ACERINOX, S.A. AND SUBSIDIARIES

Interim condensed consolidated financial statements for the six-month period ending on 30 June 2022

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Figures in thousands of euros at 30 June 2022 and 31 December 2021)

	Note	30-Jun-22	31-Dec-21
ASSETS			
Non-current assets			
Goodwill	9	51,064	51,064
Other intangible assets	9	44,782	46,578
Property, plant and equipment	10	1,873,085	1,820,308
Investment property	10	12,862	13,215
Right-of-use assets	11	15,038	14,400
Investments accounted for using the equity method		390	390
Financial assets at fair value through other comprehensive income	13	10,409	11,125
Deferred tax assets		86,586	105,848
Other non-current financial assets	13,15	17,528	4,499
TOTAL NON-CURRENT ASSETS		**2,111,744**	**2,067,427**
Current assets			
Inventories	12	2,652,186	1,776,610
Trade and other receivables	13,15	1,156,796	839,607
Other current financial assets	13,15	44,527	15,352
Current tax assets		11,495	10,297
Cash and cash equivalents		1,517,464	1,274,929
TOTAL CURRENT ASSETS		**5,382,468**	**3,916,795**
TOTAL ASSETS		**7,494,212**	**5,984,222**

The condensed notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

(Figures in thousands of euros at 30 June 2022 and 31 December 2021)

	Note	30-Jun-22	31-Dec-21
LIABILITIES			
Equity			
Share capital	17	67,637	67,637
Share premium		268	268
Reserves		2,010,084	1,532,610
Profit for the period		608,879	571,882
Translation differences		190,158	-10,154
Other equity instruments	23	3,073	3,048
Shares of the Parent	17	-124,550	-10,251
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		**2,755,549**	**2,155,040**
Non-controlling interests		81,900	59,822
TOTAL EQUITY		**2,837,449**	**2,214,862**
Non-current liabilities			
Deferred income		30,709	18,684
Issue of bonds and other marketable securities	13,15	74,800	74,750
Bank borrowings	13,15	1,254,504	1,293,494
Non-current provisions		155,832	196,540
Deferred tax liabilities		217,477	200,051
Other non-current financial liabilities	13,15	15,175	18,275
TOTAL NON-CURRENT LIABILITIES		**1,748,497**	**1,801,794**
Current liabilities			
Issue of bonds and other marketable securities	13,14	3,493	1,634
Bank borrowings	13,14	758,257	483,271
Trade and other payables	13	1,995,060	1,446,680
Current tax liabilities		115,307	23,467
Other current financial liabilities	13,15	36,149	12,514
TOTAL CURRENT LIABILITIES		**2,908,266**	**1,967,566**
TOTAL LIABILITIES		**7,494,212**	**5,984,222**

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2. INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Figures in thousands of euros at 30 June 2022 and 2021)

	Note	30-Jun-22	30-Jun-21
Revenue	**21**	**4,821,477**	**3,065,804**
Other operating income	21	16,618	14,117
In-house work on non-current assets	21	1,235	871
Changes in inventories of finished goods and work in progress		551,964	175,591
Procurements		-3,501,498	-2,199,494
Staff costs		-320,248	-288,260
Depreciation and amortisation charge	9,10,11	-93,986	-88,010
Other operating expenses		-628,265	-390,587
PROFIT FROM OPERATIONS		**847,297**	**290,032**
Finance income		4,464	1,693
Finance costs		-24,123	-22,171
Exchange differences		-15,478	-2,396
Remeasurement of financial instruments at fair value		11,088	1,406
PROFIT FROM ORDINARY ACTIVITIES		**823,248**	**268,564**
Income tax	18	-195,887	-64,328
Other taxes		-179	-268
PROFIT FOR THE PERIOD		**627,182**	**203,968**
Attributable to:			
NON-CONTROLLING INTERESTS		**18,303**	**1,347**
NET PROFIT ATTRIBUTABLE TO THE GROUP		**608,879**	**202,621**
Basic and diluted earnings per share (in euros)		2.32	0.75

The condensed notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

3. INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Figures in thousands of euros at 30 June 2022 and 2021)

	30-Jun-22	30-Jun-21
A) PROFIT PER INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	**627,182**	**203,968**
B) OTHER COMPREHENSIVE INCOME - ITEMS NOT RECLASSIFIED TO PROFIT OR LOSS	**26,753**	**11,177**
1. Arising from measurement of equity instruments at fair value through other comprehensive income	-720	2,833
2. Arising from actuarial gains and losses and other adjustments	40,561	13,452
3. Tax effect	-13,088	-5,108
C) OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	**214,171**	**60,485**
1. Arising from cash flow hedges		
- Revaluation gains (losses)	15,134	5,412
- Amounts transferred to profit or loss	-2,301	1,766
2. Translation differences		
- Revaluation gains (losses)	204,072	55,396
- Amounts transferred to profit or loss		
3. Tax effect	-2,734	-2,089
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**868,106**	**275,630**
a) Attributable to the Parent	846,043	271,687
b) Attributable to non-controlling interests	22,063	3,943

The condensed notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

4. INTERIM CONDENSED CONSOLDATED STATEMENTS OF CHANGES IN EQUITY

The changes in the reported period were as follows:

(Figures in thousands of euros at 30 June 2022 and 2021)

	Equity attributable to shareholders of the Parent									
	Share capital	Share premium	Reserves (including profit or loss for the period)	Other equity instruments	Translation differences	Valuation adjustments	Treasury shares	TOTAL	Non-controlling interests	TOTAL EQUITY
Total equity at 31/12/21	**67,637**	**268**	**2,099,314**	**3,048**	**-10,154**	**5,178**	**-10,251**	**2,155,040**	**59,822**	**2,214,862**
Year-to-date profit (loss) at June 2022	0	0	**608,879**	0	0	0	0	**608,879**	**18,303**	**627,182**
Cash flow hedges (net of tax)						10,099		**10,099**		**10,099**
Measurement of equity instruments (net of tax)						-541		**-541**		**-541**
Actuarial adjustments to employee benefit obligations (net of tax)						27,294		**27,294**		**27,294**
Translation differences					200,312			**200,312**	3,760	**204,072**
Net profit (loss) recognised directly in equity	**0**	**0**	**0**	**0**	**200,312**	**36,852**	**0**	**237,164**	**3,760**	**240,924**
Total comprehensive income	**0**	**0**	**608,879**	**0**	**200,312**	**36,852**	**0**	**846,043**	**22,063**	**868,106**
Dividends paid	0	0	-129,873	0	0	0	0	**-129,873**	0	**-129,873**
Transactions with shareholders	**0**	**0**	**-129,873**	**0**	**0**	**0**	**0**	**-129,873**	**0**	**-129,873**
Acquisition of treasury shares							-115,294	**-115,294**		**-115,294**
Directors long-term incentive plan			-675	25			995	**345**	15	**360**
Other changes			-712					**-712**		**-712**
Total equity at 30/06/22	**67,637**	**268**	**2,576,933**	**3,073**	**190,158**	**42,030**	**-124,550**	**2,755,549**	**81,900**	**2,837,449**

The condensed notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

The changes in the same interim period of the previous year were as follows:

(Figures in thousands of euros)

	Equity attributable to shareholders of the Parent								Non-controlling interests	TOTAL EQUITY
	Share capital	Share premium	Reserves (including profit or loss for the period)	Other equity instruments	Translation differences	Valuation adjustments	Treasury shares	TOTAL		
Total equity at 31/12/20	**67,637**	**258**	**1,648,480**	**2,170**	**-131,919**	**-13,550**	**-1,062**	**1,572,014**	**42,966**	**1,614,980**
Year-to-date profit (loss) at June 2021	0	0	**202,621**	0	0	0	0	**202,621**	**1,347**	**203,968**
Cash flow hedges (net of tax)						5,089		**5,089**		**5,089**
Measurement of equity instruments (net of tax)						2,125		**2,125**		**2,125**
Actuarial adjustments to employee benefit obligations (net of tax)						9,052		**9,052**		**9,052**
Translation differences					52,800			**52,800**	2,596	**55,396**
Net profit (loss) recognised directly in equity	**0**	**0**	**0**	**0**	**52,800**	**16,266**	**0**	**69,066**	**2,596**	**71,662**
Total comprehensive income	**0**	**0**	**202,621**	**0**	**52,800**	**16,266**	**0**	**271,687**	**3,943**	**275,630**
Dividends paid	0	0	-135,226	0	0	0	0	**-135,226**	0	**-135,226**
Transactions with shareholders	**0**	**0**	**-135,226**	**0**	**0**	**0**	**0**	**-135,226**	**0**	**-135,226**
Purchase of non-controlling interests			-3,911		386			**-3,525**	3,525	**0**
Directors long-term incentive plan				939				**939**	17	**956**
Other changes		10	36					**46**		**46**
Total equity at 30/06/21	**67,637**	**268**	**1,712,000**	**3,109**	**-78,733**	**2,716**	**-1,062**	**1,705,935**	**50,451**	**1,756,386**

The condensed notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

5. INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Figures in thousands of euros at 30 June 2022 and 2021)

	30-Jun-22	30-Jun-21
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	823,248	268,564
Adjustments for:		
Depreciation and amortisation charge	93,986	88,010
Impairment losses	18,801	-3,037
Net changes in provisions and allowances	11,079	7,153
Recognition of grants in profit or loss	-4,284	-1,909
Gains or losses on disposals of non-current assets	-739	-681
Gains or losses on disposals of financial instruments	3	
Changes in fair value of financial instruments	-1,044	8,585
Finance income	-4,464	-1,693
Finance costs	24,121	22,171
Other income and expenses	37,541	-6,441
Changes in working capital:		
(Increase) / decrease in trade and other receivables	-316,205	-241,351
(Increase) / decrease in inventories	-833,561	-301,740
(Increase) / decrease in trade and other payables	342,526	290,329
Other cash flows from operating activities		
Interest paid	-17,805	-19,192
Interest received	4,067	1,554
Income tax paid	-100,636	-2,587
NET CASH FLOWS FROM OPERATING ACTIVITIES	**76,634**	**107,735**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-46,890	-51,803
Acquisition of intangible assets	-1,031	-1,132
Acquisition of other financial assets	-293	-867
Proceeds from disposal of property, plant and equipment	2,026	4,644
Proceeds from disposal of other financial assets	164	90
Dividends received	388	8
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-45,636**	**-49,060**
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of treasury shares	-115,294	
Income from borrowings	656,067	284,451
Repayment of interest-bearing liabilities	-432,905	-154,365
Dividends paid		-135,226
NET CASH FLOWS FROM FINANCING ACTIVITIES	**107,868**	**-5,140**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**138,866**	**53,535**
Cash and cash equivalents at beginning of period	1,274,929	917,118
Effect of foreign exchange rate changes	103,669	20,358
CASH AND CASH EQUIVALENTS AT PERIOD-END	**1,517,464**	**991,011**

The condensed notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

CONTENTS: NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

Acerinox, S.A. ("the Company") was incorporated as a public limited liability company for an indefinite period of time on 30 September 1970. Its registered office is located at Calle Santiago de Compostela, 100, Madrid, Spain.

The accompanying interim condensed consolidated financial statements include the Company and all its subsidiaries.

The latest approved financial statements, which correspond to 2021, are publicly available upon request at the Company's head office, on the Group's website www.acerinox.es and on the website of the Spanish National Securities Market Commission (CNMV).

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 27 July 2022.

NOTE 2 – STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard IAS 34 — Interim Financial Reporting. These financial statements do not include all the information required for complete financial statements and should be read and interpreted in conjunction with the Group's published annual financial statements for the year ended 31 December 2021.

NOTE 3 – ACCOUNTING PRINCIPLES

These interim condensed consolidated financial statements of the Acerinox Group were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related interpretations (IFRICs) adopted by the European Union ("EU-IFRSs") and with the other provisions of the applicable regulatory financial reporting framework. The 2021 annual consolidated financial statements detail all the accounting standards applied by the Group.

The interim condensed consolidated financial statements for the first six months of 2022 were prepared using the same accounting principles (EU-IFRSs) as were used for 2021, except for the standards and amendments adopted by the European Union and mandatorily applicable from 1 January 2022 onwards, which were the following:

- Property, plant and equipment – Proceeds before intended use (Amendments to IAS 16): This standard prohibits the deduction from the cost of property, plant and equipment of any proceeds from the sale of items produced while an entity is preparing the asset for its intended use. The proceeds from the sale of any such samples, together with the related production costs, must be recognised in profit or loss. The amendments also clarify that an entity is considered to be testing whether an asset functions correctly when it assesses the asset's physical and technical performance. That is to say, the asset's financial performance is not relevant to this assessment. Therefore, an asset could be ready to operate in the manner intended by management and be subject to depreciation before the level of operation expected by management is achieved. Until the reporting date, the Group had always recognised in profit or loss the proceeds from the sale of items produced while the assets were being readied for their intended use; accordingly, the application of these amendments does not have any impact on the Group. With regard to the date on which the items are ready for their intended use, as established in the Group's policies, an asset is considered to be ready for its intended use, and can therefore begin to be depreciated, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37): These amendments explain that the direct cost of fulfilling a contract includes the incremental costs arising and an allocation of other costs that relate directly to fulfilling the contract. They also clarify that before recognising a separate provision for an onerous contract, the entity shall recognise any impairment losses on the assets used to fulfil the contract. Application of this standard has not had any impact.

- Reference to the Conceptual Framework (Amendments to IFRS 3): IFRS 3 has been updated to refer to the 2018 Conceptual Framework in order to determine what constitutes an asset or a liability in a business combination. Also, a new exception was added in IFRS 3 for liabilities and contingent liabilities. The Group will take the amendments into consideration in future business combinations. No new business combination took place during this period.

- Annual Improvements to IFRSs. 2018-2020 cycle: These amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual reporting periods beginning on or after 1 January 2022. The Group was not affected.
    - IFRS 1 "First-time Adoption of IFRSs": IFRS 1 allows an exemption for a subsidiary that adopts IFRSs after its parent. These amendments allow entities that have taken this exemption to also measure cumulative translation differences using the parent's carrying amounts based on the parent's date of transition to IFRS. The Group was not affected, as there are no entities that have adopted the IFRSs after the Parent.
    - IFRS 9 "Financial instruments" These amendments clarify that the costs or fees paid to third parties cannot be included in the 10% test for the derecognition of financial liabilities. The Group was not affected, as these types of expenses have never been recognised.

The standards, interpretations and amendments not yet approved by the European Union, and are therefore not mandatorily applicable in the current year, and thus have not been adopted early by the Group but could have an impact, are the following:

- IFRS 10 (Amendment) and IAS 28 (Amendment) - These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures. The amendments shall only apply when an investor sells or contributes assets to its associate or joint venture. The Group does not expect the application of this standard to have any impact, as the ownership interests in associates are not material and no such contributions have been made to date.

- Classification of liabilities as current or non-current (Amendments to IAS 1): These amendments clarify that the classification of liabilities as either current or non-current depend on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The effective date of application of these amendments is 1 January 2023. The Group does not expect the application of these amendments to have any impact on its financial statements.

- Disclosure of accounting policies (Amendments to IAS 1): IAS 1 has been amended to improve the disclosures of accounting policies to provide more useful information to investors and other primary users of the financial statements. The effective date of application of these amendments is 1 January 2023. The Group will apply the standard once it becomes mandatory.

- Definition of accounting estimates (Amendments to IAS 8): IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policies. The effective date of application of these amendments is 1 January 2023. The Group will apply the standard once it becomes mandatory.

- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12): Under IAS 12, in certain circumstances companies are exempt from recognising deferred taxes when they first recognise assets or liabilities ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which both an asset and a liability are recognised upon initial recognition. The amendments clarify that the exemption does not apply and, therefore, there is an obligation to recognise deferred taxes on these transactions. The amendments are effective for reporting periods beginning on or after 1 January 2023, although earlier application is permitted. These amendments do not significantly affect the Group.

NOTE 4 – ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting estimates and judgements used by the Group during this interim period were applied consistently with those used for the latest approved annual financial statements, which correspond to 2021.

NOTA 5 - FINANCIAL RISK MANAGEMENT

Note 4 to the Group's published financial statements for the year ended 31 December 2021 includes a detailed description of the risks to which the Group's activities are exposed, and the management carried out to minimise the impact thereof.

Note 8 explains the consequences for the Group of the current geopolitical situation caused by the Russian invasion in Ukraine, which has not had a significant direct impact during the first six months of 2021.

NOTE 6 - SEASONAL OR CYCLICAL NATURE OF TRANSACTIONS

The activities carried on by the Acerinox Group are not seasonal in nature.

NOTE 7 - CHANGES IN THE SCOPE OF CONSOLIDATION

There were no changes in the scope of consolidation in the period.

Changes in the scope of consolidation in 2021 are explained in the Group's 2021 consolidated financial statements.

NOTE 8 – SIGNIFICANT EVENTS TAKING PLACE IN THE FIRST SIX MONTHS OF 2022

Market environment

The Group obtained the best six-month period results in its history. Despite the effects of the invasion in Ukraine and the disruptions experienced in this period, strong demand and excellent management of the Company enabled record profits to be recognised.

The recovery in demand experienced in 2021 continued during the first six months of 2022 This period was characterised mainly by a recovery in prices in all markets. Covid, problems in the supply chain, transportation costs and trade defence measures, among other reasons, are favouring the regionalisation of markets.

According to the latest data available, apparent consumption in the US increased by 14%. The majority of the economy's sectors that consume stainless steel maintained strong demand during the first six months of 2022 and continued the strong tendency established during the fourth quarter of 2021. Imports of cold rolled flat products increased during the first six months of 2022, although they did not alter the dynamics of the American market, despite being at historically high levels (27%). North American Stainless (NAS) operated at full capacity during the first six months of 2022.

According to the latest data available, apparent consumption of flat products in Europe increased by approximately 13%, and the recovery, which commenced in 2021, continued. The system of base prices and alloy surcharges was re-established in our backlog. Imports of cold rolled flat products increased, due to material from China and the high price differential between Europe and Asia, despite the existing trade defence measures, giving rise to a market penetration of almost 32%. On 16 March, the European Union approved anti-subsidy measures against India and Indonesia. Also worthy of note is the approval in June of the review of the safeguarding measures for the July 2022 - June 2023 period, with the exclusion of Malaysia and the inclusion of South Africa. Acerinox Europa suffered from the impact of the transport strike in Spain and the three-day stoppage of the melting shop due to the impact of the high energy prices in the first quarter of 2022. Despite the aforementioned, the factory's production levels were satisfactory.

Columbus continued to develop and market, with long-term contracts, a range of carbon steel products for the local South African market, enabling the plant to optimise its production capacity and recognise results above those forecast at 2021 year-end.

With regard to the rest of the markets, strict lockdowns in China led to a sharp drop in domestic demand, while factories continued to produce products. Attempts to export this overcapacity precipitated the fall in prices in the region, increasing the differential with other markets. Bahru Stainless continued to implement its commercial diversification strategy, enabling very satisfactory results to be recognised, above the forecasts made at year-end.

With regard to the high performance alloys division, the market experienced a good performance in the first six months of 2022, despite the increase in nickel prices and the collapse of the LME in March. Strong demand enabled both raw material and energy price increases to be passed on to the market. The positive evolution of the various consumer sectors enabled the Group to significantly improve its backlog in terms of both volumes and margins. The oil and gas sector and the chemical process industry continued with the bullish trend that commenced in the second half of 2021. The aerospace sector experienced a significant recovery, although it is still significantly below normal activity levels. The automotive sector witnessed some recovery, although the sector was hampered by supply problems resulting from the invasion in Ukraine and the lack of semiconductors.

The current geopolitical situation caused by the Russian invasion in Ukraine, did not have a significant direct impact on the Group during the first six months of 2022; however, it is worth noting the increase in energy prices due to the uncertainty that the war and the political instability are generating. Uncertainty also remains over the supply chain problems that may arise.

With regard to sales, as soon as the war started, the Group minimised its exposure in Russia, halted sales and confirmed that all outstanding accounts receivable from sales in the countries involved were covered by trade credit insurance.

In the stainless division, the Group has one commercial entity in Russia with three employees. In the high performance alloys division, the Group only has a representative office. The Group ceased all commercial activities as soon as the war began, although the Group maintains the contracts of its employees. Group sales to Russia represented only 0.4% of total Group sales.

With regard to procurement, the Group has very diversified supply sources, in line with its strategy of responsible procurement. In line with the guidelines set out by Management, significant efforts are being made to secure alternative supplies to reduce or eliminate dependence on Russian raw materials.

Although there is currently no regulation in place, the Group has set up a monitoring committee to assess the impact of the measures that could be implemented in Germany to reduce dependence on gas supplies from Russia and to mitigate the impacts for the Group.

The impact on business continuity has been assessed and no liquidity risk is estimated for the Company that cannot be covered by the existing liquidity and the available credit facilities entered into with the Company's banks.

The projections used in the annual financial statements did not consider the impacts that could arise from this conflict; however, the Company's management considers that the effects that this situation could have will not significantly affect the values considered.

Results

Revenue totalled EUR 4,821, an increase of 57% compared to the first six months of 2021, as a result of the strong demand and the improvement in prices.

In the first six months of 2022, EBITDA[1] totalled EUR 945 million, 2.5 times higher than the first six months of 2021, and the highest in Acerinox's history. The EBITDA margin on sales was 20%.

Profit after tax and non-controlling interests totalled EUR 609 million, 3 times higher than the first six months of 2021.

Operating expenses increased by 61% during the six-month period, due mainly to the increase in energy prices and transport costs. Worthy of note is "Energy" (which includes, inter alia, electricity and gas consumption), which doubled at Group level and tripled in Spain compared to the first six months of 2021.

The good results recognised enabled the Group to generate operating cash flow totalling EUR 77 million in the first six months of 2022. The sound financial situation of the Company enabled it to secure raw materials at competitive prices through cash payments. This strategy involved a temporary investment in working capital. The aforementioned situation together with the good levels of activity and the increase in raw material and stainless prices gave rise to an increase of EUR 807 million in working capital.

Net financial debt[2] 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).

[1]EBITDA = Results from operating activities – Amortisation and depreciation – Impairment of property, plant and equipment - Changes in trade provisions for an amount of EUR -3,298 thousand included under "Other Operating Expenses" in the statement of profit or loss (EUR -318 thousand at 30 June 2021)
[2]Net financial debt = Issue of bonds and other marketable securities (current and non current) + Current and non current bank borrowings – Cash and cash equivalents.

NOTE 9 – INTANGIBLE ASSETS

The changes in intangible assets were as follows:

(Figures in thousands of euros)

COST	Development expenditure	Intellectual property	Computer software and other	Customer portfolio	SUBTOTAL	Goodwill
Balance at 1 January 2021	**16,355**	**32,337**	**51,702**	**29,200**	**129,594**	**118,953**
Acquisitions	791	72	2,066		2,929	
Transfers						
Disposals		-289	-139		-428	
Translation differences			215		215	
Balance at 31 December 2021	**17,146**	**32,120**	**53,844**	**29,200**	**132,310**	**118,953**
Acquisitions	508		466		974	
Transfers						
Disposals			-3		-3	
Translation differences			373		373	
Balance at 30 June 2022	**17,654**	**32,120**	**54,680**	**29,200**	**133,654**	**118,953**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	Development expenditure	Intellectual property	Computer software and other	Customer portfolio	SUBTOTAL	Goodwill
Balance at 1 January 2021	**7,499**	**25,472**	**45,425**	**1,622**	**80,018**	**-67,889**
Charge for the year	1,144	540	2,139	1,947	5,770	
Transfers			-1		-1	
Disposals		-53	-139		-192	
Translation differences			136		136	
Balance at 31 December 2021	**8,643**	**25,959**	**47,560**	**3,569**	**85,731**	**-67,889**
Charge for the year	572	209	1,111	973	2,865	
Transfers						
Disposals			-3		-3	
Translation differences			279		279	
Balance at 30 June 2022	**9,215**	**26,168**	**48,947**	**4,542**	**88,872**	**-67,889**

CARRYING AMOUNT	Development expenditure	Intellectual property	Computer software and other	Customer portfolio	SUBTOTAL	Goodwill
Cost at 1 January 2021	16,355	32,337	51,702	29,200	129,594	118,953
Accumulated amortisation and	-7,499	-25,472	-45,425	-1,622	-80,018	-67,889
Carrying amount at 1 January 2021	**8,856**	**6,865**	**6,277**	**27,578**	**49,576**	**51,064**
Cost at 31 December 2021	17,146	32,120	53,844	29,200	132,310	118,953
Accumulated amortisation and	-8,643	-25,959	-47,560	-3,569	-85,731	-67,889
Carrying amount at 31 December 2021	**8,503**	**6,161**	**6,284**	**25,631**	**46,579**	**51,064**
Cost at 30 June 2021	17,654	32,120	54,680	29,200	133,654	118,953
Accumulated amortisation and	-9,215	-26,168	-48,947	-4,542	-88,872	-67,889
Carrying amount at 30 June 2022	**8,439**	**5,952**	**5,733**	**24,658**	**44,782**	**51,064**

The "Customer Portfolio" intangible asset is the result of the business combination that took place in 2020 by acquiring the special alloys division. It is common practice in the industry to recognise both customer relationships and order backlogs as one of the most significant intangible assets resulting from a business combination. In the purchase price allocation process following the acquisition of the VDM Group, both assets were jointly evaluated. At the date of acquisition, the fair value was estimated at EUR 29,200 thousand.

Moreover, the EUR 51,064 thousand recognised as goodwill relates mainly (EUR 49,829 thousand) to that arising from the business combination performed as a result of the acquisition of the VDM Group. The goodwill was attributed to the VDM cash-generating unit (CGU), which wholly belongs to the high performance alloys segment.

Impairments

With regards to the impairments on goodwill, the Group estimates the recoverable amount of goodwill on a yearly basis, or more frequently when indications of a possible impairment are identified.

At 31 December 2021, it was not necessary to recognise any impairment losses on goodwill.

The recovery in demand and the increase witnessed in prices in this period led the special alloys segment to recognise results at the end of the six-month period above those expected at the end of 2021, which determined the appropriateness of the goodwill recognised. Therefore, there are no indications at period-end that would make it necessary to assess the possible impairment of goodwill.

At 31 December 2022 the Group will carry out an analysis of the potential impairment that could affect this goodwill.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

The changes in property, plant and equipment and investment property were as follows:

(Figures in thousands of euros)

COST	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL	Investment property
Balance at 1 January 2021	**942,488**	**4,308,137**	**160,836**	**75,461**	**5,486,922**	**17,499**
Hyperinflation adjustments	198	36	69		303	
Additions	3,845	33,150	8,567	52,836	98,398	
Transfers	8,266	63,639	8,040	-78,280	1,665	825
Disposals	-13,932	-21,815	-3,442		-39,189	-179
Translation differences	37,250	183,204	2,656	1,651	224,761	
Balance at 31 December 2021	**978,115**	**4,566,351**	**176,726**	**51,668**	**5,772,860**	**18,145**
Additions	529	18,160	3,705	25,305	47,699	
Transfers	2,820	29,013	2,748	-34,582	-1	
Disposals	-176	-10,798	-1,708		-12,682	-826
Translation differences	44,157	236,803	3,584	2,610	287,154	
Balance at 30 June 2022	**1,025,445**	**4,839,529**	**185,055**	**45,001**	**6,095,030**	**17,319**

ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL	Investment property
Balance at 1 January 2021	**421,470**	**3,121,343**	**122,178**		**3,664,991**	**4,173**
Charge for the year	21,909	140,481	5,019		167,409	285
Hyperinflation adjustments	120	29	68		217	
Transfers	1,875	-2,865	2,865		1,875	615
Disposals	-8,672	-15,541	-3,124		-27,337	-143
Translation differences	15,649	127,585	2,163		145,397	
Balance at 31 December 2021	**452,351**	**3,371,032**	**129,169**		**3,952,552**	**4,930**
Charge for the year	11,848	68,543	7,010		87,401	151
Transfers	1	-28	16		-11	
Disposals	-120	-7,861	-1,639		-9,620	-624
Translation differences	19,469	169,348	2,806		191,623	
Balance at 30 June 2022	**483,549**	**3,601,034**	**137,362**		**4,221,945**	**4,457**

CARRYING AMOUNT	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL	Investment property
Cost at 1 January 2021	942,488	4,308,137	160,836	75,461	5,486,922	17,499
Accumulated depreciation and impairment losses	-421,470	-3,121,343	-122,178		-3,664,991	-4,173
Carrying amount at 1 January 2021	**521,018**	**1,186,794**	**38,658**	**75,461**	**1,821,931**	**13,326**
Cost at 31 December 2021	978,115	4,566,351	176,726	51,668	5,772,860	18,145
Accumulated depreciation and impairment losses	-452,351	-3,371,032	-129,169		-3,952,552	-4,930
Carrying amount at 31 December 2021	**525,764**	**1,195,319**	**47,557**	**51,668**	**1,820,308**	**13,215**
Cost at 30 June 2022	1,025,445	4,839,529	185,055	45,001	6,095,030	17,319
Accumulated depreciation and impairment losses	-483,549	-3,601,034	-137,362		-4,221,945	-4,457
Carrying amount at 30 June 2022	**541,896**	**1,238,495**	**47,693**	**45,001**	**1,873,085**	**12,862**

The investments made in the reporting period in property, plant and equipment, intangible assets and right-of-use assets arising from lease agreements amounted to EUR 52,286 thousand, of which EUR 12,927 thousand related to those made by Acerinox Europa, EUR 18,219 thousand by NAS, EUR 7,190 thousand by Columbus and EUR 10.759 thousand by VDM. In the first six months of 2021, the investments made totalled EUR 47,613 thousand, of which EUR 20,708 thousand related to Acerinox Europa, EUR 13,026 thousand to NAS, EUR 4,854 thousand to Columbus and EUR 7,511 thousand to VDM.

Disposals of property, plant and equipment

Gains on the sale or retirement of property, plant and equipment recognised under "Other Operating Income" in the statement of profit of loss at 30 June 2022 amounted to EUR 1,791 thousand (June 2021: EUR 2,514 thousand) and related mainly to the sale of a warehouse of the Spanish company Inoxcenter, classified as investment property.

Losses on the sale or retirement of property, plant and equipment recognised under "Other Operating Expenses" in the statement of profit or loss at 30 June 2022 amounted to EUR 1,053 thousand (June 2021: EUR 1,833 thousand) and related mainly to disposals of replacement items of property, plant and equipment.

Obligations and commitments

At 30 June 2022, the Group had entered into agreements to acquire new equipment and facilities for EUR 41,228 thousand, of which EUR 11,212 thousand related to the investments made by Acerinox Europa, EUR 9,619 thousand to those made by Columbus, EUR 9,041 thousand to those made by NAS and EUR 7,961 thousand to those made by VDM Metals. At 30 June 2021, the Group had entered into agreements to acquire new equipment and facilities amounting to EUR 45,761 thousand, of which EUR 15,609 thousand related to the new investments made by Acerinox Europa, EUR 8,922 thousand to those made by NAS and EUR 6,381 thousand to those made by VDM.

Impairment losses

As stated in the annual financial statements of the Acerinox Group, the carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there are any indications of impairment.

As explained in the 2021 financial statements, at period-end no entity presented indications of impairment losses on assets; however, the Group resolved to asses the valuation of the assets of Bahru Stainless Sdn. Bhd. to determine whether it was appropriate to reverse impairment losses recognised in prior years.

In the first six months of 2022, all Group entities obtained results above the forecasts made, thus, there were no signs of impairment, and therefore no revaluation of the estimates was necessary in this period.

Given the uncertain situation currently being experienced in the market, and despite the results recognised being significantly above the forecasts made, the Group has considered it appropriate to maintain the forward-looking forecasts made at the end of 2021.

NOTE 11 - RIGHT-OF-USE ASSETS (LEASES)

The detail of the right-of use assets, measured in accordance with the present value of future lease payments, and of the changes therein in the period is as follows:

(Figures in thousands of euros)

COST	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Balance at 1 January 2021	**10,939**	**7,124**	**5,148**		**23,211**
Additions	422	1,734	2,549		4,705
Remeasurement		311			311
Disposals	-255	-2,758	-1,048		-4,061
Translation differences	110	4	298		412
Balance at 31 December 2021	**11,216**	**6,415**	**6,947**		**24,578**
Additions	519	685	2,409		3,613
Remeasurement		455			455
Transfers	-17		17		0
Disposals	-587	-354	-1,543		-2,484
Translation differences	39		351		390
Balance at 30 June 2022	**11,170**	**7,201**	**8,181**		**26,552**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES	**Land and buildings**	**Plant and machinery**	**Other items of property, plant and equipment**	**Property, plant and equipment in the course of construction**	**TOTAL**
Balance at 1 January 2021	**2,345**	**3,485**	**2,129**		**7,959**
Charge for the year	1,779	2,150	1,695		5,624
Disposals	-252	-2,287	-1,045		-3,584
Translation differences	44	2	133		179
Balance at 31 December 2021	**3,916**	**3,350**	**2,912**		**10,178**
Charge for the year	812	1,477	1,280		3,569
Transfers			11		11
Disposals	-586	-354	-1,493		-2,433
Translation differences	88		101		189
Balance at 30 June 2022	**4,230**	**4,473**	**2,811**		**11,514**
CARRYING AMOUNT	**Land and buildings**	**Plant and machinery**	**Other items of property, plant and equipment**		**TOTAL**
Cost at 1 January 2021	10,939	7,124	5,148		23,211
Accumulated depreciation and impairment	-2,345	-3,485	-2,129		-7,959
Carrying amount at 1 January 2021	**8,594**	**3,639**	**3,019**		**15,252**
Cost at 31 December 2021	11,216	6,415	6,947		24,578
Accumulated depreciation and impairment	-3,916	-3,350	-2,912		-10,178
Carrying amount at 31 December 2021	**7,300**	**3,065**	**4,035**		**14,400**
Cost at 30 June 2022	11,170	7,201	8,181		26,552
Accumulated depreciation and impairment	-4,230	-4,473	-2,811		-11,514
Carrying amount at 30 June 2022	**6,940**	**2,728**	**5,370**		**15,038**

At 30 June 2022, the balance of the lease liabilities totalled EUR 14,556 thousand, the majority of which were recognised under "Other Non-Current Financial Liabilities" (31 December 2021: EUR 12,540 thousand).

The borrowing costs on the lease liabilities recognised by the Group at 30 June 2022 amounted to EUR 148 thousand (30 June 2021: EUR 151 thousand).

The lease expenses recognised under "Operating Expenses" in the statement of profit or loss relating to low-value assets or short-term leases amounted to EUR 7,237 thousand (30 June 2021: EUR 4,734 thousand).

NOTE 12 – INVENTORIES

The detail of "Inventories" in the balance sheet is as follows:

(Figures in thousands of euros)

	At 30 June 2022	At 31 December 2021
Raw materials and other supplies	738,521	481,199
Work in progress	926,896	594,214
Finished goods	848,232	605,376
By-products, waste products and materials	138,171	95,821
Advances	366	0
TOTAL	**2,652,186**	**1,776,610**

The increase in inventories was due mainly to the increase in the prices of raw materials and the added value incorporated in work in progress and finished goods.

"Raw materials and other supplies" includes EUR 43,531 thousand relating to the measurement of the emission allowances held by the Group at 30 June 2022 (31 December 2021: EUR 34,747 thousand).

The adjustment recognised at 30 June 2022 to measure inventories at their net realisable value amounted to EUR 29,358 thousand (31 December 2021: EUR 10,948 thousand)

NOTE 13 – FINANCIAL INSTRUMENTS

The detail of the Group's financial assets, except for investments in associates, at 30 June 2022 and year-end 2021 is as follows:

(Figures in thousands of euros)

	Non-current financial instruments						Current financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
Category	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Financial assets at amortised cost	0		0		3,586	3,437	0		0		1,157,984	839,744
- At fair value through other comprehensive income	10,008	10,729	0		0		0		0		0	
- At cost	401	396	0		0		0		0		0	
Assets at fair value through profit or loss	0		0		199	45	0		0		26,000	8,766
Hedging derivatives	0		0		13,743	1,017	0		0		17,339	6,449
TOTAL	**10,409**	**11,125**	**0**	**0**	**17,528**	**4,499**	**0**	**0**	**0**	**0**	**1,201,323**	**854,959**

At period-end the Group's financial liabilities were as follows:

(Figures in thousands of euros)

	Non-current financial instruments						Current financial instruments					
	Bank borrowings		Bonds and other marketable securities		Accounts payable, derivatives and other		Bank borrowings		Bonds and other marketable securities		Accounts payable, derivatives and other	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Financial liabilities at amortised cost	1,254,504	1,293,494	74,800	74,750	13,360	15,830	758,257	483,271	3,493	1,634	1,995,060	1,446,680
Liabilities at fair value through profit or loss					17	8					18,695	6,999
Hedging derivatives					1,798	2,437					17,454	5,515
TOTAL	**1,254,504**	**1,293,494**	**74,800**	**74,750**	**15,175**	**18,275**	**758,257**	**483,271**	**3,493**	**1,634**	**2,031,209**	**1,459,194**

13.1 Fair value measurement

The Group measures the following assets at fair value: financial assets at fair value through other comprehensive income and derivative financial instruments.

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

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

At 30 June 2022 and 31 December 2021, the Group's position concerning financial instruments recognised at fair value was as follows:

(Figures in thousands of euros)

	30-Jun-22			31-Dec-21		
	LEVEL 1	**LEVEL 2**	**LEVEL 3**	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**
Financial assets at fair value through other comprehensive income	10,008			10,729		
Financial derivatives (assets)		57,281			16,276	
TOTAL	**10,008**	**57,281**		**10,729**	**16,276**	
	LEVEL 1	**LEVEL 2**	**LEVEL 3**	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**
Financial derivatives (liabilities)		37,964			14,959	
TOTAL		**37,964**			**14,959**	

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

In the case of Level 2 financial instruments, the Group uses generally accepted valuation techniques that take into account spot and future exchange rates at the measurement date, forward interest rates, interest rate spreads and credit risk of both the Group and its counterparty, i.e. the financial institutions with which it operates. To determine the fair values of the futures contracts of raw materials quoted on the LME ("London Metal Exchange"), the Group takes into account the difference between the futures prices quoted on the LME for the aforementioned raw materials at the contract's expiration date and the futures price established in each contract.

13.2 Financial assets at fair value through other comprehensive income

As explained in the 2021 consolidated financial statements, Acerinox includes in this section the shares that the Group does not intend to sell and that it had designated in this category on initial recognition. Specifically, at 30 June 2022, the Group had classified in this category the shares it held in Nippon Steel & Sumitomo Metal Corporation (Nippon). These shares were sold on 7 July 2022, as explained in Note 24: Events after the reporting period.

The value of the financial assets designated as at fair value through other comprehensive income amounted to EUR 10,409 thousand at the end of this interim period, of which EUR 10,008 thousand related to Acerinox, S.A.'s ownership interest in the Japanese company Nippon Steel & Sumitomo Metal Corporation (Nippon), a company listed on the Tokyo Stock Exchange. This value is equal to the fair value of the shares at 30 June 2022 and coincides with their closing price. (At 31 December 2021 total financial assets designated as at fair value amounted to EUR 11,125 thousand and the value of the shares in Nippon amounted to EUR 10,729 thousand).

The market value of Nippon's shares at 30 June 2022 was JPY 1,899 per share. Acerinox, S.A. held 747,346 shares in this company, which represented a scantly significant percentage of ownership in the Japanese group. At 30 June 2022, the Group recognised the changes in fair value for the period in the amount of EUR -720 thousand in other comprehensive income.

NOTE 14 – BANK BORROWINGS

At 30 June 2022, the Acerinox Group had arranged bank credit facilities and private placements amounting to EUR 2,471 million (31 December 2021: EUR 2,582 million), in addition to approved non-recourse factoring facilities amounting to EUR 520 million (31 December 2021: EUR 520 million). At 30 June 2022, the amount drawn down against the credit facilities was EUR 2,091 million (31 December 2021: EUR 1,853 million drawn down) and that of the factoring facilities was EUR 217 million (31 December 2021: EUR 287 million drawn down against factoring facilities).

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

- The entering into of two new loans: one fixed-rate loan with Unicredit amounting to EUR 50 million with final maturity in four years, and a variable-rate loan with Bankinter amounting to EUR 25 million with final maturity in three years.
- The renegotiation in March of the long-term loan of EUR 60 million entered into with Cajamar, in which the conditions were improved, with the nominal amount of the loan being increased by EUR 20 million and the final maturity being extended to 2026.
- The novation of the loan entered into in 2020 with Caixabank for EUR 80 million, with final maturity in 2025, increasing the capital to EUR 260 million and the final maturity to 2027. To this end, the two loans entered into with Bankia and Caixabank amounting to EUR 160 and 50 million, respectively, with final maturity in 2024, were cancelled.
- To maintain the Group's liquidity, in the first six months of 2022, the following transactions took place:
    - The renewal of three credit facilities in euros amounting to EUR 160 million, increasing the amount of one of the credit facilities by EUR 20 million.
    - The entering into of a new credit facility in euros amounting to EUR 25 million.
    - The renewal of a credit facility in US dollars amounting to USD 20 million.
    - The entering into of two new credit facilities in US dollars amounting to USD 30 million for Acerinox Europa.
- The modification of one of the sustainability indicators defined initially in the loan novated in 2021 with Banca March, which amounted to EUR 50 million.

Regarding debt renegotiations, the Group assessed the significance of the modifications made to determine whether they were substantially different, in which case, the Group recognised the effects of the new agreements as an extinguishment and simultaneous recognition of a new loan. In the first six months of 2022, the amount of fees and commission recognised in profit or loss for loans derecognised from liabilities amounted to EUR 459 thousand.

The Acerinox Group has satisfactorily met the repayment schedules for its borrowings.

The valuation of financial debt at fair value does not differ significantly from its value at amortised cost.

None of the loans entered into in the first six months of 2022 are subject to the achievement of annual financial ratios linked to results.

The loans detailed in the Group's consolidated financial statements at 31 December 2021 and the debt of the VDM Metals Group are conditional on compliance with covenants.

At 30 June 2022, all Acerinox Group companies had achieved all the ratios required.

NOTE 15 – DERIVATIVE FINANCIAL INSTRUMENTS

As detailed in the Group's annual financial statements, it is essentially exposed to three types of market risk when carrying on its business activities: currency risk, interest rate risk and commodity price risk. The Group uses derivative financial instruments to hedge its exposure to certain risks.

The Group classifies derivative financial instruments that do not qualify for hedge accounting are classified as assets and liabilities measured at fair value through profit or loss. Those that qualify as hedging instruments are classified as hedging derivatives.

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

(Figures in thousands of euros)

	30-Jun-22		31-Dec-21	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives	31,082	19,252	7,466	7,952
Derivatives at fair value through profit or loss	26,199	18,712	8,811	7,007
TOTAL	**57,281**	**37,964**	**16,277**	**14,959**

The following table provides a breakdown of the Group's derivative financial instruments at 30 June 2022 and 31 December 2021, by type of hedged risk:

(Figures in thousands of euros)

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Currency forwards	26,162	18,509	8,005	7,007
Interest rate swaps	14,113		980	5,608
Commodity futures contracts	17,006	19,455	7,292	2,344
TOTAL	**57,281**	**37,964**	**16,277**	**14,959**

At 30 June 2022, the currency forwards arranged by the Group did not qualify as cash flow hedging instruments. At 30 June 2022, the effect on profit or loss of measuring these derivatives at market value was positive, totalling EUR 11,088 thousand, and was recognised under "Remeasurement of Financial Instruments at Fair Value" in the statement of profit or loss.

At 30 June 2022 and 31 December 2021, all interest rate swaps met the conditions to be classified as cash flow hedging instruments and, therefore, the unrealised gain of EUR 17,157 thousand on their measurement at fair value was recognised in the consolidated statement of comprehensive income. In the first six months of 2022, EUR 2,186 thousand were transferred from the consolidated statement of comprehensive income to profit or loss for the period.

As explained in the annual financial statements, high performance alloys have a high metal content, mainly Nickel, but also other metals listed on the London Metal Exchange (LME). The Group is subject to the risk of volatility in the price of raw materials, mainly in this division, as it is unable to pass these fluctuations on to customers in the selling price. Therefore, VDM uses derivative financial instruments in order to guarantee fixed prices to its customers and ensure that they are aligned with the entity's costs, thus enabling it to maintain margins. The financial instruments used are futures contracts relating to the metal prices quoted on the London Metal Exchange (LME). Since 1 January 2021, the Group has implemented a model that guarantees the effectiveness of the hedge and has documented the relationships, so that from this date hedge accounting is applied to record these financial instruments. Only derivatives arranged prior to this date and still outstanding are recognised as instruments at fair value through profit or loss, with the changes in value recognised in profit or loss under "Other Operating Income".

Of the total financial instruments arranged to cover this risk, EUR -2,283 thousand met the conditions to be classified as cash flow hedging instruments and EUR -166 thousand were recognised at fair value through profit or loss as they were arranged prior to the commencement of the documentation of the hedging relationships. At 30 June 2022, the unrealised loss arising from measurement at fair value and recognised in the consolidated statement of comprehensive income amounted EUR -2,022 thousand. During the period, EUR -4,402 thousand were transferred from the consolidated statement of comprehensive income to profit for the period in this connection.

Following the novation of the loan entered into in 2020 with Caixabank for EUR 80 million and with final maturity in 2025; and the cancellation of the two loans entered into with Bankia and Caixabank for a total amount of EUR 160 million and EUR 50 million, respectively, three interest rate swaps were cancelled. Furthermore, during the first six months of 2022, an interest rate derivative was arranged with that same entity for EUR 260 million and with final maturity in 2027 to hedge highly probable future flows benchmarked against the variable interest rate, as well as any modification thereof that may occur before the maturity date.

The Group enters into interest rate derivatives to hedge cash flows benchmarked against variable interest rates arising from debt instruments. Since Acerinox's risk management strategy enables it to exchange instruments and hedged items according to its corporate financing needs, the Group has documented the effectiveness of the hedging instruments to be classified for accounting purposes as cash flow hedging instruments through the designation of generic hedging relationships. Therefore, the amount accumulated in equity due to the cancellation of the current derivatives and the arrangement of the new derivative has not had any impact on the statement of profit or loss.

Furthermore, it has been assessed whether the hedging relationships in place at 30 June 2022 comply with the effectiveness requirements both at the date of designation and at period-end. At 30 June 2022, all outstanding interest rate derivatives met the conditions to be classified as cash flow hedging instruments.

NOTE 16 – DISTRIBUTION OF PROFIT AND DIVIDENDS

At the General Shareholders' Meeting held on 16 June 2022, the shareholders voted in favour of the distribution of the Parent's 2021 profit, as follows:

(Data in euros)

	2021
Distributable profit:	
Profit for the year	308,558,305
Distribution to:	
Dividends	135,273,096
Voluntary reserves	173,285,209

The amount earmarked for the distribution of the dividend corresponds to a remuneration of EUR 0.50 per share, which was paid on 5 July 2022. At 30 June 2022, the Group had recognised the dividend payable under "Other Current Financial Liabilities" in the consolidated balance sheet. This dividend payable amounted to EUR 129,873 thousand as no dividend is paid for treasury shares.

In relation to the same period in 2021, the Ordinary General Shareholders' Meeting held on 15 April 2021 resolved to distribute a cash dividend of EUR 0.50 gross for each share in circulation, with a charge to unrestricted reserves. This dividend of EUR 135,273 thousand was paid on 3 June 2021.

NOTE 17 – SHARE CAPITAL AND TREASURY SHARES

The share capital at period-end consisted of 270,546,193 ordinary shares of EUR 0.25 par value each, yielding capital of EUR 67,637 thousand.

The General Shareholders' Meeting held on 16 June 2022, resolved to reduce the share capital of Acerinox, S.A. by EUR 2,705 thousand through the redemption of 10,821,848 treasury shares. The purpose of the share capital reduction through the redemption of treasury shares is to increase the value of the Shareholder's shares in the Company. This capital reduction through the redemption of treasury shares will take place during a maximum period of one month from the approval of this agreement.

At 30 June 2022, the Group held 10,846,927 treasury shares, the value of which totalled EUR 124,550 thousand (31 December 2021; 908,669 treasury shares, the value of which totalled EUR 10,251 thousand). In March, the Group concluded the share buyback programme of 4%, which commenced in December. In the first six months of 2022, the cash outflow in this connection totalled EUR 114,875 thousand, with the programme totalling EUR 124,293 thousand. In addition, 40,000 treasury shares were acquired for an amount of EUR 419 thousand to cover the Directors' Multiannual Remuneration Plans.

In June 2022, 88,229 treasury shares were delivered to Group directors as a result of the completion of the second cycle of the First Multiannual Remuneration Plan. As a result, treasury shares totalling EUR 995 thousand were cancelled. There are 21,149 additional shares pending delivery to one of the Group's directors who resides abroad, which will be paid in July. The difference between the equity instruments recognised in accordance with the valuation made at the beginning of the plan and the treasury shares delivered has been recorded against reserves of the Parent totalling EUR -675 thousand.

NOTE 18 – TAX MATTERS

During the first six months of 2022, no legislative amendments were approved that significantly affected the Group.

The tax rate shown in the Group's consolidated statement of profit or loss for the interim reporting period was 24%, in line with the tax rates prevailing in the various countries.

With regard to the multilateral risk assessment and assurance programme ("ICAP") in which Acerinox participated in cooperation with the Spanish Tax Agency, in March 2022, letters were obtained with the result of the analysis, specifying that the transactions assessed were of low tax risk.

The risk analysis involved the Canadian, British and US tax agencies, as well as the Spanish tax agency, which acted as the lead agency.

The international tax risks that were analysed in the risk assessment, which was carried out by the tax agencies involved, were primarily those relating to transfer pricing risk.

The assessment covered 2017 and 2018 and focused on the transactions carried out in these financial years between the tax group and the international subsidiaries located in the jurisdictions of the participating tax agencies. The outcome of the assessment (transactions with low tax risk) is extended to 2019 and 2020, if there are no significant changes in the group's operations, in the characterisation and valuation methods and in the criteria of the transactions.

This programme has been designed to develop a rapid and coordinated approach to providing multinational groups that have been willing to participate in the programme actively, openly and in a fully transparent manner, with greater tax certainty with regard to certain activities and transactions thereof, with the tax agency providing an assessment note specifying its position on the examined risks of the corporate group.

This programme is undoubtedly the most globally recognised initiative in cooperative relations with tax agencies, since it is endorsed by the OECD, a body that continuously monitors and provides trust in this programme. Involvement therein and conclusion of the assessment with recognition of "low tax risk" is the best endorsement at international level of the good tax practices and transparency with which the Acerinox Group operates.

Regarding the tax assets recognised at 30 December 2021 arising from tax loss carryforwards, as explained in the Acerinox Group's financial statements for 2021, the Group companies that have tax assets recognised in their financial statements are mainly the Spanish companies. The key assumptions considered in the preparation of the budgets are based on demand estimates, raw material and selling prices, exchange rates, consumer price increases and the Company's strategy itself.

The recovery of the economic activity and the good results obtained by all the companies, all of which exceeded the forecasts made at the end of last year, mean that the Group considers that during the first six months of 2022 there have been no indications that would require a recoverability analysis beyond that made at the end of last year, nor a revision of the assumptions. The Group will carry out these analyses at the end of 2022, as set out in its policies. However, in the first six months of 2022, deferred tax assets decreased by EUR 19 million, as shown in the consolidated balance sheet, due partly to the positive results obtained in the period.

With respect to the tax audits and lawsuits in progress, as discussed in the Acerinox Group's annual financial statements for 2021, the following changes have since occurred in the first six months of 2022:

Italy

As described in the 2021 financial statements, the Group is pending the enforcement in Italy of the amicable settlements reached between the Spanish and Italian authorities concerning 2007 to 2015. Discussions are currently ongoing with the Italian authorities for the implementation of these settlements, as well as for the transfer of the treatment accepted in the amicable settlements to the adjustments with third countries. These proceedings are expected to be finalised with a settlement on the aforementioned terms before the end of the year. Moreover, the Group filed appeals at the Milan Provincial Tax Commission for the adjustments relating to transactions with third countries, requesting, at the same time, the suspension of payment of the debts until the finalisation of the proceedings. On 14 June 2022, a postponement of the court hearing was granted until the end of 2022.

The Group maintains the provision of EUR 11.2 million, equal to the amount that will be payable in Italy if the treatment agreed by the Italian and Spanish Authorities is applied to the remaining adjustments with third countries, thereby accepting the proposal made by the Group. This amount includes both the instalments to be paid and the interest for late payment. This provision was recognised under "Deferred Tax Liabilities" in the consolidated balance sheet.

During this period, the situation of this provision was reviewed and the Group considered that it was not necessary to increase its amount, given that the settlements are at an advanced stage and everything suggests that the amount allocated is sufficient to cover the possible outcome of the aforementioned settlements, according to the latest proposals made.

With regard to the Spanish part of the settlement, on 24 February 2022, Spain received notification of the implementation of the last amicable settlement reached for 2014 and 2015. With regard to 2014, the Italian authorities proceeded to eliminate all transfer pricing adjustments imposed on transactions with Spanish companies, and therefore no adjustments are due from the Spanish tax authority. With regard to 2015, Italy waived EUR 2.2 million of the adjustments initially imposed, leaving adjustments of EUR 404 thousand that Spain recognised as a lower tax base in 2015, resulting in a refund of EUR 47 thousand corresponding to the corporation tax payable plus EUR 3 thousand in late payment interest. In addition, tax loss carryforwards to be offset in Spain increased by EUR 101 thousand.

Germany

The tax audits of Group entities in Germany are still ongoing. No report has currently been published from which any conclusion or possible adjustment can be derived.

With regard to Acerinox Deuschland, Gmbh, there is a Bilateral Advance Pricing Agreement (BAPA) between Spain and Germany, which covers the 2013 to 2021 period and provides the Group with full security in relation to the transfer pricing policy to be applied to sale and purchase transactions between the Spanish factories and the German subsidiary, thus eliminating transfer pricing risks with this country. As explained in the 2021 financial statements, a request has been filed in both Spain and Germany for renewal of the previous bilateral valuation agreement on the same terms as that in force until 31 December 2021. These proceedings are expected to be completed in the coming months.

Malaysia

In February 2022, the Group's two entities in Malaysia were notified of the opening of a transfer pricing audit proceeding relating to 2015 to 2020. At the reporting date of these interim six-month period financial statements, all information requested had been submitted and meetings had taken place between the Tax Agencies and the representatives of the entities and the Group to clarify all matters raised. To date, no findings or information report has been issued that would suggest the proposal of adjustments.

NOTE 19 – LITIGATION

There were no significant cases of litigation during the period.

NOTE 20 – CONTINGENT ASSETS AND LIABILITIES

At 30 June 2021, the Acerinox Group had no contingent assets or liabilities.

NOTE 21 - SEGMENT REPORTING

The Group is organised internally by operating segments; the strategic business units are made up of different products and services and are managed separately, and thus, Group management reviews internal reports for each unit at least monthly. Following the acquisition of the VDM Group in 2020, the Group's management modified the configuration of the operating segments, integrating the flat, long and other stainless steel product segments into a single segment called "Stainless steels". Furthermore, the "High Performance Alloys" segment, which includes the products produced by the VDM Group, is analysed and reported separately. Due to the different technical specifications and markets of both product types, Group management decided to manage this segment separately. The Group modified the classification in this interim period and presented the information retrospectively.

The operating segments presented by the Group, associated with the types of products it sells, are as follows:

- Stainless steels: includes stainless steel flat and long products.
- High performance alloys: special alloys with a high nickel content. This segment includes all the companies in the VDM Metals subgroup.

Segment results, assets and liabilities include all items directly or indirectly attributable to a segment. There are no material assets used jointly.

The "unallocated" segment includes the activities of the holding company and activities that cannot be allocated to any of the specific operating segments. The main activity of the holding company, the Parent of the Acerinox Group, is the provision of legal, accounting and advisory services to all Group companies, as well as the performance of financing activities within the Group, as all the Group's financing is centralised through Acerinox, S.A.

The results of the "unallocated" segment reflect only the expenses (both operating expenses and finance costs) relating to the holding company's activities, since revenue, which is always generated from Group companies, was eliminated on consolidation. The holding company centralises most of the Group's financing, as can be seen from the amount of the liabilities of the "unallocated" segment. For this reason, the segment's finance costs are the highest.

Revenue and all items reflected in the statement of profit or loss by segment are presented on a consolidated basis, i.e. after eliminating income and expenses from Group companies, except for sales between segments, which are reflected separately.

Inter-segment transfers and transactions are performed on an arm's length basis, under commercial terms and conditions that would be available for unrelated third parties.

A segment's performance is measured on the basis of its gross profit from operations and net profit before tax. The Group considers that this information is the most relevant when assessing the performance of the segment in relation to other comparables of the industry.

There have been no significant changes in the assets and liabilities attributed to each of the segments with respect to those presented in the Group's financial statements at 31 December 2021.

The majority of the investments made during this period were allocated to the stainless steels segment, except for those made by VDM, and which are detailed in **Note 10**.

21.1 Operating segments

The detail of the revenue by operating segment is as follows:

(Figures in thousands of euros)

	30-Jun-22			30-Jun-21		
	Revenue from external customers	Inter-segment revenue	Total revenue	Revenue from external customers	Inter-segment revenue	Total revenue
Stainless steel	4,245,847	193,840	4,439,687	2,704,454	113,679	2,818,133
High performance alloys	591,967	0	591,967	375,086	0	375,086
Unallocated	1,516	0	1,516	1,252	0	1,252
(-) Inter-segment adjustments and eliminations of revenue	0	-193,840	-193,840	0	-113,679	-113,679
TOTAL	**4,839,330**	**0**	**4,839,330**	**3,080,792**	**0**	**3,080,792**

No transaction with an external customer exceeded 10% of the Group's consolidated revenue at June 2022 or 2021.

The detail of consolidated profit by operating segment is as follows:

(Figures in thousands of euros)

	At 30 June 2022	At 30 June 2021
Stainless steel	812,306	287,239
High performance alloys	41,182	5,592
Total profit of reported segments	**853,488**	**292,831**
(+/-) Unallocated profit/(loss)	-30,240	-24,267
(+/-) Elimination of internal profit/(loss) (inter-segment)		
(+/-) Other profit/(loss)		
PROFIT BEFORE TAX	**823,248**	**268,564**

21.2 Geographical segments

Revenue from geographical segments is presented on the basis of customer location.

The detail of revenue by geographical area at 30 June 2022 and 2021 is as follows:

(Figures in thousands of euros)

	At 30 June 2022	At 30 June 2021
Spain	386,729	237,118
Rest of Europe	1,467,531	931,582
The Americas	2,402,153	1,481,214
Africa	233,099	163,730
Asia	323,273	242,413
Other	8,692	9,747
TOTAL	**4,821,477**	**3,065,804**

NOTE 22 – AVERAGE HEADCOUNT

The Group's average headcount in the first six months of 2022 was 8,298 employees (7,216 men and 1,082 women). The average headcount at 30 June 2020 was 8,290 (7,245 men and 1,045 women).

At 30 June 2022, the headcount was 8,429 (30 June 2021: 8,384). This figure includes 65 employees who availed themselves of the partial retirement plan (30 June 2021: 82).

NOTE 23 – RELATED PARTY TRANSACTIONS

- **Identity of related parties**

The consolidated financial statements include transactions performed with the following related parties:

- Key executives of the Group and members of the Boards of Directors of the various Group companies, as well as their related parties.
- Significant shareholders of the Parent.

Transactions performed between the Company and its subsidiaries, which are related parties, are carried out, from the standpoint of their subject matter or terms and conditions, in the ordinary course of the Company's business activities and have been eliminated on consolidation. Therefore, they are not disclosed in this Note.

All transactions between related parties are carried out on an arm's length basis.

- **Balances and transactions with significant shareholders**

As reported in the 2021 financial statements in 2021, one of the Group's main former shareholders (Nippon Steel & Sumitomo Metal Corporation) sold its ownership interest in Acerinox, and therefore ceased to be a related party of the Group.

Furthermore, since Corporación Financiera Alba, a shareholder of Acerinox, S.A., no longer belongs to the March Group, Banca March is also no longer a related party for the Group.

- **Directors and key management personnel**

The remuneration received in the first six months of 2022 by the 10 senior executives of the Group, who do not hold positions on the Board of Directors of Acerinox, S.A., amounted to EUR 6,665 thousand at 30 June 2022 (first six months of 2021: EUR 2,765 thousand received by nine senior executives). Of this amount, EUR 1,631 thousand related to salaries (2021: EUR 1,288 thousand). EUR 4,289 thousand to variable remuneration based on the previous year's results and EUR 745 thousand to remuneration in kind, partly arising from the shares received for the completion of the second cycle of the First Multiannual Remuneration Plan (2021: EUR 1,398 thousand in variable remuneration and EUR 79 thousand in remuneration in kind).

At 30 June 2022, the members of the Board of Directors of Acerinox, S.A., including those who also hold senior executive positions and sit on the Boards of Directors of other Group companies, earned EUR 3,134 thousand in fixed allowances, attendance fees, and fixed and variable salaries (first six months of 2021: EUR 1,435 thousand), of which EUR 646 thousand related to salaries and fixed allowances for directors (2021: EUR 600 thousand), EUR 421 thousand to attendance fees (2021: EUR 334 thousand), EUR 1,500 thousand to variable remuneration based on previous year's results and EUR 567 thousand to remuneration in kind (2021: EUR 493 thousand to variable remuneration and EUR 8 thousand in remuneration in kind).

The obligations arising from certain senior executive retirement benefit arrangements, which amounted to EUR 16.5 million at 31 December 2021, of which EUR 5.2 million related to the CEO, are fully insured, with their estimated amount covered by flows from the policies arranged. As a result, no liability is recognised for this item. At 30 June there were no significant variations in obligations, as there were no changes to the contracts. Equally, all obligations are duly insured.

At 30 June 2022 and 2021, no advances, balances or loans had been granted to the Company's members of the Board of Directors or senior executives.

In relation to the Multiannual Remuneration Plan or Long-Term Incentive Plan (LTI), the conditions of which are detailed in the financial statements for 2021, on 1 January 2021, a new multiannual remuneration plan was approved, consisting of 3 cycles, each lasting 3 years. Other Group executives were also been included in this second plan. The expense incurred to 30 June 2022 in relation to the Chief Executive Officer and Senior Management, the balancing entry of which is recognised under "Other Equity Instruments", amounted to EUR 434 thousand, of which EUR 143 thousand related to the Chief Executive Officer (To June 2021: 695 thousand, of which EUR 177 thousand related to the Chief Executive Officer). The General Shareholders' Meeting also approved the delivery of 109,378 shares from the first cycle of the Second Plan in force until 31 December 2021 (34,537 shares delivered to the Chief Executive Officer). The majority of these shares were delivered in June 2022 against a portion of the treasury shares, as explained in **Note 17**.

All transactions carried out between members of the Board of Directors and the Company or Group companies in the first six months of 2022 have been ordinary transactions on an arm's length basis.

The Parent's directors and the persons related to them were not involved in any conflict of interest that had to be reported pursuant to Article 229 of the Spanish Consolidated Limited Liability Companies Law.

The Group has taken out a third-party liability insurance policy, which covers the directors and senior executives, as well as Group employees. The premium will be renewed in October 2022. The premium paid in 2021 amounted to EUR 542 thousand.

NOTE 24 – EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to the preparation of these interim financial statements that could have an impact on the Group's financial statements.

Dividend

On 5 July 2022, the Company paid a dividend of EUR 0.50 per share, totalling EUR 129,873 thousand.

Sale of Nippon shares

On 7 July 2022, Acerinox sold the shares it held in Nippon Steel, which totalled EUR 10,157 thousand. At 30 June 2022 the shares were valued at EUR 10,008 thousand and classified as assets at fair value through other comprehensive income, whereby gains on their sale will be classified against equity.