The assessment is carried out through an independent external platform, Ecovadis, based on documented evidence, and is organised in four stages: registration, questionnaire, expert analysis and results.

For those members of the Acerinox supply chain that obtain a low rating, the company will provide them with support to detect areas for improvement and will propose an individualised action plan to implement policies, commitments and actions that will enable them to comply with internationally established ESG criteria.

# The World Stainless Steel Association Grants Four of its Awards to the Acerinox Group

## For progress in the Market Development, Sustainability and Security categories

The World Stainless Association (formerly ISSF) has granted awards to four of Acerinox Group's projects at its awards ceremony which, as every year, distinguishes good practices and innovative ideas in areas such as Market Development, Safety and Sustainability.

### Market Development: From agriculture to security

Acerinox Europa won the Gold award for its 'Vertical Farming' project. The aim of this project is to grow crops anywhere in the world regardless of external climatic conditions. Vertical farming turns agriculture into an industrial process in which constant costs, production and quality are achieved.

The Bronze award went to North American Stainless (NAS) for a stainless steel bollard project that extends the life cycle and reduces the costs of the bollards, thanks to the selection of materials that reduce corrosion and the maintenance required.

### Safety: Our priority: preventing accidents

Acerinox Europa has been awarded Bronze for the implementation of a system for the automatic extraction of lubricating grease from the damping system of the AOD converter movements, thus avoiding the risks derived from manual operation.

### Sustainability: Consume the minimum even when not in production

In this category, the jury was looking for new developments that generate a clear reduction in operational emissions (GHGs), a clear reduction in the energy intensity of production, an improvement in the efficiency of the application of materials, an investment in new processes and/or products that have a positive environmental impact and the development or improvement of the company's environmental management system.

Acerinox Europa was awarded the Silver prize for its programme to reduce energy consumption during non-productive periods through innovative shutdown protocols. The plan is based on 21 procedures implemented in the organisation's management system, which are audited annually in the framework of ISO 50001.

# Excellence 360° Plan

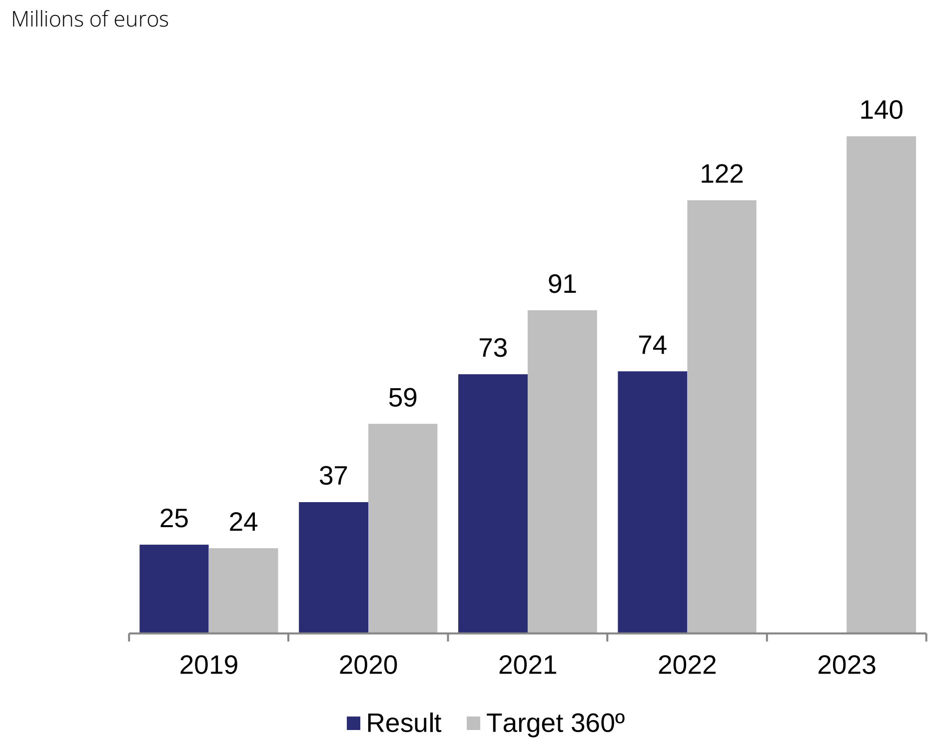
The Acerinox Group continues developing its multidisciplinary strategy through the Excellence 360º Plan. It includes all projects that involve operational efficiency improvements, using Digital Transformation as the main enabler.

The integration of VDM Metals into the Acerinox Group led to its incorporation into the Excellence 360º programme, the result of internal benchmarking and the Digital Strategy. This has led to an increase in the Plan's return target, from EUR 125 million per year, on a recurrent basis initially set for 2023, to EUR 140 million.

The Excellence 360º Plan seeks to comprehensively enhance the vision of the business, placing the customer and the service offered at the centre through the latest technologies. This vision also goes hand in hand with the Group's sustainability targets, with particular emphasis on efficiency improvements, consumption reduction and environmental cost reduction. To this end, there is complete coordination of the areas of production, supply chain, sales network and procurement of raw materials and consumables. All of this is aimed at improving the quality of products and processes, increasing the accuracy of deliveries by optimising stock and optimising the mix of customers, margins and products.

The plan is in its fourth year of implementation and, in the first half of 2022, estimated savings of EUR 74 million were achieved, which represents a degree of achievement of 61% of the 2022 target (EUR 122 million).

During this period, the results of the business areas of raw material procurement, commercial management and production are noteworthy. In particular, in the area of production, consumption of production materials, metal yields and energy consumption performed well.



# Financial Risk Management

In this period, the current geopolitical situation caused by Russia's invasion of Ukraine must be highlighted. While there is no significant direct impact at Group level, it is worth noting the increase in prices, particularly for energy, gas and electricity, due to the uncertainties that the war and political instability are generating. Uncertainty also remains about the problems that could arise in the supply chain. From the moment the invasion began, the Group reduced its exposure in Russia as much as possible, halted sales and confirmed that all outstanding sales in the countries involved were covered by trade credit insurance. With regard to procurement, the Group has very diversified sources of supply and follows a strategy of responsible procurement. Following the guidelines set by the Group, a significant effort is being made to obtain alternative supplies to reduce or directly avoid dependence on raw materials from countries that do not respect human rights and international law.

The evolution of the global COVID-19 pandemic appears to be slowing down in terms of virulence and mortality. In this regard, the main measures adopted by governments and companies in recent times have been aimed more at de-escalation and a gradual return to normality.

Although the exceptional circumstances caused by the global Covid-19 pandemic continued in this period, Acerinox still considers the main financial risks to be those mentioned in its approved financial statements for 2021, namely: market risk (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. Particular attention is being paid to price and interest rate risk.

Effective management of these risks enabled the Group to minimise the unavoidable impacts of the Covid-19 pandemic, and many of the measures set forth in the 2021 Annual Report remain in place.

## Credit risk

As regards credit risk, the claims ratio at 30 June remained low and payment delays were not significant, despite the war in Ukraine and the effects of the Covid-19 pandemic.

## Liquidity risk

With respect to liquidity risk, Acerinox had arranged credit facilities amounting to EUR 2,471 million, of which 15% were drawable. Net debt amounted to EUR 574 million at 30 June. The cash balances amounted to EUR 1,517 million.

The most significant financing transactions in the first half of 2022 were as follows:

- The signing of two new loans: a fixed rate loan with Unicredit for an amount of EUR 50 million with a final maturity of four years; and a variable rate loan with Bankinter for a total amount of EUR 25 million with a final maturity of three years.
- In March, the long-term loan of EUR 60 million arranged with Cajamar was refinanced, whereby the conditions were improved by increasing the loan principal by EUR 20 million and extending the final maturity to 2026.
- Novation of the loan signed in 2020 with Caixabank for EUR 80 million, with final maturity in 2025, increasing the capital to EUR 260 million and increasing the final maturity to 2027. To this end, the two loans signed with Bankia and Caixabank for amounts of EUR 160 million and EUR 50 million, respectively, with final maturity in 2024, have been cancelled.

- In order to ensure continued Group liquidity, the following transactions were carried out during the first half of 2022:
    - The renewal of three credit facilities in euros for a total amount of EUR 160 million, increasing the amount of one of them by EUR 20 million.
    - The signing of a new credit facility in euros for a total amount of EUR 25 million.
    - The renewal of a credit facility in US dollars for a total amount of USD 20 million.
    - The signing of two new credit facilities in US dollars for a total amount of USD 30 million for Acerinox Europa.
- Modification of one of the sustainability KPIs initially defined in the EUR 50 million loan novated in 2021 with Banca March.

The Acerinox Group has satisfactorily met the repayment schedules for its borrowings. None of the loans arranged in the first half of 2022 are contingent upon the achievement of annual results-based financial ratios.

# Shareholder remuneration

- The Annual General Shareholders' Meeting held on 16 June 2022 approved the following shareholder remuneration proposals:
    - Distribution of a dividend of EUR 0.50/share payable on 5 July 2022.
    - Reduction of the share capital of Acerinox, S.A. by EUR 2,705,462 through the redemption of 10,821,848 treasury shares (4% of the share capital). The shares were purchased between December 2021 and March 2022 with a total cash outflow of EUR 125 million (EUR 115 million in the first quarter of 2022 and EUR 9 million in the fourth quarter of 2021).
- In view of the Company's financial strength, cash generation prospects and the low level of the share price, the Board of Directors meeting on 27 July agreed to initiate a new 4% share buy-back programme for its possible later amortisation. This programme fulfils the Company's commitment to redeem the shares that were issued in the years when the dividend paid was made through scrip dividend.

# Changes in the Board of Directors

## Mr. Carlos Ortega Arias-Paz, elected Chairman

At the Annual General Shareholders' Meeting held on 16 June 2022, Mr. Rafael Miranda Olmedo's second term as Chairman expired. In accordance with the Company's Articles of Association, he was not eligible for re-election as he had reached the age limit.

The Board of Directors meeting held on 16 June, after the General Shareholders' Meeting, appointed Mr. Carlos Ortega Arias-Paz as non-executive Chairman of Acerinox.

Mr. Ortega Arias-Paz, currently Managing Director of Corporación Financiera Alba and member of the Acerinox Board of Directors as a Proprietary Director, has taken on the position for a period of four years.

A Cum Laude graduate in Economics from Harvard University and Master in Business Administration from Harvard Business School, he joined Corporación Financiera Alba, S.A. in 2017 as Director of Strategy, leading the Company's international strategy and collaborating on investments in Spain.

In addition to having a seat on the highest governing body of Acerinox, he is a member of the Boards of Directors of Verisure, Piolin Bidco (Parques Reunidos), Rioja (Naturgy), Atlantic Aviation and Chairman of the Harvard Club of Spain.

## Mr. Bernardo Velázquez, re-elected as Chief Executive Officer

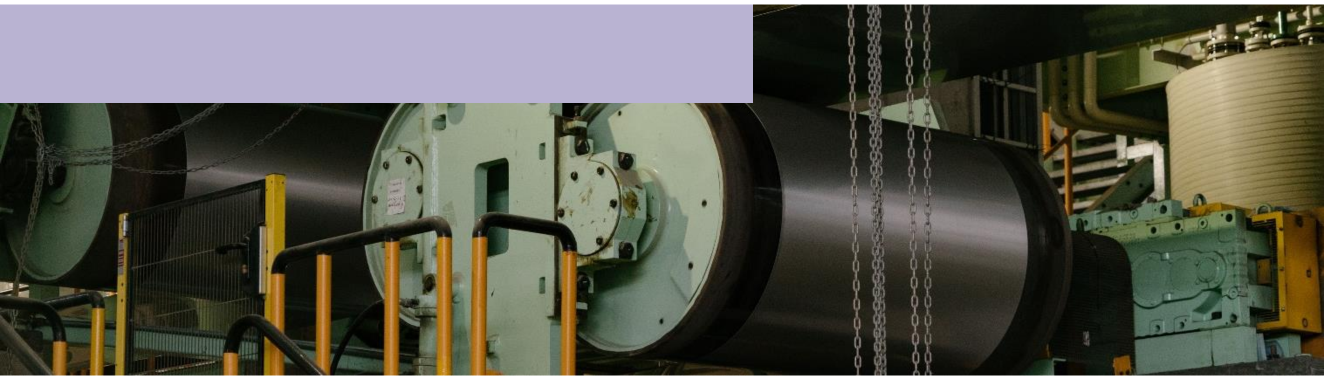
During the same Board meeting, Mr. Bernardo Velázquez Herreros was re-elected to the position of Chief Executive Officer for a four-year term, thus renewing the position he has held since 2010.

Mr. Velázquez is an Industrial Engineer through ICAI. During his extensive career within Acerinox, he has held various positions in the Group's subsidiaries and has been responsible for Strategy Management and General Management. He is also Chairman of *North American Stainless* (NAS).

He is also currently Chairman of UNESID (Spanish Association of Iron and Steel Companies) and Vice-Chairman of the World Stainless Steel Association.

## Mr. Donald Johnston, elected Lead Director

The Board of Directors of Acerinox, S.A. held on 30 June 2022, unanimously approved the appointment of the Independent Director Mr. Donald Johnston as Lead Director.



# Alternative Performance Measures
## (Definitions)

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

**Accident Rate (LTIFR):** (Total number of registered accidents / Number of hours worked) * 1,000,000

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

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

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

**EBIT:** Operating income

**Adjusted EBIT**: EBIT, net of material extraordinary items

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

**Adjusted EBITDA:** EBITDA, net of material extraordinary items

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

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

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

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

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

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