ACERINOX

Interim Management Report

First Half of 2021

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

Presentation of the First Half 2021 results via webcast and conference call

Acerinox will hold a presentation for its First Half 2021 results today at 10.00 AM CET, directed by the CEO, Mr. Bernardo Velázquez, the COO, Mr. Hans Helmrich, and the CFO, Mr. Miguel Ferrandis.

The presentation can be followed by phone and online.

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: 355000
- From UK (local): 020 3936 2999. PIN: 355000
- From United States: 1 646 664 1960. PIN: 355000
- Rest of countries: +44 20 3936 2999. PIN: 355000

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.

Model of the Santiago Bernabéu Stadium incorporating stainless steel cladding

Highlights

First Half of 2021

"The Acerinox Group achieves its best half-yearly results since the First Half of 2007"

- The Group continues to eradicate accidents, and the accident rate was reduced by 34% in comparison with the first half of 2020.
- Melting shop production, at 1,343,946 tonnes, increased by 29% with respect to the first half of 2020.
- Revenue, amounting to EUR 3,066 million, increased by 32% in comparison with the same period of 2020.
- EBITDA, which totalled EUR 378 million, was 2.3 times higher than in the first half of 2020. The EBITDA margin was 12%.
- Profit after tax and non-controlling interests amounted to EUR 203 million, compared with EUR 2 million in the January-June 2020 period.
- Operating cash flow amounted to EUR 108 million.
- The Group’s net financial debt, totalling EUR 838 million, increased by EUR 66 million with respect to 31 December 2020 due to increased working capital (EUR 253 million) and payment of the dividend (EUR 135 million).
- The Annual General Meeting held on 15 April approved the distribution of a dividend of EUR 0.50/share, which was paid on 3 June 2021.

Second Quarter of 2021

"The positive trend that began in the Third Quarter of 2020 continues"

- Melting shop production, at 675 thousand tonnes, increased by 1% with respect to the first quarter of 2021.
- Revenue, amounting to EUR 1,625 million, increased by 13% in comparison with the previous quarter.
- EBITDA, which totalled EUR 217 million, was 35% higher than in the first quarter of the year. The EBITDA margin was 13%.
- Profit after tax and non-controlling interests totalled EUR 125 million, 61% higher than in the first quarter of 2021.
- Melting shop production and revenue increased by 54% and 39%, respectively, in comparison with the second quarter of 2020, which was seriously affected by Covid-19, and EBITDA was 2.7 times higher.
- Operating cash flow amounted to EUR 84 million, despite the EUR 100 million increase in working capital.
- The Group’s net financial debt, totalling EUR 838 million, increased by EUR 82 million with respect to 31 March 2021, but was EUR 33 million lower than at 30 June 2020.
- The Annual General Meeting held on 15 April approved the distribution of a dividend of EUR 0.50/share, which was paid on 3 June 2021.
- A sustainable steel line was launched.
- The Group was awarded with the Golden Level by Ecovadis for its commitment to sustainability.

Outlook

The improvement that commenced in summer 2020 was maintained in the second quarter.

In view of the positive demand situation and the greater visibility afforded to us by our backlog, we estimate that EBITDA will improve from the second to the third quarter, both in the stainless steel and the high-performance alloys divisions.

Expected cash generation in the third quarter will enable us to reduce the Group's net financial debt.

Main economic and financial figures

Consolidated Group	QUARTER		FIRST HALF		
	Q1 2021	Q2 2021	2021	2020	Variation 2021/2020
Melting shop production (thousands of tonnes)	668	675	1,344	1,044	29%
Revenue (EUR million)	1,441	1,625	3,066	2,331	32%
Adjusted EBITDA (EUR million)	161	217	378	179	111%
% of sales	11%	13%	12%	8%	
EBITDA (EUR million)	**161**	**217**	**378**	**165**	**130%**
% of sales	**11%**	**13%**	**12%**	**7%**	
EBIT (EUR million)	117	173	290	34	762%
% of sales	8%	11%	9%	1%	
Profit before tax and non-controlling interests (EUR million)	106	163	269	22	1,097%
Profit after tax and non-controlling interests (EUR million)	**78**	**125**	**203**	**2**	**9,249%**
Depreciation and amortisation charge (EUR million)	44	44	88	88	-1%
No. of employees at period-end	8,153	8,302	8,302	8,385	-1%
Net financial debt (EUR million)	756	838	838	872	-4%
Gearing ratio (%)	43%	48%	48%	46%	---
No. of shares (millions)	271	271	271	271	0%
Shareholder remuneration (per share)	0.00	0.50	0.50	0.00	---
Average daily volume of trading (millions of shares)	0.84	1.62	1.23	1.03	20%
Profit per share after tax and non-controlling interests	0.29	0.46	0.75	0.01	9,249%

	Second quarter 2021			First half 2021		
EUR million	Stainless Division	High-performance alloys	Consolidated Group	Stainless Division	High-performance alloys (1)	Consolidated Group
Melting shop production (thousands of tonnes)	654	22	675	1,304	40	1,344
Net sales	1,425	201	1,625	2,698	368	3,066
Adjusted EBITDA	201	16	217	353	26	378
Adjusted EBITDA margin	14%	8%	13%	13%	7%	12%
EBITDA	**201**	**16**	**217**	**353**	**26**	**378**
EBITDA margin	**14%**	**8%**	**13%**	**13%**	**7%**	**12%**
Depreciation and amortisation	-37	-6	-44	-74	-11	-88
EBIT	163	11	173	279	15	290
EBIT margin	11%	5%	11%	10%	4%	9%

[1] The purchase of VDM took place on 17 March. The first half of the year includes the results of VDM for the March-June period.

Stainless steel division

Stainless steel market

Strong recovery of apparent consumption in the first half of 2021

The first half of 2021 confirmed the recovery of demand which became noticeable towards the end of 2020.

Increased confidence in the economy and improvement in activity are reflected in a process of inventory replenishment throughout the supply chain, which was severely depleted worldwide and in all sectors in 2020.

This greater confidence arising from progress in vaccination processes in different countries is resulting in the reactivation of consumption among stainless steel end customers, which is driven by consumer goods industries such as the automotive, food industry and, particularly, domestic appliance manufacturing industries. Other sectors, such as the restaurant and investment good for project sectors, are also recovering.

Inventories in our industry remain below the average level for recent years.

UNITED STATES

In the first half of the year, the restrictions imposed as a consequence of Covid-19 were lifted as the vaccination rate rose. This, together with the positive situation of the economy, resulted in an upturn in most stainless steel-consuming industries.

Based on the latest available data, we estimate that apparent flat product consumption in the North American market improved by 6% until May, in comparison with the same period of 2020.

The inventory figures published by the industry reflect levels below the average for recent years.

Imports remain tight, with a flat product market share of approximately 14%.

EUROPE

Based on the latest available data, we estimate that apparent flat product consumption in the European market improved by 16% in the first half of the year.

Demand remains robust and inventories low.

There was a decrease in the pressure from imports, which stood at around 20%.

The European Commission extended the safeguards for another three years, maintaining the quotas for all products. Also, provisional anti-dumping measures were approved for cold-rolled flat materials from India and Indonesia, the effects of which are already becoming apparent in the market. The definitive measures are expected to be implemented in November for a period of five years.

These measures are implemented alongside the anti-dumping measures for hot-rolled flat products from China, Indonesia and Taiwan which had been in place since April 2020.

The European market has gradually returned to the system of base price and alloy surcharge.

ASIA

Demand in Asia remains positive, although the Covid-19 situation and potential lockdown in various countries could affect its performance.

China is continuing its policy of promoting its local market, and has eliminated the 13% export rebate.

The positive situation of the Asian markets and the increase in the price of maritime transport is reducing exports to other markets.

Stainless steel division production

The stainless division improved production at all plants with respect to the first half and second quarter of 2020, which were the most difficult periods due to Covid-19.

	2020					2021			Variation	
Thousands of tonnes	Q1	Q2	Q3	Q4	12 Months	Q1	Q2	**H1**	Q2 21 / Q2 20	H1 21 / H1 20
Melting shop	599	420	524	601	2,144	650	654	1,304	56%	28%
Cold rolling	393	290	331	369	1,383	394	400	795	38%	16%
Long products (hot rolling)	57	49	51	53	210	63	61	124	23%	17%

Columbus is continuing to develop and market, through long-term contracts, a carbon steel range for the local South African market, enabling it to optimise its production capacity.

Due to the lockdown decreed by the Malaysian government, Bahru Stainless has remained closed since the beginning of June.

Stainless steel division results

EUR million	Q2 2021	Q1 2021	Q2 2020	H1 2021	H1 2020	% Q2 21 / Q2 20	% H1 21 / H1 20
Melting shop production (thousands of tonnes)	654	650	420	1,304	1,019	56%	28%
Net sales	1,425	1,273	894	2,698	2,053	59%	31%
Adjusted EBITDA	201	152	71	353	156	182%	126%
Adjusted EBITDA margin	14%	12%	8%	13%	8%		
EBITDA	**201**	**152**	**57**	**353**	**142**	**252%**	**149%**
EBITDA margin	**14%**	**12%**	**6%**	**13%**	**7%**		
Depreciation and amortisation charge	-37	-37	-40	-74	-80	-7%	-8%
EBIT	163	115	-26 (1)	279	19 (1)	---	1,376%
EBIT margin	11%	9%	-3%	10%	1%		
Operating cash flow (before investments)	98	25	104	123	68	-6%	81%

(1) Including EUR 42 million of impairment losses on assets at Bahru Stainless

The positive market situation that is being experienced by the stainless steel industry is reflected in this division's production and sales figures. Specifically, production and sales increased by 28% and 31%, respectively, in comparison with the first half of 2020.

Cost control and the conversion of fixed costs into variable costs to adapt swiftly to demand were maintained. Total operating expenses (operating expenses and staff costs) increased by 15%, far below the increase in production, in comparison with the first half of 2020.

EBIDTA for the first half of the year, amounting to EUR 353 million, was 2.5 times higher than in the same period of 2020, evidencing a clear positive evolution from the first to the second quarter. All factories recognised positive EBITDA in the six-month period. Worthy of note is the EBITDA margin, which was 13%.

Operating cash flow totalled EUR 123 million despite the increase in working capital experienced in the opening months of the year, due to higher activity levels.

	Q2 2021	Q1 2021	Q2 2020	H1 2021	H1 2020
EBITDA	**201**	**152**	**57**	**353**	**142**
Changes in working capital	**-67**	**-146**	**66**	**-214**	**-31**
Changes in operating working capital	-84	-141	61	-225	-5
- Inventories	-134	-113	80	-247	89
- Trade receivables	-50	-160	88	-210	41
- Payable to suppliers	101	131	-107	232	-134
Other adjustments to working capital	16	-5	5	11	-27
Income tax	**-28**	**27**	**-2**	**-1**	**-25**
Finance costs	**-8**	**-7**	**-6**	**-14**	**-9**
Other adjustments to profit	**0**	**-2**	**-11**	**-1**	**-8**
OPERATING CASH FLOW	**98**	**25**	**104**	**123**	**68**

High-performance alloys division

High-performance alloys market

In the first half of 2021 the high-performance alloys market recovered in all of our consumer sectors except for aerospace.

The recovery has been noted in the oil and gas industry. Strong activity was recorded in major oil pipeline projects in the second quarter.

The chemical industry enjoyed a strong recovery, with demand constantly improving.

The electronics industry continued to perform well, driven by OLED technology, which is a major high-performance alloy consumer.

High-performance alloy consumption in the automotive industry has continued to perform well since the fourth quarter of 2020.

Production

High-performance alloy melting shop production improved with respect to the second quarter and the first half of 2020 due to an improved customer backlog.

	2020 (1)					2021			Variation	
Thousands of tonnes	Q1	Q2	Q3	Q4	12 months	Q1	Q2	H1	Q2 21 / Q2 20	H1 21 / H1 20
Melting shop	19	18	14	13	64	18	22	40	18%	6%
Finishing shop	10	11	10	8	38	8	11	19	2%	-6%

(1) January and February 2020 pro forma, prior to the acquisition of VDM

Results

The improvement in the various industries resulted in a 6% increase in production compared with the first half of 2020.

EUR million	Q2 2021	Q1 2021	Q2 2020	H1 2021	H1 2020 (1)	% Q2 21 / Q2 20	% H1 21 / H1 20
Melting shop production (thousands of tonnes)	22	18	18	40	37	18%	6%
Net sales	**201**	**167**	**208**	**368**	**413**	**-4%**	**-11%**
Adjusted EBITDA	16	10	13	26	33	21%	-22%
Adjusted EBITDA margin	8%	6%	6%	7%	8%		
EBITDA	**16**	**10**	**13**	**26**	**33**	21%	-22%
EBITDA margin	**8%**	**6%**	**6%**	**7%**	**8%**		
Depreciation and amortisation charge	-6	-5	-6	-11	-11	2%	1%
EBIT	11	4	8	15	22	39%	-33%
EBIT margin	5%	2%	4%	4%	5%		

(1) January and February 2020 pro forma, prior to the acquisition of VDM

EBITDA for the first half of the year, amounting to EUR 26 million, was 22% lower than that of the same period of 2020, although quarter-on-quarter improvement was substantial (+72%).

Due to the increase in activity, working capital had increased by EUR 39 million at 30 June and, consequently, the Group's operating cash flow was negative at EUR 15 million.

	Q2 2021	Q1 2021	H1 2021	H1 2020 (1)
EBITDA	**16**	**10**	**26**	**33**
Changes in working capital	**-32**	**-7**	**-39**	**-15**
Changes in operating working capital	-29	-14	-43	-11
- Inventories	-33	-41	-74	8
- Trade receivables	-6	-13	-19	12
- Payable to suppliers	101	40	50	-30
Other adjustments to working capital	7	7	4	-4
Income tax	**2**	**-3**	**-1**	**-18**
Finance costs	**-1**	**-2**	**-3**	**-3**
Other adjustments to profit	**1**	**2**	**4**	**-4**
OPERATING CASH FLOW	**-14**	**-1**	**-15**	**-7**

(1) January and February 2020 pro forma, prior to the acquisition of VDM

Integration of VDM Metals

The German company VDM Metals, a leader in the production of high-performance alloys, was acquired in March 2020.

Despite the difficulties arising as a result of the uncertainty surrounding Covid-19 and global travel restrictions, the online meetings held enabled major milestones to be satisfactorily reached and achieved a positive result of the integration. Synergies valued at EUR 5.2 million were achieved in the first half of the year, 42% higher than the estimated target for this period.

Best practices in the stainless steel and high-performance alloys divisions, which were incorporated into long- and flat-product technical exchange projects, both in Europe and the United States, boosted efficiency in the manufacture of standard products. Shared resources enabled new products to be created in eight different types of alloy, such as wide coil, plates and precision strips.

Furthermore, the high-performance alloys division has joined the Excellence 360º cost reduction and efficiency improvement program, as detailed in the corresponding section of this Report.

The development of joint commercial strategies allows customer relations to be optimised and presence to be increased in the project and high-performance alloy sectors in certain geographical areas.

Results of the consolidated Acerinox Group

Revenue totalled EUR 3,066 million in the half year, representing a 32% increase on the first half of 2020, thanks to a sound performance in terms of both volume and price.

The most significant figures are summarised in the table below:

EUR million	Q2 2021	Q1 2021	Q2 2020	H1 2021	H1 2020	% Q2 21 / Q2 20	% H1 21 / H1 20
Net sales	1,625	1,441	1,172	3,066	2,331	39%	32%
Adjusted EBITDA	217	161	94	378	179	131%	111%
Adjusted EBITDA margin	13%	11%	8%	12%	8%		
EBITDA	**217**	**161**	**80**	**378**	**165**	**171%**	**130%**
EBITDA margin	**13%**	**11%**	**7%**	**12%**	**7%**		
EBIT	173	117	-11 (1)	290	34 (1)	---	762%
EBIT margin	11%	8%	-1%	9%	1%		
Profit (Loss) before tax	163	106	-19	269	22	---	1,097%
Profit (Loss) after tax and non-controlling interests	125	78	-26	203	2	---	9,249%
Operating cash flow (before investments)	84	23	111	108	75	-24%	44%
Net financial debt	838	756	872	838	872	-4%	-4%

(1) Including EUR 42 million of impairment losses on assets at Bahru Stainless

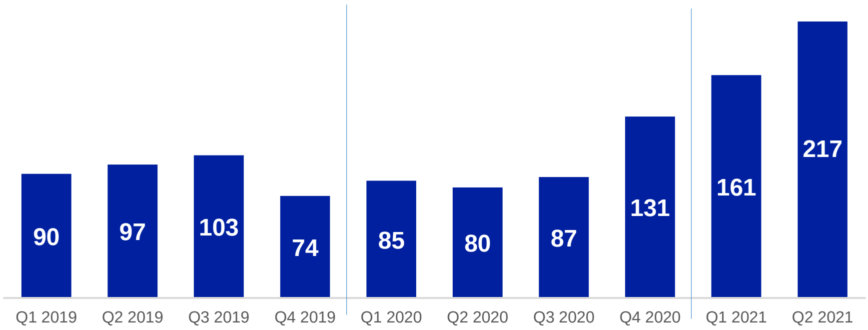
Acerinox continues to prioritise the use of an agile and lightweight cost structure that allows it to swiftly adapt to changes in the market. Given the increase in activity, both personnel costs and operating expenses have risen with respect to the previous period. This rise is nevertheless lower than the growth in volumes.

In this connection, total personnel costs and operating expenses dropped from 24% of sales in the first half of 2020 to 22% in the first half of 2021.

EBITDA in the first half of the year, amounting to EUR 378 million, was 130% higher than in the same period of 2020 and stands at its highest level since the first half of 2007, when average nickel prices reached USD 43,600 dollars. The EBITDA margin was 12%.

EBITDA in the second quarter, amounting to EUR 217 million, was 171% higher than in the second quarter of 2020 and 35% higher than in the preceding quarter.

Quarterly EBITDA in millions of euros



EBIT in the half year amounted to EUR 290 million (first half of 2020: EUR 34 million) (after deducting EUR 43 million of impairment losses on assets at Bahru Stainless).

Profit after tax and non-controlling interests amounted to EUR 203 million (first half of 2020: EUR 2 million).

Cash generation

The EBITDA generated, amounting to EUR 378 million, gave rise to an operating cash flow of EUR 108 million in the half year, despite the increase in working capital.

Working capital increased by EUR 253 million. The high level of activity led to an increase across all line items in the first two quarters of the year. Physical inventories remain controlled.

Capex in the first half of the year amounted to EUR 49 million.

	Q2 2021	Q1 2021	Q2 2020	H1 2021	H1 2020
EBITDA	**217**	**161**	**80**	**378**	**165**
Changes in working capital	**-100**	**-153**	**63**	**-253**	**-34**
Changes in operating working capital	-113	-155	50	-268	-16
- Inventories	-167	-154	95	-321	104
- Trade receivables	-57	-173	93	-229	46
- Payable to suppliers	111	171	-139	282	-166
Other adjustments to working capital	13	2	13	15	-19
- Collective redundancy procedure (ERE) payment at Acerinox Europa	0	0	0	0	-26
- Sundry adjustments	13	2	13	15	7
Income tax	**-26**	**24**	**-3**	**-3**	**-27**
Finance costs	**-9**	**-9**	**-9**	**-18**	**-12**
Other adjustments to profit (loss)	**2**	**0**	**-20**	**2**	**-17**
OPERATING CASH FLOW	**84**	**23**	**111**	**108**	**75**
Payment for purchase of VDM	0	0	0	0	-313
Payments due to investment	-20	-29	-27	-49	-51
FREE CASH FLOW	**64**	**-6**	**84**	**59**	**-289**
Dividends and treasury shares	-135	0	0	-135	0
CASH FLOW AFTER DIVIDENDS	**-71**	**-6**	**84**	**-77**	**-289**
Translation differences	-11	22	-16	11	-3
Grants and other	0	0	0	0	0
Net financial debt acquired from VDM	0	0	-85	0	-85
Changes in net financial debt	**-82**	**16**	**-17**	**-66**	**-377**

In June, the shareholder was compensated with a cash dividend of 135 million euros, which in recent years had been paid in the second half of the year.

Balance sheet

ASSETS					LIABILITIES				
Millions of euros	Jun. 21	2020	Jun. 20	Variation	Millions of euros	Jun. 21	2020	Jun. 20	Variation
Non-current assets	**2,060**	**2,070**	**2,227**	**-0%**	**Equity**	**1,756**	**1,615**	**1,880**	**9%**
Current assets	**3,288**	**2,664**	**3,012**	**23%**	**Non-current liabilities**	**1,764**	**1,827**	**1,864**	**-3%**
- Inventories	1,504	1,182	1,302	27%	- Bank borrowings	1,367	1,410	1,435	-3%
- Receivables	754	532	577	42%	- Other non-current liabilities	397	417	429	-5%
Trade receivables	693	464	500	49%					
Other receivables	61	68	77	-10%	**Current liabilities**	**1,828**	**1,291**	**1,494**	**42%**
- Cash	991	917	1,110	8%	- Bank borrowings	463	280	546	65%
- Other current financial assets	39	32	23	22%	- Trade payables	1,161	879	783	32%
					- Other current liabilities	204	132	165	54%
Total assets	**5,348**	**4,733**	**5,239**	**13%**	**Total equity and liabilities**	**5,348**	**4,733**	**5,239**	**13%**

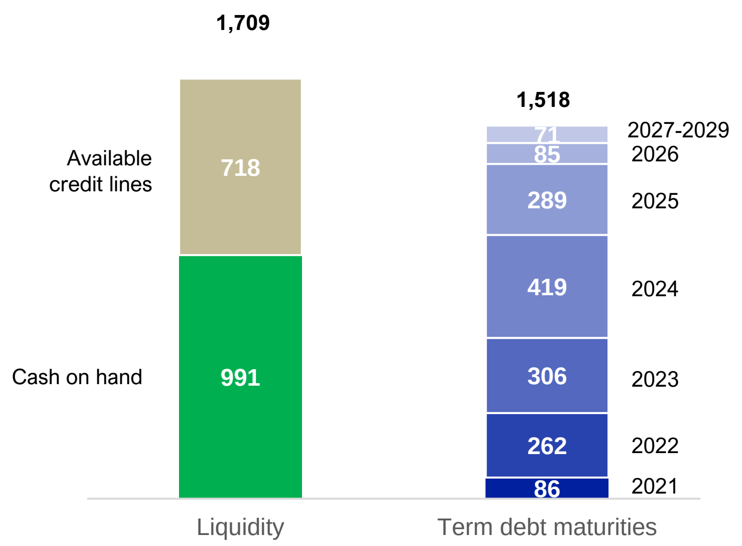
The net financial debt, amounting to EUR 838 million, increased by just EUR 66 million with respect to 31 December 2020, following the aforementioned increase of EUR 253 million in working capital and the payment of a dividend of EUR 135 million.

The net financial debt was EUR 33 million lower than at 30 June 2020. It should be noted that VDM Metals was acquired in March 2020 for EUR 313 million.

At 30 June 2021, Acerinox had immediate liquidity of EUR 1,709 million, consisting of EUR 991 million in cash and EUR 718 million in available credit lines.

The Group's term debt maturities total EUR 1,518 million and are fully covered by the current liquidity.

Millions of euros



Sustainability

Acerinox has been advocating the Circular Economy for 50 years and has become a global benchmark in this area by manufacturing products with a recycled content level of over 90%.

The main axes of the Strategic Sustainability Plan, 360º Impact, are the following:

20% reduction in greenhouse gas emissions, thereby renewing its commitment to achieving climate neutrality by 2050

7.5% reduction in energy intensity

Recovery of 98% of waste (with just 2% ending up in landfill)

20% reduction in water abstraction

10% annual **reduction in Frequency Rate of Accidents resulting in Leave**

10% annual increase in the proportion of new hires that are minorities. Of particular note is the fact that female hires rose by 19.6% in 2020 alone.

With respect to the 2030 Sustainability Goals, in the first half of 2021:

- The Group continued to achieve the goals relating to green loans from BBVA, Sabadell and CaixaBank.
- The intensity of CO_2 emissions (scopes 1+2) fell by 5% with respect to the first half of 2020 (and by 6% with respect to the preceding half year).
- Energy intensity fell by 2% with respect to the first half of 2020 (and by 3% with respect to the preceding half year).
- The LTIFR cumulative in the first half of 2021 represented a 34% reduction with respect to the first half of 2020 (and a 45% reduction with respect to the preceding half year).
- Water consumption intensity was reduced by 18% from 2020 to 2021.

In the first half of 2021, the Group was awarded a Gold-level rating by the EcoVadis Sustainability rating platform. In addition to this ranking among companies from all over the world, the Acerinox Group attaches particular importance to the recognition received from its own industry, having been awarded the three prizes in the sustainability category by the International Stainless Steel Forum:

- First Prize for Bahru Stainless for launching a project to manufacture building bricks using the sludge generated during the pickling process in stainless steel production.
- Second Prize for Acerinox Europa for the project to improve the performance of the graphite electrodes in electric furnaces, with the consequent reduction in CO_2 emissions.
- Prize for North American Stainless for the project to reuse the tundish refractories in continuous casting to prevent them from being sent to landfill.

The Group continues to contribute to the 17 United Nations Sustainable Development Goals (both directly and indirectly) and to make progress with respect to commitments such as the decarbonisation of its activities.

SUSTAINABLE STEEL

In line with Acerinox's commitment to sustainability, and in order to promote the use of sustainable products and facilitate our customers' access to a better economy, the Company is launching a sustainable stainless steel product line.

We expect this product line to be very well received in industries such as the domestic appliance, automotive and construction industries, among others.

These products, characterised by the large proportion of recycled material used in the manufacturing process and by the use of renewable energies, will be accompanied by the pertinent certificates issued by a top-level company.

Excellence 360º plan

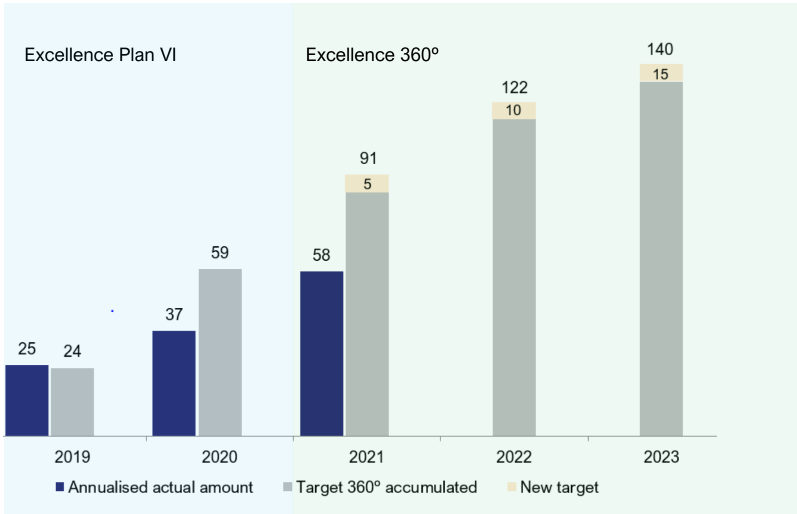
In 2019 all the Digital Transformation initiatives were unified in a five-year plan (2019-2023) entitled Excellence 360º. This Plan encompasses the Excellence Plans (continuous improvement projects) and all the projects constituting the Group's Digital Strategy.

Excellence 360º is aimed at comprehensively enhancing the business in terms of: production (improving process quality and productivity); the supply chain (optimising stock and increasing delivery precision); the commercial area (improving margins and the customer mix); and the purchase of raw materials (optimising the mix at any given time), all thanks to the use of new technologies and placing the customer and service at the core of the business.

The Excellence 360º results continued to improve across all business units in the first half of the year, most notably in terms of maintenance, increased line productivity, energy consumption and optimisation in the purchase of raw materials.

Estimated annual savings of EUR 58 million were achieved, representing a 64% degree of achievement of the target set for this period (EUR 91 million).

As a result of the inclusion of VDM in the Acerinox Group, the efficiency plans that VDM had been developing in the past were unified with the Group's best practices through internal benchmarking and the Digital Strategy in order to include the special steels division in Excellence 360º. The EUR 125 million annual target is therefore being progressively increased, and will reach EUR 140 million in 2023.



Financial risk management

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 2020, namely: market risk (foreign currency risk, interest rate risk and price risk), credit risk and liquidity 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 2020 Annual Report remain in place.

CREDIT RISK

With regard to credit risk, claims as of June 30 are exceptionally low and payment delays are similar to those of any other year prior to COVID-19.

LIQUIDITY RISK

With respect to liquidity risk, Acerinox had arranged credit facilities amounting to EUR 2,547 million, of which 28% were drawable. Net debt amounted to EUR 838 million at 30 June. The cash balances amounted to EUR 991 million.

The **most significant financing transactions** in the first half of 2021 were as follows:

- In January, two long-term loans arranged in 2020 with CaixaBank and Banco Sabadell were converted into sustainable loans amounting to EUR 80 million each to finance the purchase of the VDM Metals Group.

- In February, an ICO-secured credit facility, amounting to EUR 10 million and with a maturity of three years, was arranged with Liberbank in order to provide the Acerinox Group with sufficient liquidity to mitigate the economic effects of Covid-19.

- In March, the long-term loan of EUR 85 million arranged with Kuxtabank was refinanced, whereby the conditions were improved by increasing the loan principal by EUR 20 million and extending the final maturity to 2026.

- In May, a long-term loan of EUR 50 million, with a four-year final maturity and tied to sustainable KPIs, was arranged with BBVA.

- In addition, to ensure continued Group liquidity, four credit facilities in euros and one in US dollars, totalling over EUR 300 million, were renewed in the first half of 2021, with improved financing conditions and a one-year extension of the maturity.

The Acerinox Group has satisfactorily met the repayment schedules for its borrowings. None of the loans arranged in the first half of 2021 are contingent upon the achievement of annual results-based financial ratios.

With respect to the high-performance alloys division, financial instruments are arranged or the pertinent insurance policies are taken out in order to limit the risks that may potentially have the greatest material impact on the financial statements and results. Derivative financial instruments, such as currency forwards and futures contracts relating to the metal prices quoted on the LME ("London Metal Exchange"), are used in order to hedge the volatility of raw material purchase prices, the main raw material being nickel, although hedges are also arranged for other metals.

Annual General Meeting

The shareholders at the Acerinox Group's Annual General Meeting held telematically on 15 April 2021 approved the distribution of a dividend of EUR 0.50 per share, which was paid on 3 June 2021. This amount represented shareholder remuneration of EUR 135 million.

The Meeting also approved the re-election of the following directors as members of the Board of Directors:

- Tomás Hevia Armengol as Proprietary Director
- Laura González Molero as Independent Director
- Rosa María García Piñeiro as Independent Director
- Marta Martínez Alonso as Independent Director

Nippon Steel Stainless Steel

In August 2020 Nippon Steel Stainless Steel vacated the Group's Board of Directors and classified its ownership interest as an available-for-sale asset.

On 17 June 2021, Nippon Steel Stainless Steel sold a 7.9% stake in Acerinox, half of its position, through an accelerated bookbuilt offering.

Alternative Performance Measures (Definitions)

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

Operating Working Capital: Inventories + Trade receivables – Trade payables

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

Net Financial Debt: Bank borrowings + bond issuance - cash

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

EBIT: Operating income

Adjusted EBIT: EBIT, 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

LTIFR: (Number of Lost Time Injuries / Total Hours Worked) * 1,000,000

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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