

# **ACERINOX 2021 GENERAL SHAREHOLDERS' MEETING (16 June 2022)**

Shareholders, good day to you all.

Thank you once again for accompanying us in this General Shareholders' Meeting of Acerinox, on this occasion, corresponding to the 2021 financial year, once again in person, which is a source of great joy.

I must also thank you for the trust placed in the Acerinox management team, which gives me the honour of addressing you to report on the excellent results obtained by the Company in 2021 and to explain the complex context in which they were developed.

2021 was an exciting year, which improved rapidly and enabled us to achieve the best economic results and the highest production levels in our history.

To explain the change in the situation and the strong acceleration of our markets, I have to rewind to a year ago, when from this same platform, but telematically, I addressed you to explain how our growth expectations for 2020 had been thwarted by the appearance of the terrible Covid-19 pandemic.

As we reported at the time, during 2018 and 2019, apparent stainless steel consumption in Europe and in the United States had strung together two years of decline. Thus, in the Eurozone it fell by 0.3% in 2018 and by 4% in 2019. In the United States, apparent consumption decreased by 2.2% in 2018 and a significant 9.3% in 2019.

After this prolonged downturn, largely the result of heavy decreases in inventories due to the weakness of these markets in which we make most of our sales, we were optimistic about the possibility of facing a new upward cycle, driven by improved consumption, but also by the restocking process.

Nothing could have been further from the truth, for what we experienced in 2020 was the drastic shutdown of all activity, although it did not happen simultaneously, instead spreading from East to West, from China to the West, as the virus spread.

The consequences for our industry are easy to describe: once again all stainless steel consumers, as well as those of many other materials and components, cut back on their purchases in order to adapt, even more, their stocks and working capital to the severity of the crisis and the uncertainty of the situation.

As a result, apparent consumption in Europe and the United States fell for the third year in a row, even more sharply, by -13.4% and -10.8%, respectively.

In essence, stainless steel inventories were at a record low, as were the inventories of equipment and consumer goods that incorporate our materials, such as, inter alia, household appliances, vehicles, and kitchen and food handling equipment.

After months of uncertainty and gloom, of factory closures and openings, arising firstly to protect our people and secondly due to local regulations, the reactivation process of all economies culminated in November 2020, when the good news on the effectiveness and availability of vaccines triggered a feeling of euphoria simultaneously in all countries.

In this gap between openings and closures, between essential and non-essential industries, in the decoupling between customers and suppliers, as well as in the final universal strong reactivation, many of the reasons for the problems in global supply chains that we experienced throughout 2021 could be found.

In short, after 3 years of drops in consumption, we ended 2020 with minimum stock levels in all markets and along the entire supply chain, at a time when the euphoria caused by the hope in the vaccination process led to demand for more materials to meet our normal consumption, in addition to the excess caused by savings made in many companies and families, and also to replenish the stocks needed to meet the new consumption expectations, i.e. market inventories were insufficient at the time to meet the very strong demand that was generated.

The result is well known by all: the feeling of shortages and the urge to bring forward purchases gave rise to generalised price rises, which all began at the beginning of the supply chains, i.e. raw materials, including stainless steel, although this has subsequently been passed on to all sectors of the economy, generating a sharp rise in inflation.

The change in cycle was striking, with a strong increase in apparent stainless steel consumption in 2021 totalling 17.7% in Europe and 20.8% in the United States, recovering practically all that had been relinquished during the previous 3 years.

It is clear that the pandemic has been a turning point and has been an accelerator of the changes in the economic model that were already taking place; however, it has also highlighted the fragility of global supply chains and the need to rethink and diversify supply models.

We all know how the closures of the electronic components industry in Asia have affected the European automotive industry or how we have suffered from the lack of medical equipment, to give just a few examples.

In addition, there are a number of other factors that have exacerbated disruptions in global supply chains, such as the lack of shipping containers and their high price, or the week-long collapse of the Suez Canal due to the accident involving the huge 400-metre Taiwanese container ship, the "Ever Given".

All of these circumstances have made companies aware of the complexity of global supply and is leading to a greater diversification of the origins of supplies, thus encouraging the idea of the need to bring some of them closer together.

I do not believe that this is the end of globalisation, but we are undoubtedly witnessing the creation of a mixed model in which the need for some

regionalisation is also taken into account. This is a very interesting process to which Acerinox pays the utmost attention.

At Acerinox we have been operating in international markets for 52 years, firstly as exporters and finally as global operators with factories on 4 continents; however, during the last decade we have suffered the effects of the tsunami caused by the explosion of new factories in China and Indonesia, which have hampered our results due to the excess production capacity generated and which monopolised the growth of our industry, due to the enormous volume of exports from these two countries to the entire world, sustained by economic, social and environmental dumping.

For this reason, the sector's associations have been calling for restrictive measures to reduce the damage caused by unfair trade and to encourage purchases from manufacturers who compete fairly and follow sustainability standards. These measures are getting responses from the governments of many countries, which consider steel as a strategic material.

If we add the effectiveness of these new measures to the disruptions that have arisen in global supply chains, we can be sure that this new decade, which we are starting in such an eventful way, will allow us to make the most of all the progress we are making and which will boost Acerinox's results.

As we are a global company, we serve the markets regionally from our factories in Spain, Germany, the United States, South Africa and Malaysia. Therefore, the new situation will favour our activity. Not only do we expect a greater component of local purchasing in our main markets, but the closer supply will also boost the development of the entire industry in the countries in which we operate, which will further promote the consumption of stainless steel.

We must not miss this opportunity to give the industry back its leading role, so that it can once again acquire a greater weight in the European and American economies and, above all, so that more and better quality employment can be developed from the industry. Therefore, I believe it is appropriate to call on society to engage in responsible consumption that defends our values, and to the administrations to take the necessary measures to create a competitive environment that favours industrial activity.

I would like to highlight the work we have been doing in ESG (environmental, social and governance) matters, which have been integrated in Acerinox's DNA since its creation, because we produce a material that is durable and can be infinitely recycled without losing its metallurgical, mechanical and corrosion resistance characteristics and because we do it in an efficient way, minimising the use of natural resources, respecting the environment and taking care of our surroundings and our communities. Furthermore, we do it with recycled products, using scrap metal as the main raw material, which makes us one of the largest recycling companies in the country.

In the year that we have recognised the best economic results in our history, which I will explain in a moment, we have also increased our investments to fulfil the commitments assumed by the Company through the 2030 Agenda. These commitments were recognised by various certifying bodies and rating agencies worldwide.

For yet another year, I reinforce our firm commitment to the 10 Principles of the United Nations Global Compact and I confirm our intention to continue contributing, directly and indirectly, to the 17 Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda.

In this 2021 financial year, Acerinox stands out for its contribution and performance in the SDGs. Especially in SDG 3, Good health and well-being; SDG 6, Clean water and sanitation; SDG 8, Decent work and economic growth; SDG 9, Industry, innovation and infrastructure; SDG 11, Sustainable cities and communities; and SDG 12, Responsible consumption and production.

These SDGs guide us in fulfilling our purpose of "creating the most efficient materials of the future, maximising the benefits for society and creating value for all our stakeholders in a sustainable manner". This is a purpose that encompasses the whole organisation and myself personally.

Greater efficiency in our processes leads to lower costs due to the reduced use of resources, but also to a lower impact on the environment, which contributes to mitigating the effects of climate change. In other words, sustainability and efficiency go hand in hand.

To cite just a few prominent examples:

In 2021, which we are summarising today, Acerinox reduced its scope 1 CO2 emissions by 3.38% and its scope 2 emissions by 10.22% with respect to the previous year, which leads us to believe that we will more than meet the target of reducing our direct and indirect emissions by 20% by 2030, with respect to the 2015 base year.

The data leads us to be equally optimistic about our commitment to reduce water withdrawals by 20% by 2030 (compared to the 2015 baseline year), as in 2021 alone we reduced water withdrawals by 12% compared to the previous year.

In terms of energy intensity, our goal is to reduce it by 7.5% by 2030. Between January and December 2021, the company's energy intensity decreased by 1.5%, giving rise to a cumulative 3.5% since 2015.

During the year, we invested EUR 14.5 million in R&D&I, focusing our activities on waste valorisation, process optimisation and improving the qualities of our products, taking into account both the use of hydrogen as a fuel and the use of stainless steel in the hydrogen industry, areas in which we are leading several projects.

In the social sphere, we act in all areas to improve the conditions of the people in our organisation and their families, and we are one of the largest - if not the largest

- employers in the regions where we have production centres. In addition to the more than 8,200 direct employees that make up the Acerinox family, each one of them generates between 6 and 8 indirect jobs in auxiliary industries or services.

We are also very active in the internal training of our staff and in the training of young professionals and university students, so that they recognise Acerinox as an employer of choice and our materials as the materials of the future.

Throughout the 2021 - 2022 academic year, through CEDINOX, the Association for the Development of Stainless Steel in Spain, we have given 37 free courses in 27 Spanish universities, which were attended by 1,375 students and 98 teachers, with a 21% increase in participation compared to the previous year.

In these courses, the properties and characteristics of stainless steels are taught to those who will work as architects and engineers in the future, so that they are aware of the advantages of the materials that, due to their long useful life, their infinite capacity of recycling and reuse (I remind you that our recovery rate has exceeded 90% during the last three years) are a paradigm of the circular economy.

In terms of internal training, in 2021 we provided 431,542 hours of training to 5,403 people. I would like to highlight at this point the importance of technical, environmental and safety training for our employees, who enjoy quality and well-paid employment, with permanent contracts in 97% of cases.

We are also emphasising our commitment to the safety of those who work at our facilities, with the sole objective of eradicating accidents and ensuring that everyone can return home safely. As our Chairman has already highlighted, in 2021, we achieved a very encouraging 32% decrease in the accident rate, even though we still have some way to go.

For the sake of time, I shall refrain from explaining all the developments in our governance, which have already been explained in detail by our Chairman.

Turning to the results of 2021, and as a consequence of the circumstances described above, the improved conditions in all markets and our management thereof allowed for a clear increase in our order backlog, thanks to which we kept all factories at full occupancy, reducing our production costs and increasing the margins of our products, which were reflected in our P&L for 2021 and so far in 2022.

EBITDA in 2021 grew progressively from EUR 161 million in the first quarter to EUR 217 million in the second quarter, EUR 293 million in the third quarter and EUR 318 million in the fourth quarter, almost doubling that of the first quarter.

The accumulated EBITDA for the year totalled EUR 989 million, the highest achieved by Acerinox in our 52 years of history.

On the other hand, consolidated revenue from the 83 countries in the 5 continents in which we operate reached EUR 6,706 million, marking the second highest figure in the history of the company, only being beaten by that recognised in 2006.

In that year, revenue was boosted by the high prices of raw materials, especially nickel, whose yearly average was 26% higher than in 2021.

In 2021, profit after tax totalled EUR 572 million, which was also a new record, as was the total production of our melting shops, which amounted to 2.62 million tonnes.

The favourable results obtained enabled the Group to obtain operating cash flow of EUR 388 million, despite an increase in working capital of EUR 460 million due to the increased activity and the price increases in raw materials, consumables and spare parts.

After making investment payments totalling EUR 90 million, the free cash flow generated, which amounted to EUR 297 million enabled us to remunerate shareholders with a cash payment of EUR 0.50 per share, totalling EUR 135 million. At the same time, a share buyback programme was initiated, for which 9 million were already earmarked in 2021 and which has culminated in 2022, completing 4% of the issued shares for a total amount of EUR 124 million, equivalent to 10,821,848 shares, the redemption of which is submitted to this Meeting today.

Net financial debt was reduced between January and December 2021 by EUR 194 million to total EUR 578 million at year-end, or a ratio of 0.58 times EBITDA.

In the 2021 Annual Integrated Report, you will be able to appreciate in detail our Company's good financial and liquidity situation, which allows us to face the ups and downs of the market and the uncertainties we face in 2022 with peace of mind.

In 2021, all the Group's units performed satisfactorily and contributed to these good results.

North American Stainless mastered its role as leader of the American market, driving the recovery. More than 50% of the stainless steel manufactured in North America comes from our facilities in Kentucky.

Acerinox Europa also performed well, despite energy prices in Spain reaching unsustainable levels. As our industry is classified as electro-intensive and also intensive in gas consumption, the extra cost in 2021 arising from the increased prices amounted to the significant figure of almost EUR 100 million compared to those of 2020, which were already expensive compared to the neighbouring countries in which our closest competitors are located.

Columbus Stainless, in South Africa, also played a leading role thanks to the good management of its costs and the versatility achieved, which allows us to adapt our production and complement it with other types of steel, not stainless, in order to maintain a high level of occupancy in the factory at all times.

Our business unit in Malaysia, Bahru Stainless, continued with the strategy of developing markets with greater value added, achieving positive results in a very competitive environment, affected by the overcapacity experienced in Indonesia,

and with great added merit, since the Malaysian Government did not exclude our activity, which was not considered essential, from the general lockdown ordered to control the pandemic, forcing us to cease activity for two and a half months.

I must also highlight our high-performance alloys division, VDM, which experienced a good performance after a weak start due to the stoppage of projects that incorporate our materials. This situation began to improve in the second quarter and we ended the year obtaining monthly results similar to those prior to the coronavirus pandemic, when we decided to acquire this company. As this is also a cyclical business, its cycle does not coincide with that of stainless steels, thus providing greater stability to our results.

It is also worth mentioning the progress in the integration process of our high performance alloys division, which is far exceeding the initial plans despite the difficulty of travelling, holding meetings and technical collaborations in person. We have quantified the synergies obtained in the year at EUR 12 million, 51% higher than expected, largely due to the complementary nature of the products and commercial networks, which allows us to be optimistic about our common future.

The 2021 financial year has enabled us to achieve record results, but this does not mean that it has been easy to manage, as we have faced a number of major challenges in our day-to-day operations:

First of all, because of the pandemic, because of the cases of infection and isolation that we suffered, because in some of the factories that operate 24 hours a day and where work has to be carried out on site with no possibility of working from home, forming the shift patterns was extremely complex and we had to resort fully to the flexibility and versatility of our employees, demonstrating their ability to perform tasks on different machines and production lines.

We also suffered the closure of some of our facilities due to lockdowns, and, even worse, the closure of our customers' facilities while we had to maintain our activities, depending on in which countries we were declared an essential industry or not. In this difficult context, we achieved a new production record.

On the other hand, we managed to ensure that major disruptions in supply chains did not seriously affect our critical supply chains, which allowed us to operate at almost normal levels, although we could not prevent these situations from affecting our customers and thus our production.

In these circumstances, we were forced to modify our factories' schedules almost daily, changing the sizes and types of stainless steel to support customers who remained operational or had more urgent material needs with our services, thus showing the flexibility and versatility of our factories.

We also experienced natural disasters, such as the floods in northern Germany, where our fire brigade team from the Altena factory not only ensured that our facilities were not seriously affected, but also worked in an exemplary manner with the local communities to prevent further damage.

We also carried on our business activities in Spain with never-seen-before high energy prices, with stoppages caused by the auxiliary metal industry strike in the province of Cádiz and, despite all the difficulties, we made progress with our Excellence 360 Plan to improve efficiency and productivity. For the Group as a whole, we achieved 81% of the targets set, equivalent to approximately EUR 73 million per year, focusing on advanced planning and analytics and process automation.

Finally, although it does not concern 2021, I cannot fail to mention the serious conflict we are seeing following Russia's invasion of Ukraine. I would like to express our condemnation of this act of violence and aggression that is causing so much damage and leading to so many unjustified victims. We can only hope that this situation will come to an end as soon as possible.

Adhering to the sanctions imposed on Russia by the European Union and the United States, at Acerinox we have suspended our sales to this country, although for humanitarian reasons we are maintaining a small office, which is currently not carrying out any commercial activity.

In addition, during the second quarter of 2022, the company will have completed the reconfiguration of its raw material supply chain, enabling us to end our dependence on Russian nickel and to seek alternative suppliers in line with our responsible procurement policy. To this end, we have worked intensively to organise new logistics and source alternative sources of pure nickel from Norway, Canada and South Africa, although I would like to remind you that more than 70% of our total nickel requirements come from stainless steel scrap.

Overcoming all these difficulties has been made possible only because of the effort, professionalism and commitment of all those who form part of Acerinox, of the more than 8200 people who grow in the face of challenges, and this year, more than ever, I must express my admiration and gratitude for their dedication and devotion in such complex circumstances, which enabled us to achieve exceptional results.

With a team like this, our future can only get better. Once again this year, I can say in all honesty that I feel privileged to continue working in this great company, which improves year after year thanks to the good work and involvement of all the people who form part of Acerinox and who live every day with passion for and dedication to the good of the Group above all else.

I am especially grateful to the management team and the rest of my closest collaborators for the support they have given me, and continue to give me unconditionally, to overcome all the challenges.

The 2021 results, as well as those published for the first quarter and the forecast for the second quarter of 2022, are the result of perseverance, responsibility and tenacity in meeting the challenges, and they more than reward us for all our efforts.



Before ending, I would like to make a special and affectionate mention of our Chairman Rafael Miranda, who has accompanied and supported us throughout these last eight intense years, during which we have undertaken a profound transformation of our company, adapting its structure and strengthening it to respond to new situations, improving its governance and always focusing our work on meeting the needs of all our stakeholders. We will always be grateful to Rafael for the example he has set for us with his dedication, his professionalism, his wise words and his closeness, values that are so valuable coming from someone with such extensive experience as his.

Dear Rafael, it has been an honour for us to work with you, as it is to have your friendship.

As you know, the Board of Directors, which will be held after this General Meeting, plans to approve the candidacy of Mr Carlos Ortega Arias-Paz, a proprietary director of the company, as the new Chairman of the Board.

I wish him every success, which will also be ours. From here, we offer him all our support and collaboration and we place ourselves at his entire disposal to start working as soon as possible to continue to make our beloved Acerinox company great.

Welcome, Chairman, you can count on us.

I would like to conclude my message by reiterating my thanks to all the shareholders for their support and trust, which motivates us and encourages us to continue improving.

We do not know what the future holds, I have no doubt that new challenges will arise, but our shareholders, customers, suppliers, employees and society in general will continue to find a responsible ally in Acerinox on which they can rely.

The Company is ready and has the capacity to move forward with the same spirit and ambition that has always characterised it.

Thank you very much.

Bernardo Velázquez

CEO of Acerinox

June 2022