Results

Third quarter of 2021

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

Presentation of the Third Quarter 2021 results via webcast and conference call

Acerinox will hold a presentation for its Third Quarter 2021 results today at 10.00 AM CET, directed by the CEO, Mr. Bernardo Velázquez, and the CFO, Mr. Miguel Ferrandis, accompanied by the IR team.

The presentation can be followed by phone and online.

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

- From Spain: 919 01 16 44. Pin: 781572
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You can follow the presentation through the Shareholders and Investors section of the Acerinox website (www.acerinox.com).

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

Model of the Santiago Bernabéu Stadium incorporating stainless steel cladding

Highlights

"The favourable market situation and the cost control and efficiency improvement management performed in recent years enabled the Acerinox Group to obtain its second best results ever for the nine-month period ended 30 September"

First nine months of 2021

- The accident rate fell by 24% with respect to January to September 2020.
- Melting shop production, at 1,992,038 tonnes, increased by 26% with respect to the same period of 2020.
- Revenue totalled EUR 4,769 million, representing a 38% increase on the same period of 2020.
- EBITDA, which totalled EUR 671 million, was 2.7 times higher than in the first nine months of 2020. The EBITDA margin rose to 14%.
- Profit after tax and non-controlling interests amounted to EUR 373 million (first nine months of 2020: EUR 31 million).
- Operating cash flow amounted to EUR 184 million, despite the EUR 387 million increase in working capital.
- Net financial debt amounted to EUR 764 million.
- The dividend of EUR 0.50 per share, approved by the shareholders at the Annual General Meeting, was paid on 3 June.
- The Group was awarded with the Golden Level by Ecovadis for its commitment to sustainability.

Third quarter of 2021

- The strong activity in the stainless steel division was maintained across all markets, and pre-Covid levels were achieved in the high-performance alloys division.
- Melting shop production, at 648,092 tonnes, increased by 20% with respect to the third quarter of 2020 (4% down on the second quarter of 2021).
- Revenue, amounting to EUR 1,703 million, increased by 52% in comparison with the third quarter of 2020 (representing a 5% increase on the second quarter of 2021).
- EBITDA, which totalled EUR 293 million, was 3.3 times higher than in the third quarter of 2020 (representing a 35% increase on the second quarter of 2021). The EBITDA margin was 17%.
- Profit after tax and non-controlling interests, amounting to EUR 171 million, was 6 times higher than in the third quarter of 2020 (37% higher than in the second quarter of 2021).
- Operating cash flow amounted to EUR 77 million.
- The Group's net financial debt, totalling EUR 764 million, decreased by EUR 74 million with respect to 30 June 2021.

Outlook

The positive backlog situation, in both the stainless steel and high-performance alloys divisions, affords us visibility until the first quarter of 2022.

Despite the end-of-year seasonality, we estimate that EBITDA will improve slightly from the third to the fourth quarter, due to strong demand and low inventory levels.

Net financial debt will be reduced thanks to the expected good cash generation.

If these forecasts prove correct, we will achieve our best results ever.

Main economic and financial aggregates

Consolidated Group	QUARTER Q1 2021	Q2 2021	Q3 2021	NINE MONTHS 2021	2020 (1)	Change 2021/2020
Melting shop production (thousands of tonnes)	668	675	648	1,992	1,582	26%
Revenue (EUR million)	1,441	1,625	1,703	4,769	3,451	38%
Adjusted EBITDA (EUR million)	161	217	293	671	267	152%
% of sales	11%	13%	17%	14%	8%	
EBITDA (EUR million)	**161**	**217**	293	671	252	166%
% of sales	**11%**	**13%**	17%	14%	7%	
EBIT (EUR million)	117	173	247	537	77	598%
% of sales	8%	11%	15%	11%	2%	
Profit before tax and non-controlling interests (EUR million)	106	163	235	504	62	711%
Profit after tax and non-controlling interests (EUR million)	**78**	**125**	171	373	31	1,124%
Depreciation and amortisation charge (EUR million)	44	44	45	133	133	0%
No. of employees at period-end	8,153	8,302	8,305	8,305	8,331	0%
Net financial debt (EUR million)	756	838	764	764	841	-9%
Gearing ratio (%)	43%	48%	39%	39%	46%	-16%
No. of shares (millions)	271	271	271	271	271	0%
Shareholder remuneration (per share)	0.00	0.50	0.00	0.50	0.00	---
Average daily volume of trading (millions of shares)	0.84	1.62	0.90	1.12	0.91	23%
Profit per share after tax and non-controlling interests	0.29	0.46	0.63	1.38	0.11	1,124%

(1) The purchase of VDM took place on 17 March 2020. The March to September period is included in VDM's results for 2020.

EUR million	Third quarter of 2021 Stainless Steel Division	High-Performance Alloys Division	Consolidated Group	First nine months of 2021 Stainless Steel Division	High-Performance Alloys Division	Consolidated Group
Melting shop production (thousands of tonnes)	629	19	648	1,933	59	1,992
Net sales	1,493	211	1,703	4,190	579	4,769
Adjusted EBITDA	272	21	293	625	47	671
Adjusted EBITDA margin	18%	10%	17%	15%	8%	14%
EBITDA	272	21	293	625	47	671
EBITDA margin	18%	10%	17%	15%	8%	14%
Depreciation and amortisation charge	-38	-6	-45	-112	-17	-133
EBIT	234	15	247	512	30	537
EBIT margin	16%	7%	15%	12%	5%	11%

Stainless steel division

Stainless steel market

Increased confidence in the economy and improvement in activity, with inventories that have remained very low throughout the supply chain, have driven stainless steel consumption.

The recovery that commenced in the second half of 2020 continued in the third quarter of 2021. All industries performed favourably, with the exception of the automotive industry, which continued to suffer the effects of the semiconductor shortage.

The swift recovery of the main consumer countries, combined with high shipping costs have contributed to limiting imports worldwide.

UNITED STATES

In accordance with our estimates, apparent consumption of flat products increased by approximately 20% from January to August, in contrast to the negative situation experienced in 2020. Apparent consumption of flat products returned to pre-Covid levels (5% higher than in January to August 2019).

Most of the final sectors performed positively throughout the year. The food and restaurant industry has regained its strength in recent months, having overcome the slowdown caused by the Covid-19 pandemic, and has thereby joined the domestic appliance and construction industries in this connection. By contrast, the automotive industry was adversely affected by supply chain issues, particularly the semiconductor shortage, which hit light-duty vehicles more than heavy-duty vehicles.

Inventories in the US remained below the average level of recent years.

EUROPE

According to the latest available data, apparent consumption of flat products increased by approximately 15% from January to September, in contrast to the negative situation experienced in 2020, thereby returning to pre-Covid levels similar to those recorded in the same period of 2019.

Inventories remained below the average level of recent years.

Safeguards were renewed for three years, and the anti-dumping measures against India and Indonesia in respect of cold-rolled flat products were approved.

Although the favourable market situation mitigated the alarming escalation of energy prices, those prices nevertheless hampered the competitiveness of European industry.

ASIA

The demand situation remained strong in the Asian markets. In China, the abolition of export subsidies, combined with the government's control of CO_2 emissions, remedied the oversupply situation characterising the market in recent years. This situation has given rise to a price increase in the region.

Stainless steel division production

The stainless steel division improved production at all plants with respect to the third quarter and first nine months of 2020.

	2020					2021			Change	
Thousands of tonnes	Q1	Q2	Q3	Q4	12 months	Q1	Q2	Q3	Q3 21 / Q3 20	9M 21 / 9M 20
Melting shop	599	420	524	601	2,144	650	654	629	20%	25%
Cold rolling	393	290	331	369	1,383	394	400	408	23%	19%
Long products (hot rolling)	57	49	51	53	210	63	61	59	15%	16%

Bahru Stainless resumed operations in mid-August following a two-and-a-half-month standstill due to the shutdown of activity in the country ordered by the Malaysian authorities in response to the Covid-19 pandemic. This halt in operations affected production in the second and third quarters.

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

All plants were in full operation.

Stainless steel division results

EUR million	Q3 2021	Q2 2021	Q3 2020	9M 2021	9M 2020	% Q3 21 / Q3 20	% 9M 21 / 9M 20
Melting shop production (thousands of tonnes)	629	654	524	1,933	1,543	20%	25%
Net sales	1,493	1,425	935	4,190	2,988	60%	40%
Adjusted EBITDA	272	201	86	625	242	217%	158%
Adjusted EBITDA margin	18%	14%	9%	15%	8%		
EBITDA	272	201	86	625	228	217%	174%
EBITDA margin	18%	14%	9%	15%	8%		
Depreciation and amortisation charge	-38	-37	-37	-112	-118	1%	-5%
EBIT	234	163	49	512	68 (1)	372%	650%
EBIT margin	16%	11%	5%	12%	2%		
Operating cash flow (before investments)	65	98	27	188	95	140%	98%

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

The increased activity experienced throughout 2021 was reflected in rises in production (+25% in the first nine months of 2021 compared to the same period of 2020), with noteworthy margin increases and healthy cash flows.

Sales in the quarter, amounting to EUR 1,493 million, increased by 5% with respect to the previous quarter and by 60% with respect to the third quarter of 2020. Cumulative revenue at 30 September represented a 40% increase on the figure for the same period of 2020.

Quarterly EBITDA, amounting to EUR 272 million, was at its highest since the second quarter of 2007. Worthy of note is the EBITDA margin, which was 18%.

EBITDA totalled EUR 625 million in the first nine months of 2021, 2.7 times higher than the figure for the same period of 2020.

Operating cash flow amounted to EUR 65 million in the quarter. Working capital rose by EUR 131 million as a result of the increase in inventories in terms of value and physical units, due to the aforementioned favourable market situation.

In the year as a whole, operating cash flow of EUR 188 million was generated, despite the increase in working capital, which amounted to EUR 345 million.

EUR million	Q3 2021	Q2 2021	Q3 2020	9M 2021	9M 2020
EBITDA	**272**	**201**	**86**	**625**	**228**
Changes in working capital	**-131**	**-67**	**7**	**-345**	**-24**
Changes in operating working capital	-122	-84	10	-347	5
- Inventories	-115	-134	48	-362	137
- Trade receivables	-14	-50	-6	-225	35
- Payable to suppliers	8	101	-32	240	-167
Other adjustments to working capital	-9	16	-3	2	-30
Income tax	**-71**	**-28**	**-49**	**-73**	**-74**
Finance costs	**-11**	**-8**	**-11**	**-25**	**-20**
Other adjustments to profit	**7**	**0**	**-7**	**5**	**-15**
OPERATING CASH FLOW	**65**	**98**	**27**	**188**	**95**

High-performance alloys division

High-performance alloys market

The upswing in the high-performance alloys industry enabled our division to fill the backlog and to be more selective, opting for products with better margins.

The oil and gas industry continued to recover, and major projects were confirmed in the quarter. Activity in the chemical processes and electronics industries remained at healthy levels.

The automotive industry continued to be affected by semiconductor supply issues.

Production

Melting shop production of high-performance alloys showed significant improvement in the third quarter with respect to the same quarter of 2020, when production was affected by the Covid-19 pandemic.

Thousands of tonnes	2020 (1)					2021			Change	
	Q1	Q2	Q3	Q4	12 months	Q1	Q2	Q3	Q3 21 / Q3 20	9M 21 / 9M 20
Melting shop	19	18	14	13	64	18	22	19	35%	14%
Finishing shop	10	11	10	8	38	8	11	11	11%	0%

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

The measures undertaken in previous years to prevent the risk of flooding and the work carried out by our teams have prevented our facilities from being damaged during the heavy flooding in Germany, especially in the North Rhine-Westphalia area. Production nevertheless fell as a result of a scheduled maintenance shutdown at the Unna factory.

Results

Sales increased with respect to the previous quarter due to the positive backlog situation.

EUR million	Q3 2021	Q2 2021	Q3 2020	9M 2021	9M 2020 (1)	% Q3 21 / Q3 20	% 9M 21 / 9M 20
Melting shop production (thousands of tonnes)	19	22	14	59	52	35%	14%
Net sales	211	201	185	579	598	14%	-3%
Adjusted EBITDA	21	16	2	47	35	1,251%	34%
Adjusted EBITDA margin	10%	8%	1%	8%	6%		
EBITDA	21	16	2	47	35	1,251%	34%
EBITDA margin	10%	8%	1%	8%	6%		
Depreciation and amortisation charge	-6	-6	-7	-17	-18	-13%	-5%
EBIT	15	11	-5	30	17	---	76%
EBIT margin	7%	5%	-3%	5%	3%		

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

The EBITDA generated in the third quarter, amounting to EUR 21 million, reached pre-pandemic levels.

Working capital increased by EUR 3 million and operating cash flow amounted to EUR 12 million in the third quarter.

	Q3 2021	Q2 2021	Q3 2020	9M 2021	9M 2020 (1)
EBITDA	**21**	**16**	**2**	**47**	**35**
Changes in working capital	**-3**	**-32**	**67**	**-42**	**52**
Changes in operating working capital	-10	-29	55	-54	44
- Inventories	-29	-33	44	-103	52
- Trade receivables	0	-6	5	-19	17
- Payable to suppliers	18	10	6	69	-24
Other adjustments to working capital	8	-3	11	12	7
Income tax	**0**	**2**	**0**	**-2**	**-18**
Finance costs	**-2**	**-1**	**-2**	**-5**	**-5**
Other adjustments to profit	**-5**	**1**	**-3**	**-1**	**-7**
OPERATING CASH FLOW	**12**	**-14**	**64**	**-3**	**56**

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

Results of the consolidated Acerinox Group

Revenue in the January to September period, amounting to EUR 4,769 million, represented a 38% increase on the same period of 2020, due to the recovery in demand and price improvements.

The most significant figures are summarised in the table below:

EUR million	Q3 2021	Q2 2021	Q3 2020	9M 2021	9M 2020	% Q3 21 / Q3 20	% 9M 21 / 9M 20
Net sales	1,703	1,625	1,120	4,769	3,451	52%	38%
Adjusted EBITDA	293	217	87	671	267	235%	152%
Adjusted EBITDA margin	17%	13%	8%	14%	8%		
EBITDA	**293**	**217**	**87**	**671**	**252**	**235%**	**166%**
EBITDA margin	**17%**	**13%**	**8%**	**14%**	**7%**		
EBIT	247	173	43	537	77	471%	598%
EBIT margin	15%	11%	4%	11%	2%		
Profit before tax	235	163	40	504	62 (1)	493%	711%
Profit after tax and non-controlling interests	171	125	28	373	31	502%	1,124%
Operating cash flow (before investments)	77	84	91	184	167	-16%	11%
Net financial debt	764	838	841	764	841	-9%	-9%

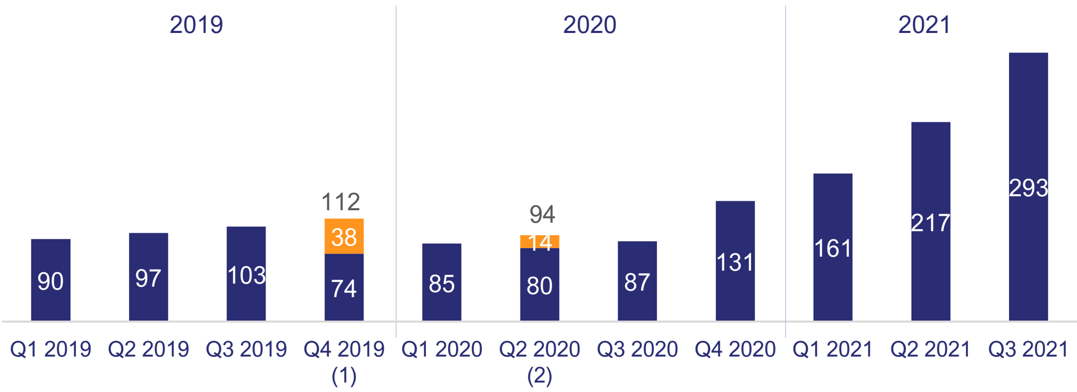
(1) Including EUR 42 million of impairment losses at Bahru Stainless

Cost control and efficiency improvement, into which a great deal of work has gone in recent years, as well as the Excellence Plans and current Excellence 360º, enabled us to take advantage of the upturn in the market and improve our margins.

EBITDA for the quarter, which totalled EUR 293 million, was 35% higher than in the previous quarter. This was the fifth consecutive quarter of growth and the best since the second quarter of 2007. The EBITDA margin stood at 17%.

EBITDA for the first nine months, totalling EUR 671 million, was 2.7 times higher than in the same period of 2020. The EBITDA margin stood at 14%.

Quarterly EBITDA in millions of euros



(1) Adjusted EBITDA Q4 2019: EUR 112 million. EBITDA without taking into account the provision of EUR 38 million arising from the collective redundancy procedure (ERE) at Acerinox Europa (2) Adjusted EBITDA Q2 2020: EUR 94 million. EBITDA net of VDM acquisition expenses, amounting to EUR 14 million.

Profit after tax and non-controlling interests totalled EUR 171 million, 6 times higher than in the third quarter of 2020. Profit after tax and non-controlling interests for the nine-month period amounted to EUR 373 million (January to September 2020: EUR 31 million).

Cash generation

The EBITDA generated in the quarter, amounting to EUR 293 million, gave rise to an operating cash flow of EUR 77 million, despite the EUR 134 million increase in working capital.

After investment payments of EUR 20 million, free cash flow stood at EUR 56 million.

In the first nine months of the year, cash flow amounted to EUR 115 million after investment payments of EUR 69 million.

Cash flow (millions of euros)

	Q3 2021	Q2 2021	Q3 2020	9M 2021	9M 2020
EBITDA	**293**	**217**	**87**	**671**	**252**
Changes in working capital	**-134**	**-100**	**74**	**-387**	**39**
Changes in operating working capital	-132	-113	65	-401	49
- Inventories	-144	-167	92	-465	196
- Trade receivables	-14	-57	-1	-244	45
- Payable to suppliers	26	111	-26	308	-192
Other adjustments to working capital	-1	13	9	14	-10
- Collective redundancy procedure (ERE) payment at Acerinox Europa	0	0	0	0	-26
- Other	-1	13	9	14	16
Income tax	**-72**	**-26**	**-49**	**-75**	**-75**
Finance costs	**-13**	**-9**	**-13**	**-30**	**-25**
Other adjustments to profit	**2**	**2**	**-8**	**5**	**-25**
OPERATING CASH FLOW	**77**	**84**	**91**	**184**	**167**
Payment due to the purchase of VDM	0	0	0	0	-313
Payments due to investment	-20	-20	-29	-69	-80
FREE CASH FLOW	**56**	**64**	**62**	**115**	**-227**
Dividends and treasury shares	0	-135	0	-135	0
CASH FLOW AFTER DIVIDENDS	**56**	**-71**	**62**	**-20**	**-227**
Translation differences	17	-11	-31	28	-35
Grants and other	1	0		1	1
Net financial debt acquired from VDM	0	0	0	0	-85
Changes in net financial debt	**74** ↓	**-82** ↑	**31** ↓	**8** ↓	**-346** ↑

Balance sheet

ASSETS					LIABILITIES				
Millions of euros	Sep. 21	2020	Sep. 20	Change	Millions of euros	Sep. 21	2020	Sep. 20	Change
Non-current assets	**2,054**	**2,070**	**2,166**	**-0.7%**	**Equity**	**1,969**	**1,615**	**1,811**	**21.9%**
Current assets	**3,553**	**2,664**	**2,958**	**33.4%**	**Non-current liabilities**	**1,745**	**1,827**	**1,922**	**-4.5%**
- Inventories	1,648	1,182	1,209	39.3%	- Bank borrowings	1,330	1,410	1,497	-5.6%
- Receivables	777	532	568	46.2%	- Other non-current liabilities	415	417	425	-0.6%
Trade receivables	707	464	501	52.5%					
Other receivables	70	68	67	3.1%	**Current liabilities**	**1,893**	**1,291**	**1,391**	**46.6%**
- Cash	1,097	917	1,153	19.6%	- Bank borrowings	531	280	497	89.7%
- Other current financial assets	31	32	27	-4.0%	- Trade payables	1,187	879	757	35.1%
					- Other current liabilities	175	132	137	32.4%
Total assets	**5,607**	**4,733**	**5,124**	**18.5%**	**Total equity and liabilities**	**5,607**	**4,733**	**5,124**	**18.5%**

Operating working capital increased by EUR 401 million due to improvement in activity and price increases. Physical inventories experienced a slight increase but remained controlled.

Net financial debt at 30 September 2021, totalling EUR 764 million, decreased by EUR 8 million with respect to 31 December 2020.

At 30 September Acerinox had fully liquid funds amounting to EUR 1,763 million, consisting of EUR 1,097 million of cash and EUR 666 million of financing facilities.

Sustainability

Acerinox is strongly committed to sustainability and manufactures alloys with a recycled content level of over 90%.

The main pillars of the Strategic Sustainability Plan, Impact 360º, are as follows:

20% reduction in greenhouse gas emissions,

7.5% reduction in energy intensity

Recovery of 98% of waste

20% reduction in water abstraction

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

10% annual increase in the proportion of new hires that are minorities

In the first nine months of 2021:

- The intensity of CO_2 emissions (scopes 1+2) fell by 4% with respect to the first nine months of 2020.
- Energy intensity fell by 2% with respect to January to September 2020.
- Water consumption intensity decreased by 13% in 2021 with respect to 2020.
- The cumulative LTIFR fell by 24% with respect to the first nine months of 2020.
- The achievement of these results means that all the objectives relating to green financing will be fulfilled.

Shareholder returns

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

Alternative Performance Measures (Definitions)

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

Operating Working Capital: Inventories + Trade receivables – Trade payables

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

Net Financial Debt: Bank borrowings + bond issuance - cash

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

EBIT: Operating income

Adjusted EBIT: EBIT, stripping out material extraordinary items

EBITDA: Operating income + depreciation and amortisation + variation of current provisions

Adjusted EBITDA: EBITDA, stripping out material extraordinary items

Debt Ratio: Net Financial Debt / Equity

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

ROCE: Net operating income / (Equity + Net financial debt)

ROE: Results after taxes and minority interests / Equity

ICR (interest coverage ratio): EBIT / Financial expenses

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