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# CHIEF EXECUTIVE OFFICER'S REPORT

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General Shareholders' Meeting 2023

MADRID, MAY 23, 2023

ACERINOX

Ladies and gentlemen, shareholders, good morning to you all.

Thank you very much again for joining us at this Acerinox General Meeting of Shareholders, on this occasion corresponding to fiscal year 2022.

Once again I have the honor of addressing you to report on the company's results for the past fiscal year and to thank you for the trust you place in Acerinox's senior management team.

As our chairman mentioned in his speech, today we present and try to explain the company's performance during a year that proved to be a great challenge due to the complex context in which it took place. These circumstances made management difficult, and nevertheless, we achieved the highest turnover in our history: 8,688 million euros. EBITDA generation also reached a record 1,276 million.

I would like to start by highlighting the fact that, thanks to these exceptional results, we have allocated the largest amount in the history of the company—336 million euros—to our shareholders, between the amount allocated to dividends and share repurchases for subsequent amortization. We want to continue advancing this remuneration policy; in fact, the Board of Directors decided to propose to this 2023 General Meeting of Shareholders an increase in the ordinary dividend to 0.60 euros per share, which represents a 20% increase, in response to better expectations and confidence in our business model and our strategy.

In order to explain the circumstances in which these excellent results took place, let me go back to the starting point, which we described in this same report a year ago. After two years of decline in apparent consumption of stainless steel in the main markets and the anticipated recovery that was cut short by the COVID pandemic in 2020, stainless steel inventories were at a minimum, as were those of the industrial equipment and consumer goods that use our materials. This extends to a good number of industrial products.

The subsequent strong rebound, which began at the end of 2020 and was particularly pronounced during the 2021 financial year, boosted consumption at all levels of the supply chain. This effect was especially notable at the beginning of the chain, where our activity occurs, due to amplification. This allowed Acerinox to achieve the best results since its founding that year, and those results were surpassed again in 2022.

The tailwind continued to boost our activity during the first two quarters, despite the unfortunate invasion of Ukraine, which, while creating multiple uncertainties in the economy, did not initially manage to stop the inertia of the expansionary phase in which we found ourselves.

Only the sharp rise in inflation, largely due to rising energy prices, and the reaction of central banks, which raised interest rates several months later, led to a change in sentiment in our sector, with the shadow of recession spreading across markets.

We hope that the good decisions of the central banks and the experience of recent years will lead the economy to a new, more moderate phase, and that little by little, normality will be restored with the return to less pronounced and more predictable economic cycles.

The consequences of the macroeconomic framework I just described in a cyclical business such as stainless steel are clearly explained if we distinguish between actual consumption and apparent consumption of our products. The sales of stainless steel manufacturers are divided almost equally between two large groups: the end consumer and distributors.

The former includes industrial companies that use our products as raw materials and that, due to their higher consumption, buy directly from manufacturers. Among these are manufacturers of household appliances, automobile exhaust systems, industrial cooling equipment, kitchen furniture and equipment, and chemical or food storage tanks, among others. Of course their purchases vary with economic cycles, but generally they match these swings more moderately.

This is not the case in the stainless steel distribution sector, which is driven not so much by actual consumption as by expected consumption; purchases must be anticipated by trying to predict changes in actual demand in order to meet that demand with inventories. This is what we mean by apparent consumption, which includes both actual consumption and variations in warehouse inventories. As in many other markets, this management of expectations tends to amplify cycles, as purchases decrease in times of uncertainty, and increase more than necessary when higher consumption is expected, in order to increase inventories and respond to better sales forecasts.

The latter is precisely what happened throughout 2021 and the first part of 2022. Overflowing optimism due to a steady pace of consumption boosted purchases and caused all factories in Europe and the United States to work at full speed, even creating a sense of lack of supply that prompted a significant increase in Asian imports.

Therefore, fiscal year 2022 had two distinct halves. While the tailwind lasted, we were able to take advantage of the strong market. During the first half of 2022, we achieved the best half-year results in our history, taking advantage of the increased competitiveness attained over the last few years.

While the inertia of the business allowed us to enjoy this boom until midyear, by March and April a change of cycle was signaled by increases in interest rates to contain inflation. These measures caused a sharp change in the purchasing policy of stainless steel distributors. Inventories, which were short a few months earlier, were now excessive for the new cycle ahead. Furthermore, imported materials had yet to arrive, with a delivery period of up to five months, making it difficult to quickly correct inventories. As a result, there was an overreaction that reduced factory activity to a minimum.

This process was compounded, on the other side of the world, by the effects of China's zero-COVID policy, which slowed consumption, but did not slow steel manufacturing, which meant the accumulation of large quantities of stock in warehouses. This resulted in the availability of large volumes of low-priced materials with fast delivery times, at a time when markets could not absorb them.

This is how we met the second half of the year, reducing activity in our factories to keep our inventories and working capital at moderate levels, and with enormous pressure to lower prices, which reached historic lows in Europe due to the heavy influx of imports. Once again, the need for trade defense measures in Europe to prevent unfair trade became clear, since

the system of safeguard measures, while necessary, only functions properly in times of market growth.

While the situation in the United States was very similar, the 25% protection of Section 232 made it possible to face the change less abruptly, adjusting production to level out inventories, which were also high, but maintaining reasonable prices.

To illustrate the situation, consider that apparent consumption remained flat in Europe in 2022 and decreased by 5% in the United States, while imports grew by 34% and 29%, respectively. Now in 2023, inventory correction is coming to an end following a 30% decline in apparent consumption in the United States and a 33% decline in Europe, with imports now at normal levels.

The situation in the high-performance alloy market, where VDM operates, was very different. Projects that had been delayed came to fruition, especially in the oil and gas, power generation, and chemicals sectors. The strong demand for these materials allowed us to achieve a solid order book and improve our earnings.

We are convinced that the experience amassed by the Acerinox management team over the course of the numerous crises of recent years made a decisive contribution to minimizing the damage. Their sensible and timely decisions prevented a much greater impairment and allowed us to achieve unforgettable results in fiscal year 2022, with record figures in revenue (8,688 million euros), EBITDA (1,276 million), and shareholder remuneration (336 million), among others, as we have mentioned.

If the same was not true of net profit, it was because prudent accounting principles led us to write down the value of the investment in Malaysia by 204 million euros due to strong competition in the region. The same principles led us to make an inventory adjustment amounting to 98 million euros. These and other measures are helping us face 2023 with greater peace of mind.

In a cyclical business and one with increasingly pronounced volatility, it is important to keep working capital and debt under control. Debt was reduced by 138 million euros during the year, with a net financial debt of 440 million as of December 31. This is only 0.35 times our EBITDA, after making investment payments of 126 million euros and allocating the aforementioned 336 million to shareholder remuneration.

Unfortunately, Acerinox's good health is not reflected in our share value, which closed the year with a price of 9.24 euros per share and a market capitalization of 2,400 million euros, only 1.88 times the EBITDA generated.

We hope markets will recognize our company's higher value and cash-generating ability once doubts surrounding the economy have abated and appetite increases for the European industrial sector, which has been somewhat forgotten by the investor community over the past decade.

We are convinced that recent events—from pandemics, to a war on Europe's doorstep, and supply chain disruptions—highlight the strategic need for closer and more diversified supply sources that guarantee the continuity of industrial activity, which is crucial to a certain autonomy and independence from other economic powers.

This phenomenon will also have a positive effect on sustainability, improving the overall impact of our activity in terms of scope 3 emissions, given that it means supply sources are closer to production sites and transport emissions can be avoided or reduced.

This new model of reindustrialization of large areas where we operate, which we have been aiming for for years, should return to the industry the weight it deserves in Western countries' strategy to provide independence, growth, and quality employment. They have seen this clearly in the United States, and it seems that Europe is also waking up to the new situation. We do not think that this is the end of globalization, but it is a process of diversification and regionalization that will undoubtedly favor our activity and that of our customers.

Moreover, this must be the case if we aim for sustainable development in which responsible industry and the circular economy must play an essential role recognized by society. This is how we see it at Acerinox, where we are clearly betting on this vision from several fronts.

On the one hand, we are improving our efficiency to optimize the use of resources in the manufacture of our products—something we have promoted through our Excellence 360 plans for more than a decade—and we are now also adding the advances of digital transformation.

On the other hand, we are maximizing the use of scrap metal and other recycled materials as raw material (we have reached more than 90%), placing us among the biggest recyclers in our country. We use these raw materials to produce an extraordinary good: stainless steel, which is durable and fully and infinitely recyclable without losing any of its defining characteristics, which include corrosion resistance, durability, mechanical strength, ease of cleaning, minimal maintenance, and many others.

These principles are reflected in our 2030 sustainability objectives and they are explained in further detail in our plan Positive Impact 360 that supports one of the main axes of the Group's strategy. In addition to using recycled materials to manufacture stainless steel, other highlights include reduced CO<sub>2</sub> emissions, reduced water consumption, increased diversity within the Group, and the elimination of accidents in our facilities. In this last area, we have seen a remarkable 28% decrease in the accident rate compared to data from 2021. Another very important milestone during the year was receiving Platinum distinction—the highest possible—from the independent platform Ecovadis, which assesses sustainability in global supply chains. With this rating, Acerinox ranks among the top 1% of more than 100,000 companies assessed in more than 200 countries. Detailed information on all of these milestones and on Acerinox's sustainability performance can be found in our 2022 Annual Report.

Our contribution in this area was also recognized recently at the awards of the international association worldstainless, held in Brussels on May 11, in which projects submitted by Group companies received awards in the categories of Sustainability and Safety. Acerinox Europe won the gold medal in Sustainability, and the bronze medal in this same category went to our Malaysian plant, Bahru Stainless.

As for Safety, our top priority, the gold medal went to Bahru Stainless, and the bronze to our US factory, North American Stainless.

Our plants' rapid adaptations in production, especially during the second half of the year, meant that our production figures did not match the good financial results. Total steel production, 2.19 million tons, was 16% lower than in 2021.

In the last two years, the sharp increase in energy prices in Europe, especially those of gas and electricity, has taken on particular importance. This unprecedented increase has affected the Group's factories located on the European continent, especially those in Spain. Prices have continued to rise in 2022, impacted by the Russian invasion of Ukraine and international blockades. The increase in energy prices at the Acerinox Europe plant in Campo de Gibraltar alone, which is the most affected, led to a cost increase of 136 million euros compared to last year, in addition to the 83 million we reported in 2021.

These extra costs are higher than those of our European competitors, and they are certainly well above those of other regions, meaning our activity has been greatly impaired. This forced us to stop our steelworks on several occasions and apply for a temporary labor force adjustment plan (ERTE).

It is worth pointing out that the problem of energy prices for intensive industries is a European problem, but even more so, it is a Spanish problem that undermines the competitiveness of our country's industry. We have spoken out about this disadvantage for years, but in recent fiscal years it has become unsustainable. Without a firm commitment to large industry—intensive in its consumption of electricity and gas—as we have seen in neighboring countries, the strategic autonomy that our leaders so often mention will be unfeasible.

On another note, I would like to highlight the versatility achieved in our South African Columbus Stainless factory, which produced both stainless steel and carbon steel in the same facility, making us more stable and less dependent on export markets.

Undoubtedly, our favorable results would not have been possible without the contribution of our factory in Kentucky, North American Stainless, which has established itself as a market leader, not only in the United States, but across North America.

I must thank the good work of the people who make this success possible, as well as the trust placed in us by our customers who see our American company as their business partner of choice.

Confidence in the market and in our good position encouraged us to evaluate a new investment of 244 million dollars, which was approved at the beginning of 2023. This investment will allow us to increase production at our American factory by up to 20% over three years through the purchase of equipment that will process the increased demand in steel mill production thanks to improved productivity and efficiency that will be achieved by applying digital solutions to traditional techniques. This is a significant technological achievement that will be reflected in the high profitability of this investment.

Finally, it is worth highlighting the success of the purchase and the good performance of the German company VDM Metals, a world leader in the manufacture of high-performance alloys. Only three years after the acquisition, we can say that VDM and its people are fully integrated into the Group's organization and make a significant contribution to Acerinox's earnings. In 2022, they reached new records in both production and earnings.

We have strengthened the collaboration between our stainless steel and alloy factories, improving productivity and expanding product ranges, making us one of the manufacturers with the largest range of advanced material solutions in the world. The synergies achieved in 2022 of 25.4 million euros exceeded the objectives for the year by 52%, and the collaboration between commercial teams has allowed us to expand our customer base by more than 100 new clients. We continue to explore this sector in search of more opportunities for growth, both organic and inorganic.

All in all, despite the great results, we cannot say that 2022 was an easy year to manage.

We have suffered the effects of the invasion of Ukraine. I would like to mention here that Acerinox's supply sources are highly diversified, following our responsible purchasing strategy. We have managed to avoid shortages in our supplies, while eliminating the dependence on raw materials of Russian origin. Our objective is for our raw materials to come only from countries that respect human rights and international law.

We also had to deal with the collapse and shutdown of the London Metal Exchange, which hindered normal pricing operations for both raw materials and finished products during March and April.

We have experienced frequent power outages in South Africa, in addition to floods there that have made it difficult to ship our goods.

We have endured carrier strikes in Spain. In short, we have been able to successfully overcome a large number of unforeseen situations, thanks to good risk management perfected over the last few years, incorporating uncertainty, flexibility, and responsiveness into our management.

Of course, overcoming all these difficulties has been possible mainly thanks to the effort, professionalism, and commitment of all those who form part of Acerinox—the 8,200 people who live and breathe this Group. This year, once again, I must express my admiration and gratitude for their commitment and dedication that allowed us to achieve exceptional results. I can only feel privileged to continue working for this great company, which continues to excel year after year thanks to the good work and involvement of all the people who make it up.

I am especially grateful to leadership and all my closest collaborators around the world for their strong support in overcoming all the challenges. The mutual understanding, experience, and professionalism of the team greatly facilitate my work.

I am convinced that we are moving toward a new economic order that give industry back an essential role in Europe and the United States that will favor our activity. We will not miss this opportunity for which we have been preparing for years, having equipped our organization with a better and more agile governance structure that focuses on satisfying all our stakeholders. We are committed to continuing our work to improve and achieve greater success that will repay our shareholders for the trust they have placed in this team and give them new reasons to celebrate.

I conclude my message by reiterating my thanks to all those who make our work possible: customers, suppliers and, above all, to our shareholders for their support and trust, which motivates and encourages us. All of them will continue to find in Acerinox a responsible

partner they can rely on. The company is prepared and maintains its strength and ability to move forward with the same spirit and ambition that has always defined it.

Thank you very much.

**Bernardo Velázquez**

Chief Executive Officer

May 2023