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Management report

Business year

2022

Presentation of the Fourth Quarter and FY 2022 results via webcast and conference call

Acerinox will hold a presentation for its Fourth Quarter and 2022 results tomorrow, 1 March, at 10.00 AM (CET), directed by the CEO, Bernardo Velázquez, the COO, Hans Helmrich, the CFO, Miguel Ferrandis, and the Chief Investor Relations and Communication Officer, Carlos Lora-Tamayo, accompanied by the Investor Relations team.

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

From Spain:
919 01 16 44. Pin: 181036

From United States:
1 646 664 1960. Pin: 181036

From UK (local):
020 3936 2999. Pin: 181036

Rest of countries:
+44 20 3936 2999. Pin: 181036

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

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

Highlights

"In 2022, Acerinox obtains the best results in its history for the second consecutive year"

Business year 2022

- Acerinox has obtained the best results in its history in 2022 despite the complexity of the market, geopolitical uncertainty and high energy costs, especially in Europe.
- The accident rate (LTIFR) fell by 28% with respect to 2021.
- The Group was awarded with the Platinum Level by Ecovadis for its commitment to sustainability.
- Melting shop production, at 2,189,884 tonnes, was 16% down on the previous year.
- Revenue totalled EUR 8,688 million, representing a 30% increase on the same period of 2021.
- An inventory adjustment of EUR 98 million was made at year-end to bring inventories in Europe in line with the price situation in that market.
- EBITDA, which totalled EUR 1,276 million, was 29% higher with respect to 2021, and had a sales margin of 15%.
- Profit after tax and non-controlling interests was EUR 556 million (EUR 572 million in the same period for 2021), after the impairment of assets of our Bahru Stainless factory amounting to EUR 204 million.
- Operating cash flow amounted to EUR 544 million despite the EUR 479 million increase in working capital.
- EUR 336 million was allocated to shareholder remuneration, 132% higher than the previous year.
- Net financial debt amounted to EUR 440 million, decreased by EUR 138 million with respect to 31 December 2021. The net financial debt/EBITDA ratio is 0.35x.
- The ROCE achieved in the year was 29.3%.
- The Board of Directors of ACERINOX, S.A. has decided to propose to the Ordinary General Meeting of the Company a dividend of EUR 0.60 per share charged to the 2022 profits, which represents a 20% increase.

Fourth quarter of 2022

- Activity has declined considerably during this quarter due to low apparent demand, the inventory adjustment process and the end-of-year seasonal correction.
- Melting shop production, at 397,403 tonnes, decreased by 37% with respect to the fourth quarter of 2021 (21% down on the third quarter of 2022).
- Revenue, amounting to EUR 1,693 million, decreased by 13% with respect to the fourth quarter of 2021 (22% down on the third quarter of 2022).
- An inventory adjustment to net realisable value of EUR 98 million has been made.
- EBITDA, which totalled EUR 90 million, decreased by 72% with respect to the fourth quarter of 2021 (62% down on the third quarter of 2022).
- Profit after tax and non-controlling interests was EUR -185 million after having realised an impairment of assets of the Bahru Stainless factory of EUR 204 million.
- Working capital has been reduced by EUR 442 million, thanks to the reduction of inventories.
- Operating cash flow amounted to EUR 517 million.
- Net financial debt, totalling EUR 440 million, decreased by EUR 323 million with respect to the third quarter.

Bernardo Velázquez, Chief Executive Officer of Acerinox

"The 2022 results have been the best since its foundation in 1970 and reflect the success of the strategy developed by the company and the good work carried out by all the people who make up Acerinox, whom I thank for their decisive contribution.

Acerinox is in the best moment of its history thanks to the market conditions and its capacity to adapt, to the geographical and strategic diversification through high performance alloys with VDM and the operational excellence achieved. All this goes hand in hand with a sound financial situation.

Disruptions in supply chains during the pandemic, coupled with the difficulties created by the invasion of Ukraine and trade defence measures in the company's core revenue areas, are making imports less attractive, reducing supply of material in key markets where the company has production facilities and an established business, which will benefit our business in the coming years.

Acerinox is today better prepared to take advantage of this environment thanks to the work of previous years in improving processes and thanks to the integration of the high performance alloys division, which have led to a transformation based on efficiency and focused on competitiveness, while offering the widest range of materials in the sector.

The company has a strong balance sheet and the potential to generate solid cash flow, demonstrating its good financial health, which has allowed it to increase shareholder remuneration, allocating EUR 336 million for this purpose in 2022. We ended the year with a net financial debt/EBITDA ratio of 0.35x.

We continue to promote our ESG goals and to make progress in creating sustainable products and processes. The products that the Group manufactures are benchmarks for the circular economy and essential in the development of the energy transition. They will also drive changes in demand fundamentals that improve our long-term prospects for both stainless steels and high performance alloys."

Outlook

In the stainless steel sector, the dynamics of the second half of the year 2022 continues, with the apparent consumption improving, although still slow. We expect the inventory adjustment process by retailers to be completed during the second quarter and thereafter to recover normal activity.

The North American market, which is our main market, continues to perform well in most sectors.

The market for high-performance alloys remains strong and the order backlog for the first half of the year remains at high levels.

To cope with the cyclicality of our industry, we are promoting projects to reduce costs and improve efficiency throughout our supply chain.

For these reasons, we expect EBITDA in Q1 2023 to be clearly better than in Q4 2022.

Main economic and financial figures

Consolidated Group	Quarter				12 months		
	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	2021	Change 22/21
Melting shop production (thousands of tonnes)	668	622	502	397	2,190	2,619	-16%
Revenue (EUR million)	2,287	2,535	2,175	1,693	8,688	6,706	30%
EBITDA (EUR million)	**422**	**523**	**241**	90	1,276	989	**29%**
% of sales	***18%***	**21%**	**11%**	5%	15%	15%	
Adjusted EBIT (EUR million)	375	473	192	41 [3]	1,080 [3]	810	33%
% of sales	16%	19%	9%	2%	12%	12%	
EBIT (EUR million)	375	473	192	-163	876	810	8%
% of sales	16%	19%	9%	-10%	10%	12%	
Profit before tax and non-controlling interests (EUR million)	367	456	186	-178	831	766	9%
Profit after tax and non-controlling interests (EUR million)	**266**	**343**	**133**	**-185**	**556**	**572**	**-3%**
Depreciation and amortisation charge (EUR million)	46	48	49	50	193	179	8%
No. of employees at period-end	8,284	8,429	8,282	8,201	8,201	8,206	-0%
Net financial debt (EUR million)	628	574	763	440	440	578	-24%
Gearing ratio (%)	26%	20%	25%	17%	17%	26%	-34%
No. of shares (millions)	271	271	260	260	260	271	-4%
Shareholder remuneration (per share)	0.43 [1]	0.00	0.50/0.23 [2]	0.12 [1]	1.28 [2]	0.50	156%
Average daily volume of trading (millions of shares)	1.54	1.64	1.20	0.88	1.31	1.12	18%
Profit per share after tax and non-controlling interests	0.98	1.27	0.51	-0.71	2.14	2.11	1%

[1] Indirect remuneration arising from the share buyback programme
[2] Includes the ordinary dividend of 0.50 euros/share and the indirect remuneration derived from the share buyback programme
[3] Excluding an impairment of the assets of Bahru Stainless amounting to EUR 204 million

	Fourth quarter of 2022			2022		
EUR million	Stainless steel division	HPA	Consolidated Group	Stainless steel division	HPA	Consolidated Group
Melting shop production (thousands of tonnes)	379	19	397	2,108	82	2,190
Net sales	1,351	341	1,693	7,426	1,262	8,688
EBITDA	70	21	90	1,151	125	1,276
EBITDA margin	5%	6%	5%	16%	10%	15%
Depreciation and	-41	-6	-50	-161	-24	-193
Adjusted EBIT	29 [1]	15	41 [1]	987 [1]	102	1,080 [1]
Adjusted EBIT margin	2%	4%	2%	13%	8%	12%
EBIT	-175	15	-163	783	102	876
EBIT margin	-13%	4%	-10%	11%	8%	10%

[1] Excluding an impairment of the assets of Bahru Stainless amounting to EUR 204 million

Results of the consolidated Acerinox Group

The improvement in activity experienced in 2021 has been maintained in the first half of 2022, with notable increases in margins and good cash generation. During the second half of the year, activity has been affected by high volumes of imported material which have increased stocks in the warehousing sector and led to a decline in apparent consumption.

The EBITDA, EUR 1,276 million, has been achieved in a challenging environment. These include, among others, the instability generated by the geopolitical situation with Russia's invasion of Ukraine, cost inflation, especially energy prices in Europe, supply chain problems and the collapse of nickel prices on the London Metal Exchange (LME) in March.

Multiple factors have contributed to these record figures: on the one hand, the good demand situation, good management in the purchase of raw materials in such a volatile environment; on the other hand, cost control and efficiency improvements in recent years. All of this has allowed us to optimise margins in an uncertain environment of cost inflation.

We would like to highlight the satisfactory performance of our high performance alloys division, which has achieved record production and results in its third year within Acerinox, two of them during the pandemic.

It is important to highlight the EUR 138 million reduction in net financial debt during the year and the cash generation achieved despite the increase in working capital due to the Group's high level of activity. This cash generation has also allowed us to pay a cash dividend, to carry out two share buyback programmes of 4% each and to maintain our investment strategy.

The most important figures for the year and the change with respect to the 2021 are summarised in the following table:

EUR million	**Q4 2022**	**Q3 2022**	**Q4 2021**	**12M 2022**	**12M 2021**	**% Q4 22 /Q4 21**	**% 12M 22 /12M 21**
Melting shop production	397	502	627	2,190	2,619	-37%	-16%
Net sales	1,693	2,175	1,937	8,688	6,706	-13%	30%
EBITDA	90	241	318	1,276	989	-72%	29%
EBITDA margin	5%	11%	16%	15%	15%		
Adjusted EBIT	41 (1)	192	273	1,080 (1)	810	-85%	33%
Adjusted EBIT margin	2%	9%	14%	12%	12%		
EBIT	-163	192	273	876	810	-	8%
EBIT margin	-10%	9%	14%	10%	12%		
Profit before tax	-178	186	262	831	766	-	9%
Profit after tax and non-controlling interests	-185	133	198	556	572	-	-3%
Operating Cash Flow	517	-50	204	544	388	154%	40%
Net financial debt	440	763	578	440	578	-24%	-24%

(1) Excluding an impairment of the assets of Bahru Stainless amounting to EUR 204 million

Business year 2022

Turnover for the year was the highest in the history of the Acerinox Group, EUR 8,688 million, due to high sales price levels.

Operating expenses in the year increased significantly due to global inflation. Special mention should be made of the energy item (including electricity and gas consumption, among others), which has increased by 91% the Group's activity in Spain.

Despite the increase in costs, total EBITDA for the year was EUR 1,276 million, 29% higher than in 2021. The EBITDA margin rose to 15%. This figure includes an adjustment of inventories to net realisable value of EUR 98 million.

Depreciation, at EUR 193 million, was 8% higher than in the previous year due to the appreciation of the dollar.

EBIT amounted to EUR 876 million, which includes an impairment of assets in Bahru Stainless amounting to EUR 204 million, as we comment below.

Profit after tax and non-controlling interests for 2022 amounted to EUR 556 million, 3% down on 2021, was also impacted by the impairment of assets in Bahru Stainless amounting to EUR 204 million.

Fourth quarter

Turnover was EUR 1,693 million, 13% lower than in the fourth quarter of 2021 and 22% lower than in the third quarter of 2022.

EBITDA amounted to EUR 90 million. This figure is affected by a year-end inventory adjustment to net realisable value of EUR 98 million, reflecting the price deterioration in the European market. This was 72% lower than in the fourth quarter of 2021 and 62% lower than in the third quarter of 2022.

EBIT for the fourth quarter was EUR -163 million, which includes an impairment of assets in Bahru Stainless amounting to EUR 204 million.

Profit after tax and non-controlling interests was EUR -185 million.

Impairment of Bahru Stainless

The weakness of the demand in the Asian market, the oversupply and the aggressive pricing strategy of the main producers, have made it appropriate to revise downwards the projections of our re-roller in Malaysia, Bahru Stainless.

As a result, at year-end, the corresponding analysis was carried out, which led to an asset impairment of EUR 204 million, which did not result in a cash outflow.

Cash generation

The good results enabled the Group to obtain operating cash flow in 2022 of EUR 544 million.

In a year of high activity, with rising raw material and industry prices, a total of EUR 479 million was invested in working capital.

Income tax payments amounted to EUR 238 million, due to the company's outstanding results.

Following investment payments of EUR 126 million, generated free cash flow amounted to EUR 419 million.

Shareholder remuneration for the year amounted to EUR 336 million, including EUR 130 million of ordinary dividends and EUR 206 million from share buyback programmes.

On the other hand, the appreciation of the US dollar generated positive translation differences of EUR 55 million.

Cash Flow (EUR million)

	Q4 2022	Q3 2022	Q4 2021	12M 2022	12M 2021
EBITDA	**90**	**241**	**318**	**1,276**	**989**
Changes in working capital	442	-132	-67	-479	-467
Income tax	3	-140	-62	-238	-137
Finance costs	-4	-8	-10	-25	-40
Other adjustments	-14	-11	25	10	43
OPERATING CASH FLOW	517	-50	**204**	544	**388**
Payments due to investment	-46	-34	-21	-126	-90
FREE CASH FLOW	472	-84	**183**	**419**	**297**
Dividends and treasury shares	-32	-189	-9	-336	-145
CASH FLOW AFTER DIVIDENDS	440	-273	**173**	**83**	**153**
Translation differences	-116	80	14	55	41
Grants and other	-1	3	-1	0	0
Changes in net financial debt	**323**	**-190**	**186**	**138**	**194**

In the fourth quarter, operating cash flow amounted to EUR 517 million. The Group's net financial debt, totalling EUR 440 million, decreased by EUR 323 million with respect to 30 September 2022 owing to the EUR 442 million decrease in working capital.

Balance sheet

The Group's net financial debt at 31 December 2022, totalling EUR 440 million, decreased by EUR 138 million (EUR 578 million at 31 December 2021).

As in 2021, during 2022 the Group continued to contract and novate its financing facilities by renegotiating the fixed rate or margin, increasing the nominal amount and extending the maturity.

ASSETS				LIABILITIES			
EUR million	**2022**	**2021**	**Change**	*EUR million*	**2022**	**2021**	**Change**
Non-current assets	**1,902**	**2,067**	**-8%**	Equity	**2,548**	**2,215**	**15%**
Current assets	**4,416**	**3,917**	**13%**	**Non-current liabilities**	**1,823**	**1,802**	**1%**
Inventories	2,156	1,777	21%	- Bank borrowings	1,394	1,368	2%
Receivables	646	837	-23%	- Other non-current liabilities	429	434	-1%
Trade receivables	575	773	-26%				
Other receivables	71	64	10%	**Current liabilities**	**1,947**	**1,968**	**-1%**
Cash	1,548	1,275	21%	- Bank borrowings	594	485	23%
Other current financial assets	67	28	135%	- Trade payables	1,017	1,315	-23%
				- Other current liabilities	335	168	100%
Total assets	**6,318**	**5,984**	**6%**	**Total equity and liabilities**	**6,318**	**5,984**	**6%**

At year-end, the Group had sustainable financing totalling EUR 659 million, linking the cost of the credit to the evolution of two established indicators to be reviewed annually. The majority of the Group's financing at 31 December 2022 corresponded to term loans. Of these, 70% were due to mature in over a year. 77% of the Group's loans and private placements are at fixed interest rates (these figures include those loans closed at variable interest rates but hedged with an interest rate derivative).

As of 31 December 2022 Acerinox Group had liquidity amounting to EUR 2,345 million. Of this, EUR 1,548 million corresponds to cash and short-term deposits and EUR 797 million to available financing at various Group subsidiaries.

Financial ratios

The "net financial debt/EBITDA" ratio was 0.35x (0.58x in 2021), which is very satisfactory in our sector. ROE in 2022 amounted to 22% while ROCE was 29%.

Stainless Steel Division

Stainless steel market

The Stainless Steel Division has experienced two very different half-year periods. The first was characterised by a very positive market situation, following the trend of the previous year. In contrast, the second half of the year has been affected by high inventories at retailers caused by heavy imports. These, attracted by the "unreal" situation of shortages, come with the change of cycle that arose due to concerns about a recession.

UNITED STATES

Apparent consumption, according to the latest available data, has decreased by 1% in 2022.

The pipe, heavy vehicles, sinks or food industry sectors have maintained strong activity until the third quarter.

Production problems related to component and labour shortages have continued to hamper end-users in many industries, limiting overall production.

Stockists' inventories ended the year above average.

Imports of flat products increased sharply during the first six months, although during the second half of the year they have been decreasing, accounting for 26% of the American market.

Europe

Apparent consumption in Europe has been similar to 2021.

Actual demand has declined due to the uncertainties arising from the invasion of Ukraine. This has resulted in inventories closing above the average of recent years.

Cost inflation, especially energy costs, has caused great damage and loss of competitiveness in the European industry and especially in Spain.

Imports have remained at high levels (31% at the end of the year) largely due to the price spread with Asia.

In June, the European Commission approved the review of the safeguard measures for year 5 (July 2022 - June 2023). The European Union also approved anti-subsidy measures against India and Indonesia on 16 March.

In addition, an anti-circumvention investigation was initiated in July for hot-rolled flat product materials from Indonesia via Turkey, on which a decision is expected in the first quarter of 2023.

ASIA

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

This, paired with the aggressive pricing strategy of Asian producers, mainly in Indonesia, sped up the drop in prices.

Tough lockdowns in China have led to a sharp fall in domestic demand whose recovery has been moderated by the government's zero COVID policy and the severe crisis in the construction sector. Chinese and Indonesian producers continued to prioritise cash generation over prices.

Stainless Steel Division production

During the first half of the year, the Stainless Steel Division has maintained high levels of activity thanks to the good demand situation, although various incidents at the factories have prevented an improvement on the previous year's figures.

From the third quarter onwards, production has been adapted to the needs of the market. The following maintenance stoppages have been carried out in the stainless division plants: in Acerinox Europa the melting shop and hot rolling lines; Columbus in melting shop; and NAS in hot rolling.

Due to the unprecedented high prices of electricity and gas, the Acerinox Europe factory has implemented the temporary lay-off plan (ERTE) agreed with the workers' legal representatives in March 2022. This ERTE has been applied to all workshops during the third and fourth quarters, although the necessary activity has been maintained in order to comply with the commitments acquired with our customers.

	2021					2022					Change	
Thousands of tonnes	**Q1**	**Q2**	**Q3**	**Q4**	**12M**	**Q1**	**Q2**	**Q3**	**Q4**	**12M**	**Q4 22 / Q4 21**	**12M 22 / 12M 21**
Melting shop	650	654	629	608	2,541	646	601	482	379	2,108	-38%	-17%
Cold-rolling	394	400	408	423	1,625	433	416	345	247	1,441	-42%	-11%
Long products (hot-rolling)	63	61	59	62	245	65	61	59	48	232	-24%	-5%

Stainless Steel Division results

EUR million	Q4 2022	Q3 2022	Q4 2021	12M 2022	12M 2021	% Q4 22 / Q4 21	% 12M 22 / 12M 21
Melting shop production (thousands of tonnes)	379	482	608	2,108	2,541	-38%	-17%
Net sales	1,351	1,838	1,709	7,426	5,900	-21%	26%
EBITDA	**70**	202	303	**1,151**	**929**	**-77%**	**24%**
EBITDA margin	**5%**	11%	18%	**16%**	**16%**		
Depreciation and amortisation charge	-41	-41	-38	-161	-149	8%	8%
Adjusted EBIT	29 [(1)]	160	266	987 [(1)]	779	-89%	27%
Adjusted EBIT margin	2%	9%	16%	13%	13%		
EBIT	-175	160	266	783	779	-	1%
EBIT margin	-13%	9%	16%	11%	13%		
Operating cash flow (before investments)	446	-62	212	648	400	110%	62%

[(1)] Includes an impairment of the assets of Bahru Stainless amounting to EUR 204 million

Turnover has increased by 26% compared to 2021 thanks to price increases.

Despite cost inflation (33% increase in operating expenses), EBITDA for the year amounted to EUR 1,151 million, 24% higher than in 2021. This figure includes an adjustment of inventories to net realisable value of EUR 67 million.

In the year as a whole, operating cash flow of EUR 648 million was generated despite the increase in working capital, which amounted to EUR 247 million.

EUR million	Q4 2022	Q3 2022	Q4 2021	12M 2022	12M 2021
EBITDA	**70**	**202**	**303**	**1,151**	**929**
Changes in working capital	395	-105	-39	-247	-386
Income tax	4	-138	-60	-233	-133
Finance costs	2	-6	-8	-14	-33
Other adjustments	-25	-16	17	-8	24
OPERATING CASH FLOW	**446**	**-62**	**212**	**648**	**400**

High-performance alloys division

High-performance alloys market

In 2022, the market for high-performance alloys has performed exceptionally well, mainly due to the healthy development of demand in the oil and gas sector, which has performed very positively.

Demand from the chemical process industry has been strong in the first nine months and somewhat weaker in the fourth quarter.

The aerospace sector continues to recover and the manufacture of gas turbines for power generation has been booming. Demand for high-performance alloys for the nuclear sector has also increased in the last year.

Consumption in the electronics sector has remained stable, although slightly below expectations.

The automotive sector started weak due to the lack of semiconductors, although it has been recovering through the year.

Production

The good market situation for high-performance alloys has led to a 5% increase in melting shop production and a 9% increase in finishing shop compared to 2021, which is a new record.

	2021					2022					Change	
Thousands of tonnes	Q1	Q2	Q3	Q4	12M	Q1	Q2	Q3	Q4	12M	Q4 22/ Q4 21	12M 22/ 12M 21
Melting shop	18	22	19	19	78	22	21	20	19	82	-2%	5%
Finishing shop	8	11	11	11	40	11	11	11	11	44	0%	9%

Results

EUR million	Q4 2022	Q3 2022	Q4 2021	12M 2022	12M 2021	% Q4 22 / Q4 21	% 12M 22 / 12M 21
Melting shop production (Thousands of tonnes)	19	20	19	82	78	-2%	5%
Net sales	341	337	227	1,262	806	50%	57%
EBITDA	**21**	**39**	**14**	125	**61**	**46%**	**105%**
EBITDA margin	**6%**	**12%**	**6%**	10%	**8%**		
Depreciation and amortisation charge	-6	-6	-6	-24	-23	3%	3%
EBIT	15	33	8	102	38	76%	164%
EBIT margin	4%	10%	4%	8%	5%		
Operating cash flow (before investments)	72	12	-9	-104	-12	-	-755%

The alloys division has taken advantage of the positive market momentum with good management in the purchase of raw materials, order backlog and product mix, which has led VDM to achieve the best results in its history.

Turnover for high-performance alloys in the year reflected the good market momentum with a 57% growth compared to 2021.

EBITDA generated, which totalled EUR 125 million, was 105% higher than in 2021. At the end of the year, we made an adjustment to inventories net realisable value of EUR 31 million.

Operating cash flow was EUR -104 million, due to the increase in working capital (as a result of good activity) of EUR -232 million.

EUR million	Q4 2022	Q3 2022	Q4 2021	12M 2022	12M 2021
EBITDA	**21**	**39**	**14**	**125**	**61**
Changes in working capital	47	-28	-28	-232	-81
Income tax	-1	-2	-2	-5	-4
Finance costs	-6	-2	-2	-11	-7
Other adjustments	10	5	9	18	19
OPERATING CASH FLOW	**72**	**12**	**-9**	**-104**	**-12**

Sustainability

Sustainability Strategy

Over the last few years Acerinox has strengthened its commitment to contribute to making a more sustainable world by creating its own responsible management model that structures, coordinates and reinforces the activities necessary to make this a reality.

The Sustainability Plan Positive Impact 360º responds to one of the main areas of Acerinox's strategy, which identifies sustainability as one of its fundamental pillars.

Positive Impact 360º structures the main initiatives developed by the Group in the environmental, social and corporate governance aspects. This multi-year plan is deployed through annual sustainability programmes, which are defined and agreed with the Group's different areas and factories, and which constitute a real tool for continuous improvement in the Group's performance.

The Sustainability Plan is structured around five strategic pillars:

Ethical, accountable and transparent governance	Eco-efficiency and combating climate change	Circular economy and sustainable product	Committed team, culture, diversity and security	Supply chain and community impact
Promote the development of a responsible and transparent management model and solid corporate governance, with a sustainable and long-term vision, which identifies and proposes responses to new ESG challenges and opportunities.	Establish commitments and objectives in the fight against climate change and develop an action plan to achieve these.	Integrate circular economy processes into all operations by driving the development of sustainable and low-emission products.	Strengthen the alignment of people with the values of Acerinox, boosting their commitment to sustainability, promoting equality, the development of talent and the improvement of the climate, guaranteeing safety, health and well-being.	Be a company recognised in the localities in which we operate for our commitment to local society and creating positive community impact.

This is followed by the monitoring of the 2030 sustainability targets:

Pillar	2030 targets	Degree of progress	2022 vs 2021
	20% reduction in CO_2 emissions intensity (Scopes 1 and 2) vs to 2015	-4% vs 2015	**+2%**
	7.5% reduction in energy intensity vs 2015	+3% vs 2015	**+6%**
	20% reduction in specific water abstraction vs 2015	-15% vs 2015	**+11%**
	90% waste recycled	79%	**+10%**
	10% annual reduction of the LTIFR	-	**-28%**
	15% women by 2030*	-	**+2%**

* The diversity target has been revised to reflect a greater commitment to women in the Group's workforce and is set to reach 15% by 2030.

It is worth highlighting the significant reduction in the accident rate, which has fallen by 28% compared to the previous year as a result of the various initiatives implemented. Carbon, energy and water efficiency indicators were strongly affected by the drop in production in the last quarter and the shutdowns at some of our plants.

Acknowledgements

Acerinox has obtained the Ecovadis Platinum medal, the highest score awarded by the independent rating platform that evaluates sustainability in global supply chains. The score achieved places Acerinox among the top 1% of the best rated companies out of the more than 100,000 companies from 200 countries evaluated globally.

PLATINUM Top 1% 2022 ecovadis Sustainability Rating

CDP DISCLOSURE INSIGHT ACTION

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VDM integration

The results obtained have been very satisfactory, the result of the efforts made by all Acerinox Group employees during 2022. Synergies of EUR 25 million were achieved during the year, 52% above the target for the year.

The development of a joint commercial strategy has enabled the Acerinox Group's presence in the projects sector to grow, sales to increase in the different geographical areas and to optimise the relationship with customers common to the Group's two divisions, achieving 122 new customers.

On the operational side, the goal of increasing the product portfolio has been maintained. By the end of 2022, thirteen new finishes in nine different alloys have been incorporated into the Group, positioning Acerinox as the manufacturer of advanced materials with the widest range of products in the world.

The technical exchange between the two divisions on both long and flat product, in Europe and in the United States, has been fundamental. There are currently 29 projects underway which, in addition to increasing the portfolio, allow the two divisions to manufacture products more efficiently and competitively using the facilities of both divisions.

It is also worth noting the synergies derived from joint procurement in the two divisions, which have successfully weathered the effects of both supply chain disruptions and the sanctions caused by the invasion of Ukraine.

The integration between the two divisions has allowed to continue to drive forward innovative activity, both in terms of products and new applications, as well as in terms of processes.

Excellence 360°

In 2022, the results of the Excellence 360° Plan have been affected by a multitude of incidents. In addition, the Group had planned maintenance shutdowns on critical assets during the summer months which were followed by unplanned shutdowns due to low activity in the last quarter. These events have reduced the efficiency of factories.

The Group has continued to deploy all the programmes it has in place to improve operational efficiency which have helped to mitigate the adverse effects:

- Continuous improvement projects in all factory workshops.
- Digital Transformation Programme.
- Optimisation of the raw materials that make up the load basket.

In this way we have managed to save an estimated EUR 32 million in 2022, which represents an achievement rate of only 26% of the target set for the year (EUR 122 million).

Shareholder remuneration

In 2022 the company invested EUR 336 million in shareholder remuneration, 132% higher than the previous year, representing a payout of 60% and 14% of market capitalisation at 31 December 2022.

In 2022, a cash payment of EUR 0.50 per share was made and two share buyback programmes were carried out. The Board of Directors has also approved a new Shareholder Remuneration Policy.

Dividend payment

On 5 July 2022, the payment of the dividend of EUR 0.50 gross per share took place, as agreed at the Annual General Meeting of Acerinox, S.A., held on 16 June 2022.

Share buyback programme

The Board of Directors fulfilled its commitment to improve earnings per share by redeeming the shares issued in the four years (2013-2016) in which the dividend was paid by means of a scrip dividend.

- Effective 30 August 2022, 10,821,848 shares of Acerinox, S.A. have been delisted from trading on the Madrid and Barcelona Stock Exchanges. This completes the execution of the share buyback programme for the repurchase of 4% of the share capital for redemption, which was published as Inside Information on 20 December 2021.

- The Board of Directors of Acerinox, S.A. held on 27 July 2022, approved a share buyback program for share depreciation and amortisation. On 26 October 2022, the Company completed the acquisition of 10,388,974 shares, or 4% of the Company's share capital. The redemption of the 10,388,974 shares acquired through the Share Buy Back Programme will be proposed to the Ordinary Annual General Meeting in 2023.

New shareholder remuneration policy

The Board of Directors will propose to the Annual General Meeting in 2023 an increase of the annual ordinary dividend to EUR 0.60 gross per share considering the current number of shares in the company. This dividend will be stable in its total amount and will increase per share as shares acquired through buyback programmes are redeemed.

As a general rule, the dividend will be paid in two instalments: an interim payment in January and a final payment in July. In this respect, Acerinox paid an interim dividend of EUR 0.30 per share for the 2022 financial year on 27 January 2023.

In addition, and provided that market conditions permit, the Company's earnings performance and net debt does not exceed 1.2x the average EBITDA for the cycle, the Board may resolve to provide extraordinary shareholder remuneration through share buyback plans or the payment of extraordinary dividends within the authorisations granted by the General Meeting.

New investments

Acerinox will invest USD 244 million in North American Stainless (NAS), the stainless steel factory in the United States

The new equipment planned with this USD 244 million investment will be geared towards increasing the volume of flat products with a special focus on higher value-added products such as BA (bright annealing), fine thicknesses and steels with special compositions.

NAS will have a new cold-rolling mill, the modernisation of its annealing and pickling lines and the expansion of the melting shop, including auxiliary equipment to improve the logistics and productivity of the melting shop.

These investments will create 70 new jobs in addition to the factory's 1,600 employees and 500 local service providers.

This is a strategic decision with which Acerinox will increase its positioning in the United States to accompany the expected growth in the American market.

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: profit after tax and non-controlling interests + depreciation and amortisation charge

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 charge + variation of current provisions+ asset impairment

Adjusted EBITDA: EBITDA, net of material extraordinary items

Gearing ratio: net financial debt / equity

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

ROCE: operating income / (equity + net financial debt)

ROE: profit after tax and non-controlling interests / equity

ICR (interest coverage ratio): EBIT / financial expenses

LTIFR: Lost Time Injury Frequency Rate

Disclaimer

This document has been drawn up in good faith upon the basis of the data and facts available on the day of its publication and should be read together with all the public information provided and/or published by ACERINOX, S.A.

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ACERINOX, S.A. AND SUBSIDIARIES

EXPLANATORY NOTES
TO THE ANNUAL FINANCIAL REPORT

for the year ended 31 December 2022

EXPLANATORY NOTES TO THE ANNUAL FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands of euros at 31 December 2022 and 2021)

	2022	2021
ASSETS		
Non-current assets		
Goodwill	51,064	51,064
Other intangible assets	43,437	46,578
Property, plant and equipment	1,649,607	1,820,308
Investment property	9,916	13,215
Rights of use assets	16,207	14,400
Investments accounted for using the equity method	390	390
Financial assets at fair value through other comprehensive income	394	11,125
Deferred tax assets	101,225	105,848
Other non-current financial assets	30,188	4,499
TOTAL NON-CURRENT ASSETS	**1,902,428**	**2,067,427**
Current assets		
Inventories	2,155,542	1,776,610
Trade and other receivables	637,833	839,607
Other current financial assets	51,534	15,352
Current income tax assets	22,770	10,297
Cash and cash equivalents	1,548,040	1,274,929
TOTAL CURRENT ASSETS	**4,415,719**	**3,916,795**
TOTAL ASSETS	**6,318,147**	**5,984,222**

(Amounts in thousands of euros at 31 December 2022 and 2021)

	2022	2021
LIABILITIES		
Equity		
Subscribed capital	64,931	67,637
Share premium	268	268
Reserves	1,920,753	1,532,610
Profit/(loss) for the year	556,054	571,882
Interim dividend	-74,799	
Translation differences	93,923	-10,154
Other equity instruments	3,695	3,048
Shares of the Parent	-90,728	-10,251
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	**2,474,097**	**2,155,040**
Non-controlling interests	73,596	59,822
TOTAL EQUITY	**2,547,693**	**2,214,862**
Non-current liabilities		
Deferred income	27,465	18,684
Issuance of debentures and other marketable securities	74,850	74,750
Bank borrowings	1,319,182	1,293,494
Long-term provisions	159,058	196,540
Deferred tax liabilities	227,784	200,051
Other non-current financial liabilities	14,971	18,275
TOTAL NON-CURRENT LIABILITIES	**1,823,310**	**1,801,794**
Current liabilities		
Issuance of debentures and other marketable securities	1,634	1,634
Bank borrowings	592,858	483,271
Trade and other payables	1,181,440	1,446,680
Current income tax liabilities	58,295	23,467
Other current financial liabilities	112,917	12,514
TOTAL CURRENT LIABILITIES	**1,947,144**	**1,967,566**
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	**6,318,147**	**5,984,222**

2. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Amounts in thousands of euros at 31 December 2022 and 2021)

	2022	2021
Revenue	8,688,494	6,705,739
Other operating income	41,025	44,763
Work performed by the Group on non-current assets	27,371	2,187
Changes in inventories of finished goods and work in progress	211,473	441,136
Supplies	-5,844,532	-4,717,322
Staff costs	-653,763	-591,425
Depreciation and amortisation charge	-192,935	-179,103
Other operating expenses	-1,197,459	-896,268
Impairment of assets	-203,905	
OPERATING INCOME	**875,769**	**809,707**
Finance income	26,073	2,921
Finance costs	-62,799	-45,280
Exchange differences	-4,624	1,610
Revaluation of financial instruments at fair value	-3,141	-3,229
Impairment of financial instruments	-3	0
PROFIT FROM ORDINARY ACTIVITIES	**831,275**	**765,729**
Income tax	-260,412	-179,710
Other taxes	-477	-512
PROFIT/(LOSS) FOR THE YEAR	**570,386**	**585,507**
Attributable to:		
NON-CONTROLLING INTERESTS	**14,332**	**13,625**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**556,054**	**571,882**
Basic and diluted earnings per share (in euros)	2.16	2.11

3. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands of euros at 31 December 2022 and 2021)

	2022	2021
A) RESULTS OF THE STATEMENT OF PROFIT OR LOSS	**570,386**	**585,507**
B) OTHER COMPREHENSIVE INCOME - ITEMS NOT RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD	**30,008**	**10,514**
1. Arising from valuation of equity instruments at fair value through other comprehensive income	502	2,908
2. Arising from actuarial gains and losses and other adjustments	43,999	12,391
3. Tax effect	-14,493	-4,785
C) OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD	**142,522**	**129,263**
1. Arising from cash flow hedges		
- Valuation gains / (losses)	55,500	7,908
- Amounts transferred to the statement of profit or loss	-1,776	3,471
2. Translation differences		
- Valuation gains / (losses)	103,481	121,050
- Amounts transferred to the statement of profit or loss		
3. Tax effect	-14,683	-3,166
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**742,916**	**725,284**
a) Attributed to the parent company	729,173	711,987
b) Attributed to non-controlling interests	13,743	13,297

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands of euros at 31 December 2022 and 2021)

	Equity attributable to shareholders of the parent company													
	Subscribed capital	**Share premium**	**Retained earnings reserves (includes profit/(loss) for the year)**	**Reserves for revaluation of non-current assets**	**Cash flow hedge reserves**	**Fair value adjustments to financial assets**	**Reserve for actuarial adjustments**	**Translation differences**	**Other equity instruments**	**Treasury shares**	**Interim dividend**	**TOTAL**	**Non-controlling interests**	**TOTAL EQUITY**
Equity 31/12/2020	**67,637**	**258**	**1,643,237**	**5,242**	**-8,485**	**-2,553**	**-2,511**	**-131,919**	**2,170**	**-1,062**		**1,572,014**	**42,966**	**1,614,980**
Profit/(loss) for the year 2021			**571,882**									**571,882**	**13,625**	**585,507**
Financial assets at fair value through other comprehensive income (net of tax)						2,183						**2,183**		**2,183**
Cash flow hedges (net of tax)					8,213							**8,213**		**8,213**
Actuarial valuation of employee benefit obligations (net of tax)							8,331					**8,331**		**8,331**
Translation differences								121,378				**121,378**	-328	**121,050**
Income and expenses recognised in equity	**0**	**0**	**0**	**0**	**8,213**	**2,183**	**8,331**	**121,378**	**0**	**0**	**0**	**140,105**	**-328**	**139,777**
Total comprehensive income	**0**	**0**	**571,882**	**0**	**8,213**	**2,183**	**8,331**	**121,378**	**0**	**0**	**0**	**711,987**	**13,297**	**725,284**
Dividends paid			-135,226									**-135,226**		**-135,226**
Transactions with shareholders	**0**	**0**	**-135,226**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-135,226**	**0**	**-135,226**
Acquisition of treasury shares										-9,418		**-9,418**		**-9,418**
Acquisition of non-controlling interests			-3,912					387				**-3,525**	3,525	**0**
Long-term incentive plan for senior executives			628						878	229		**1,735**	34	**1,769**
Hyperinflation adjustments			342									**342**		**342**
Other movements		10	17,121									**17,131**		**17,131**
Equity 31/12/2021	**67,637**	**268**	**2,094,072**	**5,242**	**-272**	**-370**	**5,820**	**-10,154**	**3,048**	**-10,251**	**0**	**2,155,040**	**59,822**	**2,214,862**
Profit/(loss) for the year 2022			**556,054**									**556,054**	**14,332**	**570,386**
Financial assets at fair value through other comprehensive income (net of tax)						370						**370**		**370**
Cash flow hedges (net of tax)					39,041							**39,041**		**39,041**
Actuarial valuation of employee benefit obligations (net of tax)							29,631					**29,631**	7	**29,638**
Translation differences								104,077				**104,077**	-596	**103,481**
Income and expenses recognised in equity	**0**	**0**	**0**	**0**	**39,041**	**370**	**29,631**	**104,077**	**0**	**0**	**0**	**173,119**	**-589**	**172,530**
Total comprehensive income	**0**	**0**	**556,054**	**0**	**39,041**	**370**	**29,631**	**104,077**	**0**	**0**	**0**	**729,173**	**13,743**	**742,916**
Dividends paid			-129,850									**-129,850**		**-129,850**
Interim dividend											-74,799	**-74,799**		**-74,799**
Transactions with shareholders	**0**	**0**	**-129,850**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-74,799**	**-204,649**	**0**	**-204,649**
Acquisition of treasury shares										-206,005		**-206,005**		**-206,005**
Amortisation of treasury shares	-2,706		-121,588							124,294		**0**		**0**
Long-term incentive plan for senior executives			-810						647	1,234		**1,071**	31	**1,071**
Hyperinflation adjustments			973									**973**		**973**
Result of sale of financial assets at fair value through other comprehensive income			-803									**-803**		**-803**
Other movements			-703									**-703**		**-703**
Equity 31/12/2022	**64,931**	**268**	**2,397,345**	**5,242**	**38,769**	**0**	**35,451**	**93,923**	**3,695**	**-90,728**	**-74,799**	**2,474,097**	**73,596**	**2,547,693**

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of euros at 31 December 2022 and 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	**831,275**	**765,729**
Adjustments to the result:		
Depreciation of fixed assets	192,935	179,103
Impairment losses	290,561	-4,019
Changes in provisions	19,130	19,515
Allocation of subsidies	-7,522	-5,583
Gain or loss on disposal of fixed assets	150	-2,078
Gain (loss) on disposal of financial instruments	3	
Changes in fair value of financial instruments	3,238	14,404
Finance income	-26,074	-2,921
Finance costs	62,799	45,280
Equity in income of associates		
Other income and expenses	-14,715	15,303
Variations in working capital:		
(Increase)/decrease in trade and other receivables	194,322	-306,348
(Increase)/decrease in inventories	-432,423	-560,381
Increase/(decrease) in trade and other payables	-306,199	406,943
Other cash flows from operating activities		
Interest payments	-50,050	-42,976
Interest income	24,890	2,709
Income tax paid	-238,237	-136,866
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES	**544,083**	**387,814**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-134,044	-99,451
Acquisition of intangible assets	-2,673	-2,691
Dependent acquisition net of cash acquired		
Acquisition of other financial assets	-1,811	-1,175
Proceeds from disposal of property, plant and equipment	2,004	12,699
Proceeds from disposal of intangible assets		
Proceeds from disposal of other financial assets	10,158	116
Dividends received	866	66
Other receivables/(payments) for investments		
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	**-125,500**	**-90,436**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of own equity instruments		
Acquisition of treasury shares	-206,004	-9,418
Disposal of treasury shares		
Collection of third-party resources	1,028,740	740,799
Repayment of interest-bearing liabilities	-908,921	-585,841
Dividends paid	-129,850	-135,226
Distribution of share premium		
Contribution of external partners		
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	**-216,035**	**10,314**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**202,548**	**307,692**
Cash and cash equivalents at beginning of year	1,274,929	917,118
Effect of changes in exchange rates	70,563	50,119
CASH AND CASH EQUIVALENTS AT YEAR-END	**1,548,040**	**1,274,929**

6. EXPLANATORY NOTES TO THE ANNUAL FINANCIAL REPORT

ACCOUNTING POLICIES

These financial statements were prepared using the same accounting principles (EU-IFRSs) as were used for 2021, except for the amendments adopted by the European Union and mandatorily applicable from 1 January 2022, which have not had any impact on the Group.

With regard to the individual accounts of the Group's parent company, Acerinox, S.A., the accounting policies applied in the preparation of the financial statements are those established in the current Spanish National Chart of Accounts, approved by Royal Decree 1514/2007, of 16 November, and the latest amendments introduced by Royal Decree 1/2021, of 12 January.

The accounting policies have been applied, both at individual and consolidated level, on a consistent basis with respect to the last audited financial statements.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting estimates and judgements used by the Group in this financial year 2022 have been applied consistently with those used in the last approved annual accounts for the financial year 2021.

In preparing the consolidated financial statements, Company management is required to make certain judgements, estimates and assumptions that affect the application of the accounting policies and, therefore, the figures presented in these consolidated financial statements.

The accounting estimates and judgements are assessed on an ongoing basis and are based on historical experience and other factors, including expectations regarding future events that are considered to be reasonable. The Company may revise such estimates if changes were to occur in certain events or circumstances. Changes in estimates are recognised in the Group's consolidated financial statements prospectively, as established in IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

FINANCIAL RISK MANAGEMENT

The risks to which the Group is exposed remain unchanged compared to the last audited financial statements for the year 2021.

The Group's activities are exposed to various financial risks: market risk (foreign currency risk, interest rate risk and price risk), credit risk, liquidity risk and climate risk. The Group aims to minimise the potential adverse effects on its financial profitability through the use of derivative financial instruments, where appropriate to the risks, and by taking out insurance policies.

Over the last two years, the sharp increases in the price of supplies, principally gas and electricity, have acquired special relevance. This unprecedented increase affected the Group's plants in Europe and especially in Spain, resulting in a loss of competitiveness with respect to other producing countries around the world. Prices have continued to increase in this financial year 2022 mainly affected by Russia's invasion of Ukraine and international blockades. The increase in gas and energy prices at the Palmones plant alone, which has been the most affected, meant a EUR 136 million increase in costs with respect to last year's prices. The Group is seeking to mitigate these effects by improving energy efficiency and by contracting PPAs. Due to its electro-intensive nature, this is a strategic area for the Group and a constant element in excellence plans. The Group also has a number of renewable energy contracts and is constantly analysing alternative sources of supply in order to reduce costs.

The Group has incorporated these variables as key assumptions in the valuations, mainly in Europe, and performs sensitivity analyses to changes in energy prices.

The impact of Russia's invasion of Ukraine

As regards the geopolitical situation caused by the Russian invasion of Ukraine, this has not had a significant direct impact on the Group this year, but it has had an indirect impact, due to the increase in energy prices, motivated by the uncertainties caused by the war and the political instability generated.

As far as the Group's business was concerned, from the moment the war started, the Group's exposure in Russia was reduced to a minimum and sales were halted. The Group is closing its sales office in the country, which had only three employees. The Group is currently in the process of closing this office.

With regard to purchasing, the Group has very diversified sources of supply of raw materials and follows a strategy of responsible purchasing. Significant efforts have been made during the year to secure alternative supplies, which has made it possible to reduce and avoid dependence on Russian raw materials.

SIGNIFICANT EVENTS IN THE FINANCIAL YEAR 2022

An explanatory note on the results for the financial year 2022 is attached.

CHANGES IN THE SCOPE OF CONSOLIDATION

There were no changes in the Group's scope of consolidation during the year.

FINANCIAL REPORTING BY SEGMENTS

The Group is organised internally by operating segments, the strategic business units, which are made up of different products and services that are managed separately, so that Group management reviews internal reports for each of these segments at least monthly.

As explained in the interim financial statements for the first half of this year, on the occasion of the acquisition of the VDM Group in 2020, the Group's management modified the configuration of the operating segments, integrating the segments of flat, long and other stainless steel products into a single segment called "Stainless steel". In addition, 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 the two products, the Group's management has decided to manage only these two segments separately. The Group presents information classified in these two categories on a retrospective basis.

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

- Stainless steel: includes both flat and long stainless steel products.
- High-performance alloys: special alloys with 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 significant 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, parent company of the Acerinox Group, is to approve and monitor the strategic lines of business. It also provides a range of corporate and advisory services in various areas. Among others, it carries out the oversight and management of financing within the Group, as it is through Acerinox, S.A., where all financing is centralised.

The result of the "Unallocated" segment reflects hardly any revenues as these, in the parent company, are always with Group companies and have therefore been eliminated in the consolidation process. The financial costs of this segment are the highest, due to the centralisation of financing mentioned above.

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.

Operational segments

Segment results for the year ended 31 December 2022 are as follows:

(Amounts in thousands of euros)

	2022				
	Stainless Steel	**High-performance alloys**	**Unallocated**	**Adjustments**	**Total**
Statement of profit or loss					
Revenue	7,477,172	1,280,405	2,853	-3,540	8,756,890
Inter-segment sales	-2,508	-1,032		3,540	
Total revenue	**7,474,664**	**1,279,373**	**2,853**		**8,756,890**
Gross profit from operations	1,181,185	124,897	-33,473		1,272,609
Depreciation and amortisation charge	-160,406	-31,832	-697		-192,935
Impairment losses	-203,905				-203,905
Finance income	24,035	490	1,548		26,073
Finance costs	-20,225	-16,395	-26,179		-62,799
Exchange differences	1,214	-10,856	1,877		-7,765
Impairment of financial instruments	-3				-3
Profit (loss) before tax	**821,895**	**66,304**	**-56,924**		**831,275**
Income tax	-231,816	-23,343	-5,730		-260,889
Consolidated profit (loss) for the year	**590,079**	**42,961**	**-62,654**		**570,386**
Attributable to:					
Non-controlling interests	14,332				14,332
Net profit (loss) attributable to the Group	**575,747**	**42,961**	**-62,654**		**556,054**

There are no significant items that have not been reflected in cash flows other than depreciation and amortisation and impairment.

The data for 2021 are as follows:

(Amounts in thousands of euros)

	2021				
	Stainless Steel	**High-performance alloys**	**Unallocated**	**Adjustments**	**Total**
Statement of profit or loss					
Revenue	5,932,046	821,885	2,316	-3,558	6,752,689
Inter-segment sales	-3,466	-92		3,558	
Total revenue	**5,928,580**	**821,793**	**2,316**		**6,752,689**
Gross profit from operations	955,714	60,695	-27,599		988,810
Depreciation and amortisation charge	-148,698	-29,638	-767		-179,103
Impairment losses					
Finance income	2,050	266	605		2,921
Finance costs	-13,600	-8,261	-23,419		-45,280
Exchange differences	2,908	-3,935	-592		-1,619
Profit (loss) before tax	**798,374**	**19,127**	**-51,772**		**765,729**
Income tax	-171,162	-6,048	-3,012		-180,222
Consolidated profit (loss) for the year	**627,212**	**13,079**	**-54,784**		**585,507**
Attributable to:					
Non-controlling interests	13,625				13,625
Net profit (loss) attributable to the Group	**613,587**	**13,079**	**-54,784**		**571,882**

There are no significant items that have not been reflected in cash flows other than depreciation and amortisation and impairment.

VALUATION ADJUSTMENTS FOR IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At the end of each reporting period, the Group assesses whether there is any indication of impairment of assets. The value of an asset is impaired when its carrying amount exceeds its recoverable amount. The Group considers that indications of impairment exist when there is/are a significant decrease in the value of the asset, significant changes in the legal, economic or technological environment that could affect the measurement of assets, obsolescence or physical impairment, idle assets, low returns on assets, discontinuation or restructuring plans, repeated losses at the entity or substantial deviation from the estimates made. That is to say, to assess indications of impairment, both external sources of information (technological changes, significant fluctuations in market interest rates, market value of the assets) and internal sources of information (evidence of obsolescence, sustained losses at the entity, substantial deviation from estimates, etc.) are taken into account.

During the year the Group recognised an impairment loss of EUR 204 million in the Bahru Stainless Group company, based on the valuation performed by an independent expert.

INVENTORIES

The detail of this heading in the consolidated statement of financial position as at 31 December is as follows:

(Amounts in thousands of euros)

	2022	2021
Raw materials and other supplies	547,965	481,199
Products in process	714,171	594,214
Finished products	695,494	605,376
By-products, waste and recoverable materials	197,912	95,821
TOTAL	**2,155,542**	**1,776,610**

The increase in inventories is mainly due to the increase in both raw material prices and the value-added embedded in work-in-process and finished goods.

At the close of 2022 the Group recognised an adjustment of EUR 97,618 thousand in order to measure its inventories at net realisable value where this was lower than cost. An adjustment of EUR 10,948 thousand was recognised in 2021. The increase is due to lower sales prices, mainly in Europe, and higher production costs.

FINANCIAL INSTRUMENTS

The breakdown of financial instruments by category is as follows.

Categories of financial assets and liabilities

At year-end the Group's financial assets were as follows:

(Amounts in thousands of euros)

Class / Category	Long-term financial instruments						Short-term financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Loans and receivables					4,533	3,437					642,392	839,744
Held-to-maturity investments												
Equity instruments:												
- At fair value through other comprehensive income		10,729										
- Valued at cost	394	396										
Assets at fair value through profit or loss					115	45					5,219	8,766
Hedging derivatives					25,540	1,017					41,756	6,449
TOTAL	**394**	**11,125**			**30,188**	**4,499**					**689,367**	**854,959**

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

(Amounts in thousands of euros)

Class / Category	Long-term financial instruments						Short-term financial instruments					
	Bank borrowings		Bonds and other marketable securities		Derivatives and others		Bank borrowings		Bonds and other marketable securities		Derivatives and others	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Financial liabilities at amortised cost	1,319,182	1,293,494	74,850	75,750	14,777	15,830	592,858	483,271	1,634	1,634	1,269,353	1,446,680
Liabilities at fair value through profit or loss					194	8					12,367	6,999
Hedging derivatives						2,437					12,637	5,515
TOTAL	**1,319,182**	**1,293,494**	**74,850**	**74,750**	**14,971**	**18,275**	**592,858**	**483,271**	**1,634**	**1,634**	**1,294,357**	**1,459,194**

Financial assets at fair value through other comprehensive income

As explained in the latest published consolidated annual accounts for the 2021 financial year, Acerinox classifies in this category the shares that the Group does not hold with the intention of selling and that it has designated in this category at the initial time. Specifically, until 30 June 2022, the Group had classified the shares it held in Nippon Steel & Sumitomo Metal Corporation (Nippon) in this category.

During the year, the Group sold its stake in this company for EUR 10,157 thousand. At 30 June, the shares were valued at EUR 10,008 thousand and classified as assets at fair value through other comprehensive income. Therefore the gains on their sale have been classified against equity, as can be seen in the statement of changes in equity.

Bank borrowings

At 31 December 2022, the Acerinox Group had arranged bank credit facilities and private placements amounting to EUR 2,786 million (31 December 2021: EUR 2,582 million), in addition to approved non-recourse factoring facilities amounting to EUR 480 million (31 December 2021: EUR 520 million). The amount drawn down on financing facilities at 31 December 2022 amounted to EUR 1,989 million, (31 December 2021: EUR 1,853 million) and EUR 329 million on factoring facilities (31 December 2021: 287 million).

The most significant financing operations carried out during the year were as follows:

- Renewal and extension of credit facilities up to a total amount of EUR 301 million and USD 135 million.
- Novations of existing loans with extension of amounts up to EUR 320 million and with extension of maturities.
- Signing of five new long-term loans with various financial institutions for a total amount of EUR 145 million.
- Refinancing of VDM for a total amount of EUR 340 million, through a long-term loan of EUR 50 million and seven bilateral financing facilities for an aggregate amount of EUR 290 million.
- Increase in lines for the issuance of import letters of credit by more than EUR 100 million.

Regarding debt novations, the Group assessed the significance of the modifications made to determine whether they were substantially different, in accordance with the criteria established in the Group's accounting policy, and recognised the effects of some of the new agreements as an extinguishment and the simultaneous recognition of a new loan. During the year, the amount of fees and commissions recognised in income in this connection amounted to EUR 557 thousand.

EQUITY

Subscribed capital, share premium and treasury shares

The detail of the changes in the shares outstanding in 2022 and 2021 is as follows:

	No. of shares (thousands)	No. of treasury shares (thousands)	Treasury shares (in thousands of euros)	Share capital (in thousands of euros)	Share premium (in thousands of euros)
As of 1 January 2021	**270,546**	**-93**	**-1,062**	**67,637**	**258**
Acquisition of treasury shares		835	-9,418		
Amortisation of treasury shares					
Long-term incentive plan (delivery of treasury shares)		20	229		
Other movements					10
As of 31 December 2021	**270,546**	**-908**	**-10,251**	**67,637**	**268**
Acquisition of treasury shares		-20,415	-206,005		
Amortisation of treasury shares	-10,822	10,822	124,294	-2,706	
Long-term incentive plan (delivery of treasury shares)		109	1,234		
As of 31 December 2022	**259,724**	**-10,392**	**-90,728**	**64,931**	**268**

a) Share capital

The Parent's share capital solely comprises ordinary shares. All these shares carry the same rights and there are no bylaw restrictions on their transfer.

At the cut-off date the share capital consisted of 259,724,345 ordinary shares of EUR 0.25 nominal value each, yielding capital of EUR 64,931 thousand (270,546,193 ordinary shares at the end of 2021 and a capital figure of EUR 67,637 thousand). The shares have been fully subscribed and paid.

The Board of Directors of Acerinox, S.A. held on 30 June 2022, on the basis of the authorisation granted by the Annual General Meeting of Acerinox, S.A. held on 16 June 2022, resolved to execute the resolution to reduce share capital, reducing it by EUR 2,706 thousand through the redemption of 10,821,848 treasury shares. The purpose of this reduction of share capital through the redemption of treasury shares is to increase the value of the shareholders' stake in the Company.

All the Company's shares are listed on the Madrid and Barcelona stock exchanges.

b) Treasury shares

At year-end the Group holds 10,392,404 treasury shares with a value of EUR -90,728 thousand (908,669 treasury shares with a value of EUR 10,251 thousand at 31 December 2021).

In March this year, we concluded the share buyback programme of 4%, which commenced in December. The cash outflow for this item amounted to EUR 114,875 thousand, the total for the programme being EUR 124,294 thousand. As explained in the section on share capital, all shares corresponding to this buy-back programme have been redeemed this year. Effective 30 August 2022, 10,821,848 shares of Acerinox, S.A. have been delisted from trading on the Madrid and Barcelona Stock Exchanges.

Moreover, the Board of Directors meeting on 27 July 2022, in view of the Company's financial strength, cash generation prospects and the low level of the share price, agreed to initiate a new 4% share buy-back programme. This programme fulfils the Company's commitment to redeem the shares that were issued in the years when scrip dividends were made.

On 26 October 2022, the Company completed the acquisition of 10,388,974 shares included in the approved buy-back programme. The redemption of the shares acquired will be proposed to the Ordinary Annual General Meeting in 2023. The disbursement made by the Group this year in connection with this programme amounted to EUR 114,875 thousand (as of 31 December 2021, 835,361 shares had been acquired for a total amount of EUR 9,418 thousand).

In June this year, 109,378 treasury shares were delivered to Group executives as a result of the completion of the second cycle of the First Multi-Year Remuneration Plan (20,112 shares delivered to executives in 2021). In this way, treasury shares totalling EUR 1,234 thousand were derecognised (EUR 229 thousand in 2021). The difference between the equity instruments recorded 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 company in the amount of EUR -810 thousand (EUR 628 thousand taken against reserves in 2021). During the year, 40,000 treasury shares amounting to EUR 419 thousand were acquired to cover the multi-year remuneration plans for executives.

Dividends paid

The Board of Directors of Acerinox, S.A. held on 20 December 2022 has decided to propose to the Ordinary Annual General Meeting of Shareholders of the Company a dividend of EUR 0.60 per share charged to 2022 results, of which EUR 0.30 will be paid as an interim dividend on 27 January 2023. This dividend will be submitted for approval at the Annual General Meeting to be held in 2023. The Group has recognised the interim dividend in its 2022 financial statements.

The Annual General Meeting held on 16 June 2022 approved the distribution of a dividend of EUR 0.50/share, which was paid on 5 July 2022. The amount paid amounted to EUR 129,850 thousand.

RELATED PARTY BALANCES AND TRANSACTIONS

Identification 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; and
- significant shareholders of the Parent.

Related party transactions and balances

The only transactions carried out with related parties relate to the Directors and key management personnel in payment for the functions performed, all of which are carried out on an arm's length basis.

a) Directors and key management personnel

The remuneration received in 2022 by the nine senior executives, who do not hold positions on the Board of Directors of Acerinox, S.A., amounts to EUR 8,124 thousand. Of this amount, EUR 3,061 thousand are salaries, EUR 4,082 thousand are variable remuneration corresponding to the previous year's results and EUR 981 thousand are benefits in kind, partly derived from the shares they received for completing the first cycle of the multi-year remuneration plan, as explained below. They did not receive any per diems during this financial year. In 2021 the nine senior executives received EUR 4,448 thousand, of which EUR 2,728 thousand related to salaries, EUR 1,398 thousand to variable remuneration based on the previous year's results and EUR 322 thousand to remuneration in kind. No per diems were received.

In 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 other Group companies, earned EUR 4,250 thousand in fixed allowances, attendance fees, and fixed and variable salaries (the latter based on the previous year's results), of which EUR 1,443 thousand related to salaries and fixed allowances for directors, EUR 726 thousand to attendance fees, EUR 1,500 thousand to variable remuneration based on the previous year's results and EUR 581 thousand to remuneration in kind. In 2021 the remuneration received amounted to EUR 2,580 thousand, of which EUR 1,388 thousand related to salaries and fixed allowances of directors, EUR 601 thousand to attendance fees, EUR 493 thousand to variable remuneration based on the previous year's results and EUR 98 thousand to remuneration in kind.

There are obligations arising from certain senior executive retirement benefit arrangements amounting to EUR 17.9 million (2021: 16.5 million), of which EUR 5.3 million correspond to the CEO (2021: EUR 5.2 million). In 2022 and 2021 these obligations were duly covered by insurance contracts, to which EUR 1,512 thousand were contributed in 2022 and EUR 1,751 thousand in 2021. There are no obligations to proprietary or independent directors of Acerinox, S.A. At 31 December 2022, no advances or loans had been granted to the members of the Board of Directors or senior executives, and there were no balances receivable from or payable to them.

In relation to the multi-year remuneration or long-term incentive (LTI) plan, the expense incurred in the year in relation to the CEO and senior executives, the balancing entry of which is recognised under "Other Equity Instruments", amounts to EUR 1,146 thousand, of which EUR 286 thousand relate to the CEO (2021: EUR 1,381 thousand, of which EUR 352 thousand relate to the CEO). On 1 January 2021, a new multi-year remuneration plan was approved, which, like the previous one, consists of three cycles of three years each. Other Group executives have also been included in this second plan. During the year, the shares corresponding to the second cycle of the first approved share-based remuneration plan were delivered. A total of 109,378 shares were delivered (20,112 shares corresponding to the first cycle were delivered in 2021), after deducting applicable withholdings, of which 34,537 corresponded to the Chief Executive Officer (5,560 in 2021). The difference between the amount recorded as other equity instruments corresponding to that cycle and the amount of shares finally delivered, amounting to EUR -810 thousand, has been recorded against equity under the "reserves" caption (2021: EUR 628 thousand).

The Company's directors and their related parties were not involved in any conflict of interest that had to be reported pursuant to Article 229 of the Consolidated Spanish 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 paid in 2022 amounted to EUR 718 thousand (2021: EUR 542 thousand).

In 2022 and 2021 the members of the Board of Directors did not perform any transactions with the Company or with Group companies that were outside the normal course of business or were not on an arm's length basis.