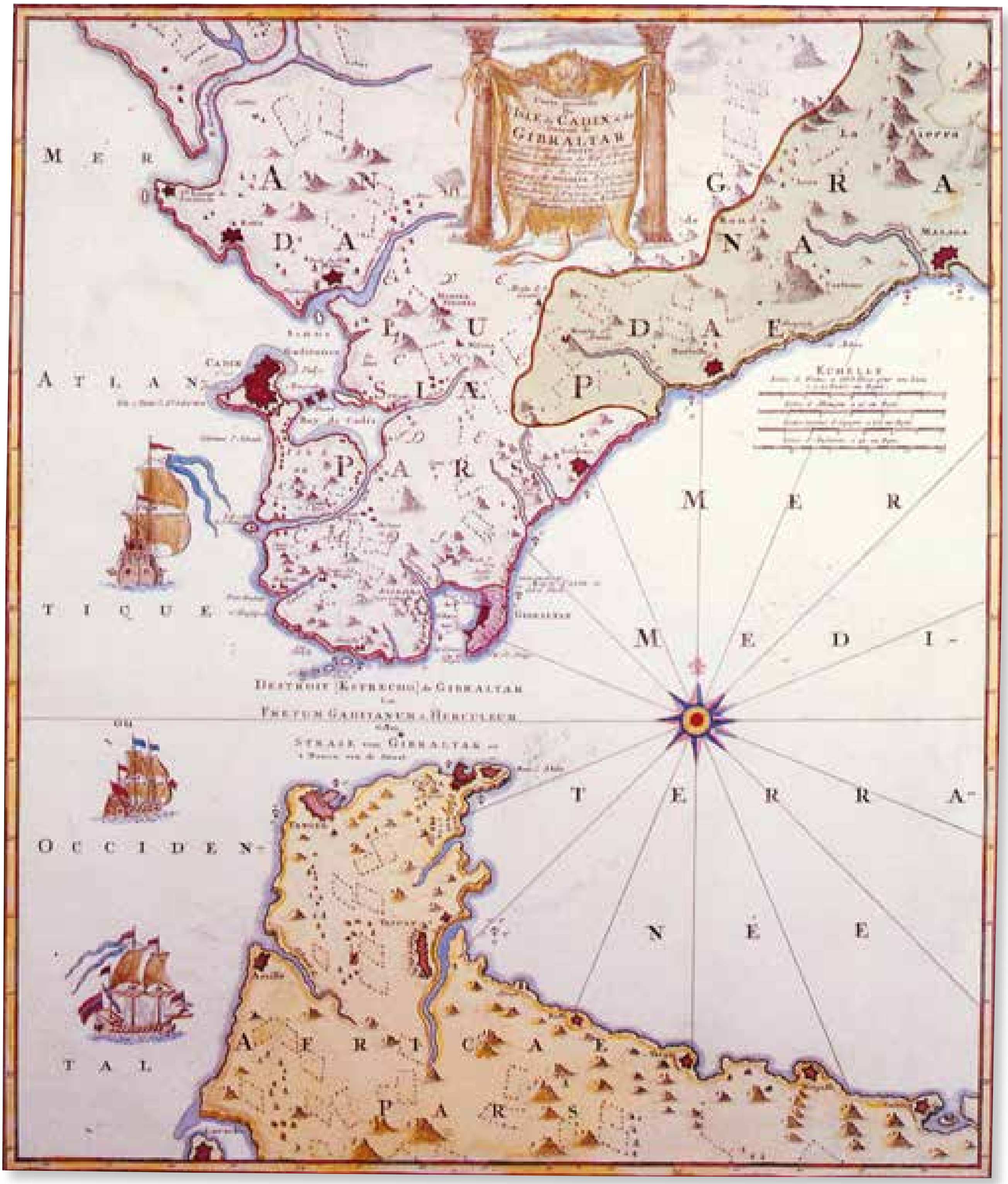
ACERINOX

ANNUAL REPORT 2021

ACERINOX

annual integrated

REPORT 2021



GIBRALTAR
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DESTROIT [ESTRECHO] de GIBRALTAR
FRETUM GADITANUM & HERCULEUM
STRAAT van GIBRALTAR
A F R I C Æ P A R S

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Letter from the Chairman

Dear shareholders,

It is with great satisfaction that I am addressing you all once again to report on the 2021 results, which was a very special year for the ensuing reasons.

Firstly, because in 2021, the year covered in this Annual Integrated Report, the Acerinox Group obtained the best results in its history. These record results were obtained in a very complicated environment, which was still affected by Covid-19, by supply chain disruptions, by inflationary pressures resulting from very high energy and transport prices and by the global logistics crisis.

And, secondly, because it is a special year for me personally, since, at the end of the next General Shareholders' Meeting, I will have to step down from my position as Chairman and Independent Director of the Company, having completed my second four-year term for which I had been appointed and not being eligible for reappointment as I have reached the maximum age stipulated in the Company's Articles of Association.

The best results in history

As I have indicated, Acerinox's record results were achieved in a complicated global context; however, there was much greater confidence in the economy and a clear improvement in activity in the main markets in which we operate, thanks to the positive effects of the mass vaccination programmes rolled out, boosting demand for goods and services, which had been tremendously affected during the previous year. As a consequence of the foregoing and the need to re-establish inventory levels, which were very low throughout the supply chain, there was significant growth in the demand and consumption of stainless steel, generating a very positive dynamic in our business that enabled us to neutralise the instability caused by the different outbreaks and variants of Covid-19 that arose during 2021 in some of the geographies in which we operate.

We benefited from the positive evolution of the world economy, which grew by 5.9% in 2021 compared to the 3.1% drop in 2020. We were also aided by the performance of the economies of the most significant markets for Acerinox. The United States grew by 5.6% compared to the 3.4% drop in 2020, recovering to pre-pandemic economic activity during 2021, and thus demonstrating the dynamism of this economy, which is key for us. In 2021 the Eurozone grew by 5.2% compared to the 6.3% drop in 2020, although there was uneven performance by country in terms of the recovery to pre-pandemic levels. Spain, with growth of 4.9% in 2021 compared to a 10.8% drop in 2020, stands out negatively as it is not expected to recover to pre-pandemic levels until 2023. South Africa grew by 4.6% compared to a 6.4% drop in 2020, and the Asean zone grew by 3.1% compared to a 3.4% drop in 2020, with Malaysia badly affected by the shutdown of all non-essential services during the summer.

In this economic context, the stainless steel sector had a very positive performance in 2021, continuing the recovery that began in the second half of 2020. Apparent consumption of flat products in Europe increased *by 17.7%, reaching pre-Covid levels, and saw a strong price recovery, gradually returning to the base prices and alloy surcharges system. In the United States, apparent consumption increased by 20.8% as a result of the strong recovery of its economy, and all NAFTA markets recovered to pre-Covid levels. In Asia, China corrected the oversupply of recent years due to the elimination of export subsidies and the greater control of CO2 emissions required by the Government, causing minimal growth in production, and directing its focus on the needs of the domestic market, with the consequence of reducing exports and causing a positive increase in prices in the region. In Malaysia, once the summer shutdown ended, the market recovered in line with the rest of South-East Asia. The South African market recovered by more than 20%, increasing sales to pre-Covid-19 levels in all sectors.*

In the High Performance Alloys sector, all end-user markets recovered in 2021, with the sole exception of the aerospace industry. Market recovery is estimated to increase by 5.0% to 312,000 tonnes, with a gradual price evolution.

In this environment of positive recovery, but which was complicated by multiple variables with negative effects, as I have indicated, Acerinox obtained the best results in its history. Revenue totalled EUR 6,706 million, 44% higher than in 2020, and the EBITDA generated reached EUR 989 million, 2.6 times higher than in 2020 and marking a historical record, which was also the case for the Group's net profit, which totalled EUR 572 million.

In terms of production, significant figures were also achieved. Acerinox's thirteen factories produced a total of 2,540,898 tonnes of stainless steel and 78,136 tonnes of high performance alloys.

The results obtained are very commendable since they were achieved during a period of extreme cost increases. In 2021, operating expenses increased by 42%, due mainly to the increase in production, the high price of energy -fundamentally in Spain- and transportation-related costs. A portion of the increase in these costs was offset by the good performance of our Excellence Plans and the current Excellence 360º Plan.

Our financial figures continued to improve in 2021. The Group obtained an operating cash flow of EUR 388 million, earmarking EUR 90 million for investments and enabling a free cash flow generation of EUR 297 million, which was earmarked for cash dividends totalling EUR 135 million, to start the share buyback programme with EUR 9 million and to reduce debt by EUR 194 million to EUR 578 million at 31 December 2021, with an outstanding debt/EBITDA ratio of 0.58 times.

As usual, the Company's financial management was outstanding during 2021, improving debt conditions, reducing the long-term cost by renegotiating the fixed rate or margin and extending maturities. We were also one of the first companies to enter into sustainable loans, totalling EUR 465 million at the end of the year, linking the margin or fixed rate to the evolution of sustainable indicators. At 2021 year-end, we had immediate liquidity totalling EUR 2,004 million, giving us great peace of mind in these turbulent times.

Finally, in this chapter on results, I would like to point out that we also had very good results in our subsidiaries. In terms of their contribution to the Group's profits, as always, NAS stood out in the United States; however we must also highlight the positive results of Columbus in South Africa, Acerinox Europa and Bahru, despite the fact that the latter was the most affected by the lockdowns declared by the Malaysian Government during 2021.

In the high performance alloys division, VDM significantly improved on the results it recognised in 2020, increasing its EBITDA by 22% to total EUR 61 million and making decisive progress in the integration process and in the capture of synergies.

In essence, it has been a magnificent year, on the one hand, supported by the good evolution of the market in terms of volumes and prices, and on the other hand, assisted by the excellent management carried out by Acerinox in terms of cost control, improvement of margins and efficiencies. In this scenario, being a global company with presence in the five continents is a fundamental competitive advantage that we know how to take advantage of.

Acerinox Positive Impact 360º

In 2021 the Group continued to focus its efforts on fostering its sustainability strategy "Acerinox Positive Impact 360º", which details the objectives, metrics and actions to comply with the 2030 Agenda of the United Nations and the objectives of the Paris Pact.

As you well know, Acerinox has internalised in its culture the broad concept of sustainability, i.e. economic, social and environmental sustainability, and has established specific objectives to be achieved in the medium- and long-term.

Allow me to invite you to consult the 2021 Annual Integrated Report where you will find these specific objectives, as well as the degree of progress for each matter and detailed information of all the environmental and social actions that we implemented during the year in the different communities of which we are part around the world. For instance, Acerinox reduced its water consumption by 18% in 2021, almost reaching in a single year the target set for 2030. Results like these incite us to be increasingly ambitious in our sustainability commitments.

In the social area, one of the company's priority goals has been to reduce the number of work-related accidents. In 2021 alone, we reduced the number of absences caused by occupational accidents by more than 31%, something of which we are particularly proud.

Corporate Governance

The Company's Corporate Governance was strengthened during 2021, through the functioning of the Board, its Committees and the dedication of its members.

2021 also stood out for the great activity of our governing bodies, whose committees met in 33 sessions. Other achievements include: the revision of the Regulations of the Board of Directors, the approval of three General Governance Policies, the creation of a Protocol for the Approval of Related-Party Transactions, and the approval of the Succession Plans for the Group's Senior Management and other key positions.

The governing bodies carried out their annual appraisal, adjusting the Board's competency matrix, and the goal to increase the number of women on the Board of Directors to 40% was set.

I would like to highlight the activity of the Executive Committee, for its dedication to analysing the Company's Strategy for the future, as reflected in the in-depth review of the 2021-2025 Strategic Plan update. Also worthy of note is the activity of the Sustainability Committee, which was recently created and held six meetings in which it monitored the degree of compliance with our ESG objectives and proposed to the Board the approval of eight Sustainability Policies, which were approved thereby and integrated into the General Governance and Sustainability Policy.

Shareholders and evolution of the shares

In 2021, the shareholder Nippon Steel Stainless Steel Corporation, which had stepped down from the Board of Directors in August 2020 and had recorded its ownership interest in the Company as an asset available for sale, proceeded to sell its ownership interest in two tranches. The first, on 17 June 2021 when it sold 7.9%

of Acerinox's capital through an accelerated bookbuild offering and the second on 1 October 2021 when it sold the remaining 7.9%, completing its exit from Acerinox's capital and thus bringing to an end a historical shareholding since the foundation of our Company in 1970.

Despite the negative impact of the aforementioned sales, Acerinox shares performed positively, with a 26% improvement compared to the 7.9% revaluation of the IBEX 35, outperforming the Spanish selective index for the third year in a row.

The evolution of analysts' recommendations was positive throughout the year, with buy recommendations rising from 85% to 95% at year-end, and with only 5% of analysts recommending hold and none recommending to sell. Acerinox shares reached an average target price of EUR 16 per share.

First Quarter of 2022

At the time of writing, we have already published the results of the first quarter of 2022, so it is necessary to refer to them, as well as to the circumstances in which they have been achieved.

Beginning with the latter, as is well known, on 24 February 2022, Russia's unjustifiable aggression against Ukraine took place, which has disrupted world order. Europe and the World are immersed in a situation of uncertainty and volatility, as a consequence of the geopolitical tensions generated by the invasion.

We did not have to wait long for the economic consequences to appear. All the institutions that predict the evolution of the world's economy have lowered the optimistic growth forecasts made at the beginning of the year, which predicted a strong year of recovery, with special emphasis on the European Union, where GDP growth is now estimated at 2.7% in 2022 and 2.3% in 2023, compared to the previous estimates of 4.0% and 2.7%, respectively, and with a significant increase in inflation forecasts.

Aside from these consequences in the short- and medium-term, there is no doubt that the world, and especially Europe, will have to consider many significant aspects for the future: our energy model, the environmental sustainability model that allows for the reconciliation between the competitiveness of our economies and the decarbonisation objectives, our defence model and so many other areas that have become evident as a result of the breakdown of the "status quo" that until now seemed immutable.

In the midst of this complex situation, Acerinox obtained the best quarterly result in its history, generating an EBITDA of EUR 422 million, 2.6 times higher than that recognised in the first quarter of 2021 and an EBITDA margin of 18%, and recognised profit after tax and non-controlling interests of EUR 266 million, 3.4 times higher than that recognised in the first quarter of 2021.

It should be noted that the 4% share buyback programme initiated in December was completed in this quarter, with a total of EUR 125 million having been allocated thereto, EUR 115 million in the quarter, resulting in net financial debt totalling EUR 628 million.

Despite the difficult circumstances, we had a magnificent quarter, helped by the strength of demand and the Company's good management, which, according to our forecasts, anticipates a better second quarter.

Departure

As I anticipated at the beginning of this letter, this General Shareholders' Meeting marks the end of my second term of office as Independent Director and Chairman of the Board of Directors, which cannot be extended due to the age limit established in the Company's Articles of Association.

These last eight years in which I have had the honour of being at the head of Acerinox as Chairman, have been intense, complex, but truly exciting.

Firstly, because in this period three very serious crises in recent economic history have occurred. In April 2014, when I joined the Company, the global financial crisis caused by the “subprime” mortgages in the United States was still raging. When, from 2017 onwards, we seemed to be focusing on years of economic boom, at the end of 2019 came the Covid-19 pandemic and its terrible health and social consequences, which led to an unprecedented economic crisis, and this year, 2022, in full recovery, a war with unpredictable consequences began in Europe.

Secondly, because Acerinox has been able to adapt to the circumstances of each moment, manage the various difficulties it faced in each crisis, reinventing itself when necessary, and has done so by advancing and progressing at all times. As a result, Acerinox has emerged stronger.

In the last eight years the Company has changed greatly, evolving in a very positive way. We have a more modern and agile Company, which has been able to successfully introduce new products in markets that seemed mature, with more efficient production processes, implementing the Digital Transformation of our Industry. With new management systems, such as budgeting, planning and control systems, human resources management processes, developing objective-based remuneration systems, incorporating new blood and making talent management a fundamental instrument for the development of our managers, and a long list of other aspects that would be difficult to list in this letter. Implementing a Strategic Plan, which guides the future of the Company. Introducing the broad concept of Sustainability within our Company. Incorporating high performance alloys into our product range through VDM. And also turning around businesses that had ongoing difficulties, to the point where they are all recognising positive results.

Since the spring of 2014, when I assumed the position of Chairman, we have experienced a major socio-economic paradigm shift: the globalisation initiated five decades ago has turned out to not be as perfect as once thought and requires linking it with a shift towards regionalisation and a focus on the local community. This phenomenon has become more evident with the Covid-19 pandemic, which has been a real litmus test and has highlighted the vulnerability and risks of long supply chains, a phenomenon aggravated by the war in Ukraine.

All this points to the emergence of a new global economic scenario, where a regional approach can provide companies with better performance and financial protection and more effectively realise the premises of maximum protection of workers, communities and the environment.

In this sense, the geographical distribution of Acerinox’s thirteen production centres in four continents allows the Company to reduce specific risks associated with geopolitics and to continue operating with the maximum guarantees to continue meeting the needs of shareholders, employees and the rest of our stakeholders.

All this and many other aspects, mean that Acerinox has strengthened its position and continues to be considered today as one of the undisputed world leaders in the stainless steel market. A clear example of a thriving Spanish industry, which is at the forefront and has developed an international position envied by its peers, and which has been able to promote an innovative profile, while maintaining unchanged the attributes of reliability and commitment that have defined the company since its origins.

The future is very difficult to predict, today the world faces very important challenges that concern our society and our companies, the first of which is to know how to manage the uncertainty and volatility in which we are immersed and the second is to adapt to the great changes that will occur in the coming decades. I am *convinced that only those companies that are prepared will be able to tackle successfully the challenges arising, and in Acerinox, leveraging on the strong base from which we start, we will know how to win the future.*

I have always believed that the most important asset of a company is its people, its human team, and this is certainly the case in Acerinox, the more than 8,200 people that make up the Group, with its excellent management team at the head, are the best guarantee of the future of our company.

In my fifty-year professional career, I have had the privilege of being part of exciting business projects, which have actively contributed to a change in economic and productive direction in Latin America, Europe and mainly in Spain. The Acerinox project has been at the height of the best I have ever been involved in.

The Company's management team, the true backbone of the Company, is at the top of the numerous management teams with which I have worked, for its working spirit, its involvement in the company, its capacity for action and its vision. I have had the privilege of working with this team, sharing experiences and making decisions, and I am grateful to have learned from all of them. I trust that I have been up to the task and that I have also imparted knowledge.

As the Company has made public, the Appointments, Remuneration and Corporate Governance Committee will propose to the Board at the end of the next General Shareholders' Meeting, the appointment of Proprietary Director Mr Carlos Ortega Arias-Paz as my successor as Chairman, to whom I ask you to give a warm welcome and the support that I have received from all shareholders and from all levels of the Company. I wish Mr Ortega Arias-Paz the greatest success in his new role.

As I bid you farewell, I have nothing more to say but a big thank you to you all. Thank you to the more than 8,200 employees and their families across the world who form part of Acerinox, to the Management Team, led by the Chief Executive Officer. Thank you to the Board of Directors and all the Directors who have served on it during these eight years, with whom I have worked side by side for the social interest of our Company and that of all its shareholders, and above all to you, the shareholders, for your trust and permanent support.

Together, you have all contributed to making today the Acerinox of tomorrow.

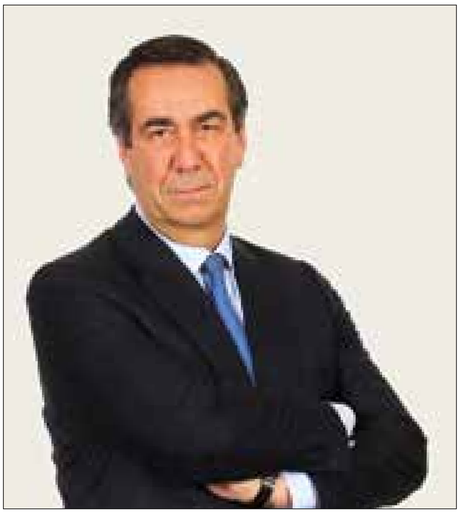
Thank you very much.

Regards,

Rafael Miranda

Chairman of the Board of Directors

Letter from the Chief Executive Officer



Dear shareholders,

Once again, I must begin by thanking you for the trust you place in Acerinox's management team, thanks to which I have the honour of addressing you in this letter to report on the 2021 results and explain the context in which they were achieved.

This was an exciting year, which went from strength to strength, improving rapidly. These circumstances enabled us to achieve the best results and the highest production levels in our history despite the complicated environment.

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 stand I addressed you to explain how our growth expectations for 2020 had been thwarted by the appearance of the terrible Covid-19 pandemic.

After two years of declines in stainless steel apparent consumption in Europe and the United States, (2018: -0.3% in the EU and -2.2% in the US, and 2019: -4.0% and -9.3%, respectively), we thought that these markets, where we make most of our sales, had greatly reduced their inventories. For this reason, we were optimistic about the possibility of facing a new bullish cycle, driven by the inventory restocking process.

Nothing could have been further from the truth, for what we experienced was the drastic shutdown of all markets, 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 is easy to deduce: 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. 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.

Following these significant cuts, 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 catering equipment. The same also occurred for many other industrial products.

After months of uncertainty and gloom, of factory closures and openings, the economic reactivation process culminated in November 2020, when the good news on vaccines triggered a feeling of euphoria simultaneously in all countries. In this gap between openings and closures, between essential and non-

essential industries, between customers and suppliers, as well as in the final universal strong reactivation, a number of problems were seen to be arising in global supply chains.

In short, after 3 years of consecutive 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 for our normal consumption, for the excess caused by savings made in many companies and families, and also to replenish stocks to reach the volume that would meet the new consumption expectations. The result is well known by all: a feeling of shortages in the markets, an urge to bring forward purchases and 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 in general, generating a sharp rise in inflation.

In our sector, apparent consumption of stainless steel grew in 2021 by 17.7% in Europe and 20.8% in the United States, practically recovering what had been relinquished during the previous 3 years.

It is clear that the pandemic has been a turning point and 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 400-metre Taiwanese cargo ship "Ever Given".

All this has made companies aware of the complexity of global supply and is leading to a greater diversification of the origins of our 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 a regionalisation process is also taken into account.

Logically, at Acerinox we are paying close attention to this process, since during the past decade we have suffered from the deluge caused by the tsunami of stainless steel exports originating from China and Chinese manufacturers located in Indonesia. As a global company, we serve the markets regionally from our factories in Spain, the United States, South Africa, Malaysia and Germany, so this new situation can only benefit our activities. Not only do we expect more local purchasing in our main markets, but we also believe that this move to bring supplies closer together will attract more industry to Europe and the United States, which will favour further growth in the consumption of our products in these regions.

If we add to all this the restrictions on unfair trade or the new measures that are being prepared against manufacturers who do not follow Western sustainability standards, we can be sure that this new decade, which we are starting so bumpily, will undoubtedly be better than the previous one for our Company and will allow us to put in value all the progress we are making.

We must not miss this opportunity to restore the leading role of the industry, so that it once again acquires a greater weight in the European and the United States economies and, above all, so that more stable and *higher quality employment can be developed in the industry. Therefore, I believe it is appropriate to appeal to society for responsible consumption that defends our values, as well as to the administrations to take the appropriate measures to create a competitive environment for the development of industrial activity.*

In short, the hard work carried out by our teams under the aforementioned circumstances made possible a gradual improvement in our results over the past year, thanks to the good performance of our backlog, which enabled us to keep all our factories at full capacity and to select the products that provided us with the highest margins. EBITDA in 2021 grew 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, accumulating EUR 989 million in the year, which is the highest achieved by Acerinox in its more than 51 years of existence.

Revenue, which totalled EUR 6,706 million was the second highest in our history, behind 2006, when we were helped by the high prices of raw materials. 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 good results gave rise to an operating cash flow of EUR 388 million despite an increase in working capital of EUR 460 million due to increased activity and price increases for raw materials, consumables and spare parts, which we offset, in part, by a strict control of our inventories in physical units. After making payments for investments of EUR 90 million, the free cash flow generated totalled EUR 297 million, which enabled us to remunerate shareholders with a cash payment of EUR 0.50 per share for a total of EUR 135 million, to initiate a share buyback programme to which EUR 9 million was already earmarked in 2021, and to reduce our debt by EUR 194 million to EUR 578 million, less than 0.6 times the EBITDA generated in the year. In the Annual Integrated Report, you will be able to appreciate our Company's good financial and liquidity situation, which allows us to face the ups and downs of the market with peace of mind.

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. Half of the stainless steel manufactured in North America comes from our facilities in Kentucky.

Acerinox Europa also recorded a good performance, despite energy in Spain reaching unsustainable prices, whose cost overrun compared to the previous year affected us by almost EUR 100 million.

Columbus Stainless also played a leading role thanks to 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.

Bahru Stainless maintained the strategy of developing higher value added markets, achieving positive results in a very competitive environment, affected by the overcapacity experienced in Indonesia, and with an additional great merit, since the Malaysian government kept our facilities closed for two and a half months due to the pandemic.

The high performance alloys division, VDM, also performed well, suffering at the beginning of the year due to the lack of projects, which subsequently materialised into the need to purchase materials. This situation gradually clarified itself during the year, and this division ended up obtaining results similar to those obtained before the pandemic and which made us interested in this company. It is worth highlighting the degree of *progress in the integration process of our high performance alloys division, which is far exceeding the initial plans and allows us to be optimistic about our common future.*

Due to its long useful life, its infinite capacity for recycling and reuse - our recovery rate has exceeded 90% over the last three years – our product is the paradigm of the circular economy, making us more sustainable from the beginning. For this reason and because of our continuous aim to be more productive and efficient, ESG matters have formed a part of the company's DNA since its incorporation.

Acerinox is making decisive progress in its sustainability agenda and has undertaken social and environmental contribution projects in each of the communities in which it operates. In the year that we have recognised the best economic results in our history, we have also increased our investments to fulfil the commitments assumed by Acerinox through the 2030 Agenda. These commitments were recognised by various certifying bodies and rating agencies worldwide, such as CDP, GRI and Ecovadis.

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 reading the 2021 Annual Integrated Report, you will have the opportunity to analyse in great detail how we have progressed during the year, as well as gain an in-depth insight into our ESG strategy. I would like to take this opportunity to highlight Acerinox's ability to fulfil 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 my staff.

In the social field we act in all areas to improve the conditions of our teams and their families, and we are one of the largest -if not the largest- employer in the areas where we have production centres, as well as being very active in training internally our staff and training young professionals and university students, who should see Acerinox as a benchmark employer.

We never tire of spreading the word about our obsession with the safety of those who work at our facilities, with the sole objective of eradicating accidents and ensuring that everyone can return home safely. In 2021, we achieved a very encouraging 32% decrease in the accident rate, even though we still have some way to go.

I shall not recount all the progress made in our governance matters, since the Chairman has already explained profoundly in this connection.

2021 was an extraordinary year and enabled us to achieve numerous records, but it should not be thought that it was an easy year to manage.

First of all, because of the pandemic, because of the cases of infection and isolation that we suffered, because in 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 or, 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 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, thus showing the flexibility we have demonstrated on numerous occasions. Even so, in this difficult context, we achieved a new production record.

We managed to ensure that major supply chain disruptions did not seriously affect our critical supplies, and we were able to operate almost with normality, although we were unable to prevent our customers from suffering from these situations, thereby hampering our production.

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

We 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 in all the units of our Excellence 360 Plan to improve efficiency and productivity. Additionally, we updated our 2021-2025 Strategic Plan.

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 innocent victims.

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 and we are prepared to cease all commercial activity for the duration of the conflict. We can only hope that this situation will come to an end as soon as possible.

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 8,200 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 results obtained more than reward us for all our efforts.

Finally, I cannot conclude without making 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 his dedication, his knowledge and his closeness. It is an honour for us to count on his friendship and we hope to continue to count on the advice of someone who has such extensive experience as he has.

We welcome Carlos Ortega, our new Chairman; we offer him our support and we are ready to start working as soon as possible to continue making our beloved Acerinox greater.

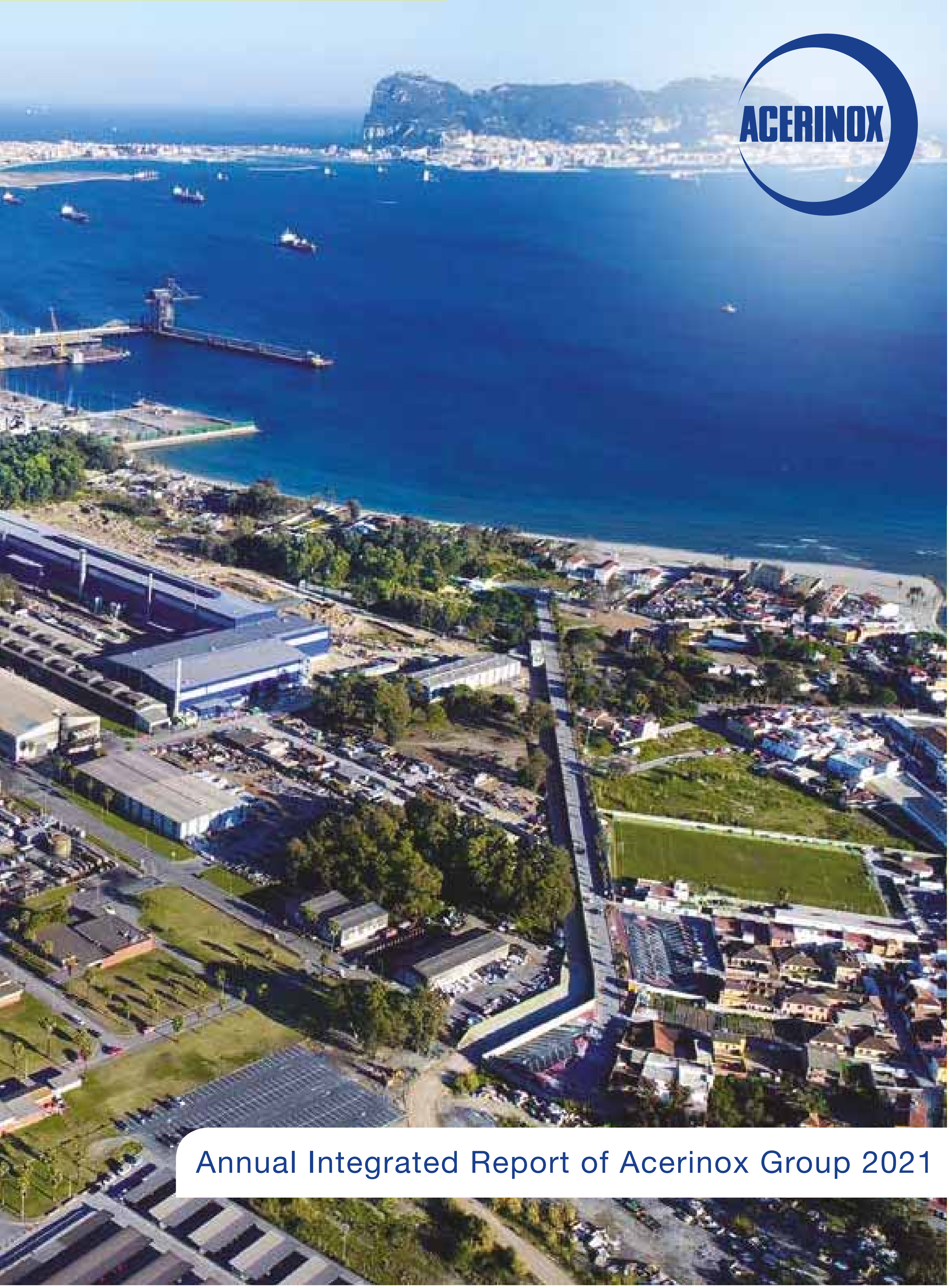
I would like to conclude my message by reiterating my thanks to all those who make our work possible: our customers, suppliers and, above all, to all the shareholders for their support and trust, which motivates us and encourages us to continue improving. We do not know what the future holds, I have 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.

Bernardo Velázquez

Chief Executive Officer

May 2022

Acerinox Europa Factory, Campo de Gibraltar (Spain).



Annual Integrated Report of Acerinox Group 2021

1.1 Acerinox in figures

Economic performance

€6,706 million
Revenue

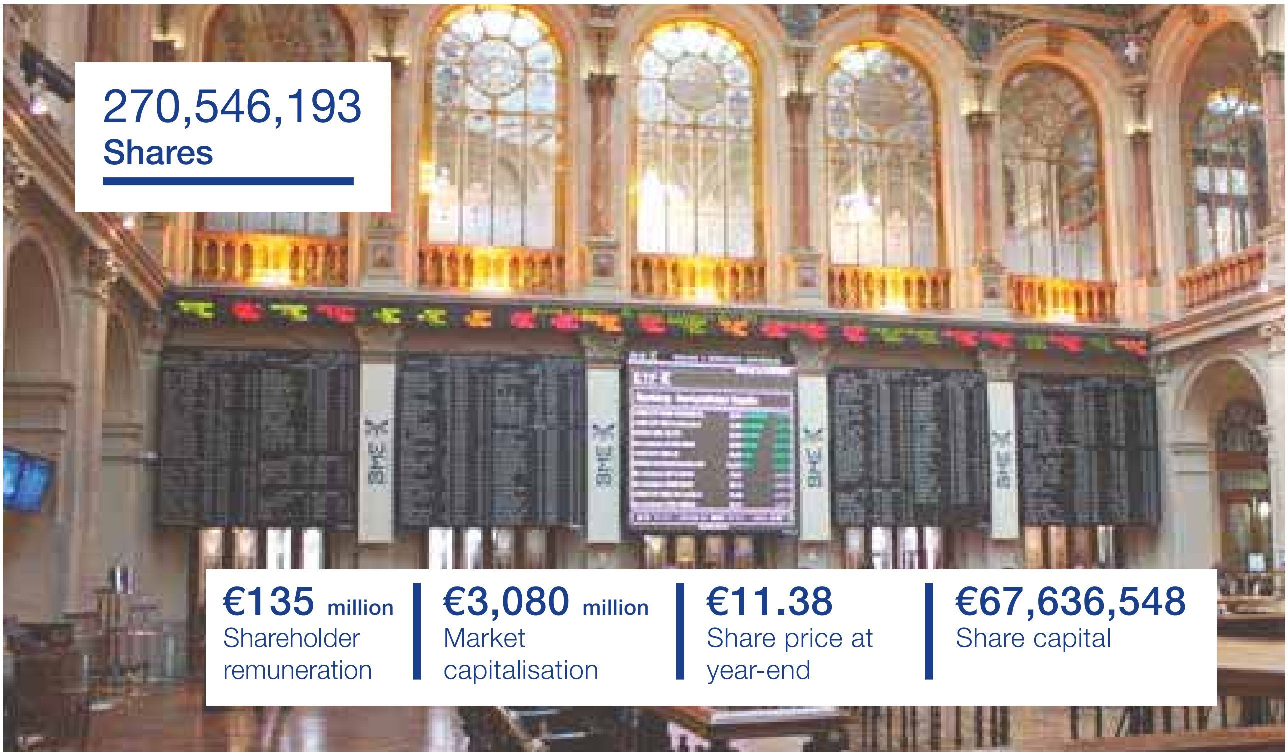
€989 million
EBITDA

€572 million
Net profit

Net financial debt: **€578 million**

Operating cash flow: **€388 million**

Our shares



270,546,193
Shares

€135 million
Shareholder remuneration

€3,080 million
Market capitalisation

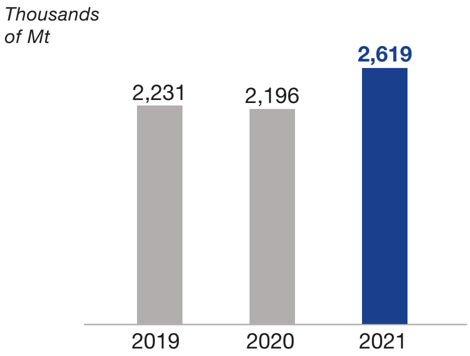
€11.38
Share price at year-end

€67,636,548
Share capital

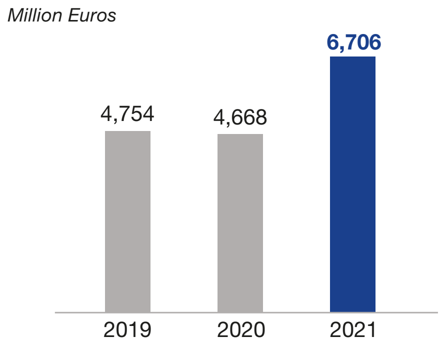
Acerinox, S.A. Head Office in Madrid.

Evolution in figures

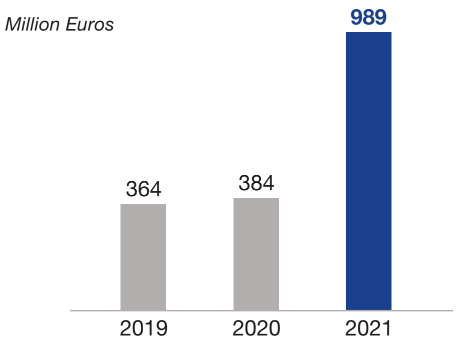
Melting shop production



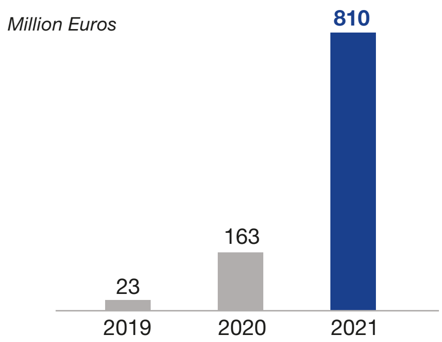
Revenue



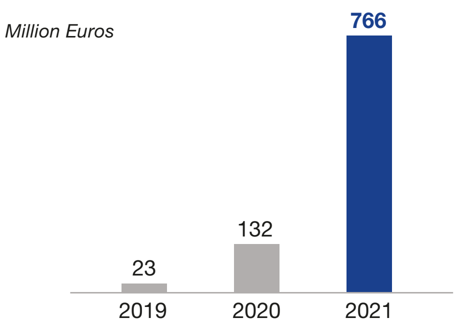
Operating income E.B.I.T.D.A.



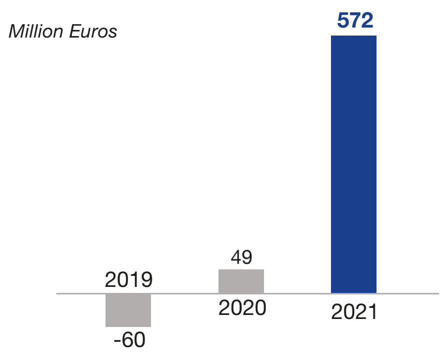
Net operating profit E.B.I.T.



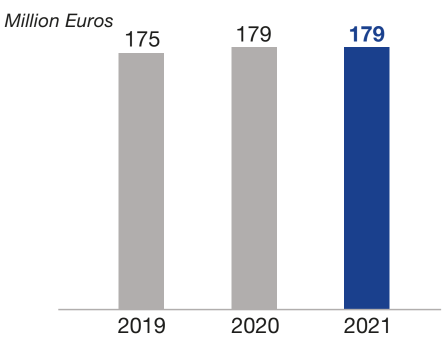
Profit before tax



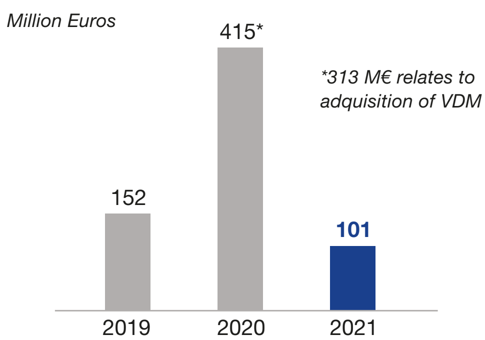
Net Profit/Loss



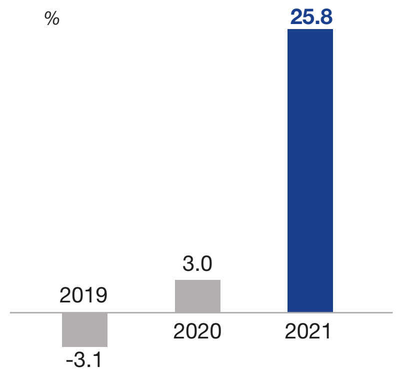
Depreciation and amortisation



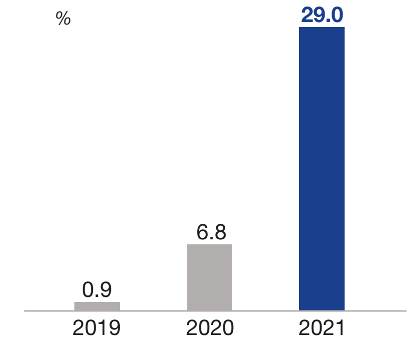
Investments



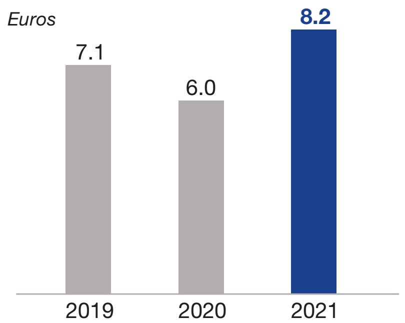
R.O.E.



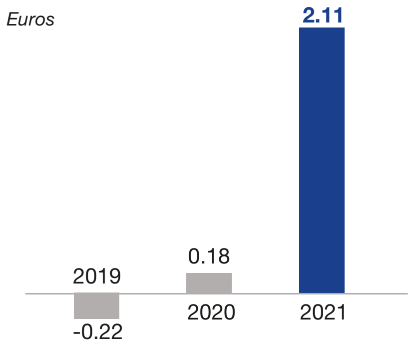
R.O.C.E.



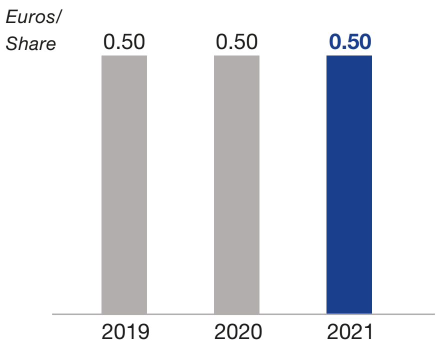
Book value per share at 31 December



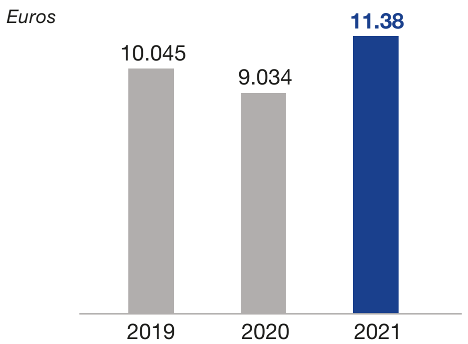
Earnings per share



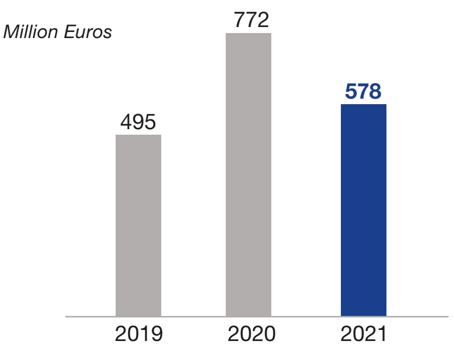
Shareholder remuneration



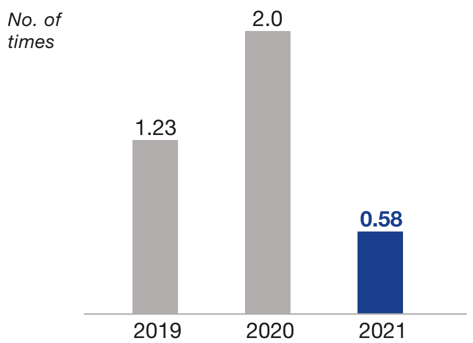
Share price at year-end



Net financial debt



Net financial debt/EBITDA



Business model and value chain

13 Factories

21 Service centres

25 Warehouses

54 Commercial offices

24 Commercial agents

63 Countries in which the Commercial Network operates

Global presence

Sales in
83 countries

Employees
8,206*

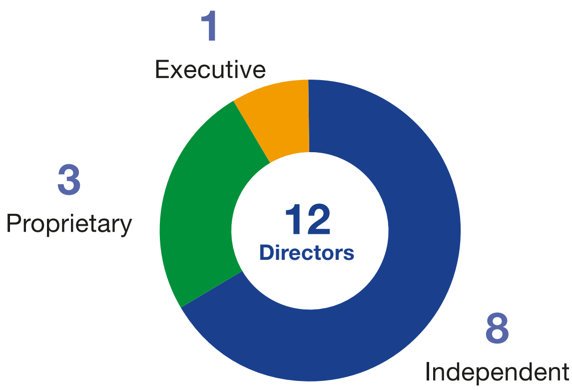
Customers

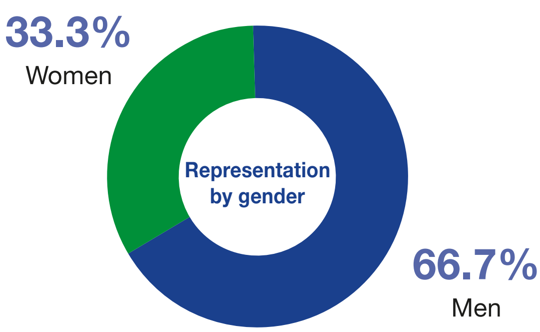
13,700 customers

Acerinox has
more than 90 quality certifications
at its factories

** Employees includes 10 members of Senior Management and 68 employees of the VDM Metals commercial subsidiaries who are not included in the scope of this report.*

Board of Directors



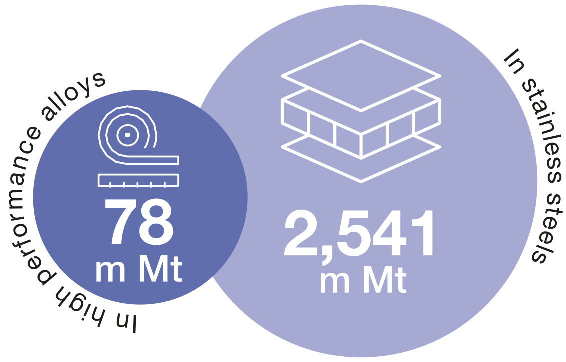


66.7% Independent Directors

4 Working committees

42 Meetings held by governance bodies

Production volume



+ 18,000

combinations, the widest range of products and solutions

Products for every sphere of life


Transport


Medical services

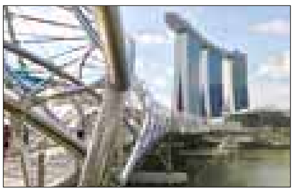

Food


Water


Energy


Architecture


Household & catering


Art & engineering

Eco-efficient product

Our products contribute to:

- **Circular** economy
- Offer **durable** materials
- **100% recyclable** alternatives
- Systems to **reduce emissions**
- Improve the standard of living with **lower environmental impact**

Purchases from suppliers

€6,894 million

60.70%

of suppliers are local,
Promoting procurement from local suppliers in the communities in which the Group operates

Digitalisation and innovation

€115.8 million

earmarked for investments in **digitalisation and innovation**

Distribution of the main R&D&I lines of action

Research to improve quality

Improvements in production lines

Technological development of new production elements

Digitalisation, automation and control of the production process

Development of new types of steel and finishes

Investments in the fight against climate change

Investments to optimise the circular economy

Strategic Plan: Excellence 360°

Integral vision of the business

Production
Increase reliability and competitiveness

Supply chain
Optimisation of inventories and delivery processes

Commercial
Improve margins. Demand planning

Raw material procurement
Optimise the mix. Predictability of consumption, raw materials and consumables

Development of new Autonomous Guided Vehicles (AGVs) project at the NAS factory following successful implementation at ACX EU

Estimated annual saving of 12 tonnes of CO2

€140 million

Estimated savings
from 2023 onwards

Autonomous Guided Vehicle in the Acerinox Europa Factory.

Sustainability

United Nations Global Compact

Advanced Level

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

The Environment

Anti- Corruption

Human Rights

Labour Rights

Committed to:

United Nations 2030 Agenda

Direct and indirect contribution to 17 SDGs and greater influence over:

3 GOOD HEALTH AND WELL-BEING

6 CLEAN WATER AND SANITATION

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Certifications and organisations with which Acerinox collaborates for sustainability matters

Life Cycle Inventory (Eurofer)

Carbon Disclosure Project

Climate Action Member (Worldsteel)

Responsible Chromium

Sustainalytics

ISS Corporate Solutions

Sustainability Rating Gold (Ecovadis)

Responsible Steel

Circular Economy Pact

Leaders in the circular economy:

Volume of material recycled in the production process

> 90 %
recycled **contend rate**
of our products

> 70 %
reuse
of waste generated

Sustainable financing

€465 million
Total financing through **green and sustainable loans**

Collaborating entities

BBVA
CaixaBank
Sabadell
BancaMarch

Total of €385 million drawn down in 2021

Scrap metal to be recycled in the Acerinox Europa Factory.

Investments in social action totalling

€415 thousand

Tax action

ICAP Programme

- Co-operative and multilateral process of tax risk assessment and assurance
- Transparency and soundness of tax policies at Group tax-governance level
- Result: ICAP certifies Acreinox as a low tax risk company

Emission reductions per tonne produced equivalent to the CO_2 absorption capacity of the trees in 23 Central Parks

Acerinox reduced its water consumption per tonne produced by the equivalent to the volume needed to fill 160 olympic swimming pools

Electricity consumption per tonne produced was reduced by the equivalent of the average consumption of 30,900 Spanish homes

The Sustainability Committee held 6 meetings in 2021

Health and safety

31.82 %

Decrease in the LTIFR (Lost Time Injury Frequency Rate) indicator compared to 2020

Stainless steel coil with BA finish in the Acerinox Europa Factory.

1.2. About us

The Acerinox Group is the most global manufacturer and distributor of stainless steels and high performance alloys.

Since its incorporation in Spain in 1970, Acerinox has had a clear international vocation, and is currently one of Europe's leaders in the manufacture of stainless steel, the prominent leader both in the US and Africa, and is global leader in the high performance alloys market.

The Group's stainless steel factories are located in Campo de Gibraltar (Spain), Ponferrada (Spain), Igualada (Spain), Ghent (Kentucky, the US), Middelburg (Mpumalanga, South Africa) and Johor Bahru (Malaysia). The Group also has high performance alloys plants; five are located in Germany (Unna, Duisburg, Siegen, Werdohl and Altena) and a further two are located in the US (New Jersey and Nevada).

The products manufactured at all these factories are sold across five continents through a global commercial network consisting of 21 service centres, 25 warehouses, 54 offices and 24 commercial agents, thanks to which Acerinox distributes to customers in 83 countries.

Thanks to their versatility, mechanical properties and aesthetic beauty, the low maintenance they require and their recognised status as benchmarks of the circular economy. The materials manufactured by Acerinox are used in a wide variety of sectors, for which the Group offers a wide range of products and services all over the world.

Acerinox is listed on the Spanish Continuous Market, it forms part of the IBEX 35, and approximately 39,000 shareholders, consisting of both natural persons and legal entities, are owners of Company shares.

At 31 December 2021, the majority shareholder of Acerinox was Corporación Financiera Alba (17.78%).

21 Service centres

25 Warehouses

54 Commercial offices

24 Commercial agents

83 Countries where sales are made

1.3. The Parent Company

Acerinox S.A.

Acerinox is one of the largest global manufacturers in terms of production capacity, with plants located on four continents.

Acerinox has carried out a continuous investment programme with the development of its own technological advances, which, in some cases, constituted a true milestone in stainless steel and high performance alloy manufacturing.

The Acerinox Group's headquarters are located in Madrid (Spain), which houses the corporate parent, Acerinox, S.A., and is where the main decision-making and management bodies convene.

Acerinox, S.A. provides legal, accounting, IT, advisory and financial services to all Group companies.

Its shares are admitted to trading on the Spanish Continuous Market, and the Company is part of the selective Spanish IBEX 35 index.

At 31 December 2021, the share capital was comprised of 270,546,193 ordinary shares, each with a nominal value of EUR 0.25. The General Shareholders' Meeting of Acerinox, held on 15 April 2021, approved the distribution of a dividend of EUR 0.50 per share, which gave rise to shareholder remuneration amounting to EUR 135.3 million. The dividend was paid on 3 June 2021.

270,546,193
Ordinary shares

€ 0.25
Nominal value

Acerinox Head Office in Madrid.

1.4. Production companies

Acerinox Europa

1970

Campo de Gibraltar (Spain)

1,797employees

Fully integrated flat-product factory. In 2021 its melting shop production totalled

804,202 tonnes

North American Stainless

1990

Kentucky (the US)

1,535 employees

Fully integrated flat- and long-product factory. In 2021 its melting shop production totalled

1,160,997 tonnes

Columbus Stainless

2002

Middelburg (South Africa)

1,275 employees

Fully integrated flat-product factory. In 2021 its melting shop production totalled

575,699 tonnes

Bahru Stainless

2009

Johor Bahru (Malaysia)

398 employees

Bahru has cold rolling lines, which, in 2021, processed

120,478 tonnes

Long Products

Roldán S.A.

Ponferrada (Spain)

395 employees

Its portfolio of products includes bars, wire rods, angles, hexagonal bars and reinforcement bars

104,298
tonnes produced

Inoxfil S.A.

Igualada (Spain)

106 employees

Manufactures stainless steel wire

9,362
tonnes produced

High Performance Alloys

2020

VDM Metals

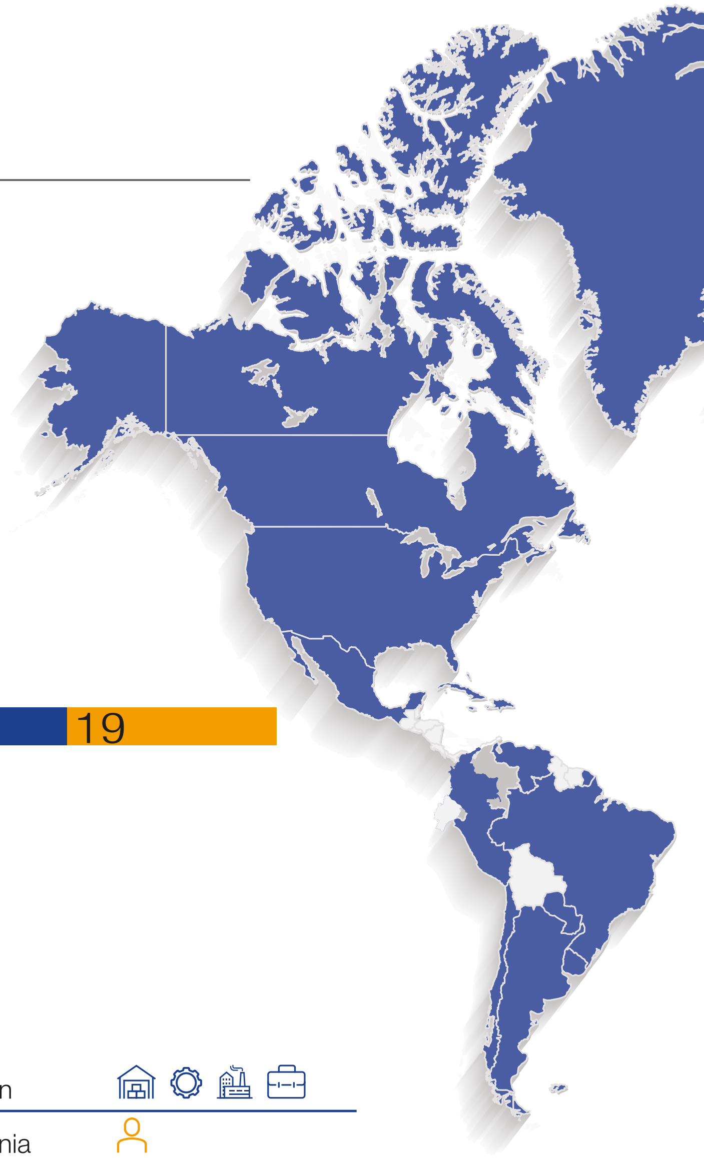
Unna, Duisberg, Siegen, Altena & Werdohl (Germany)
New Jersey & Nevada (the US)

1,838
employees

Global leader in the production of nickel and high performance alloys, with five factories located in Germany and two in the US

78,136
tonnes produced

1.5 Commercial subsidiaries



Stainless Steel Division

High Performance Alloys Division

	Stainless Steel Division	High Performance Alloys Division
Factories	6	7
Service centres	16	5
Warehouses	25	
Sales offices	35	19
Sales agents	10	14

America

- Argentina
- Brazil
- Canada
- Chile
- Colombia
- USA
- Mexico
- Panama
- Peru
- Venezuela

Europa

- Germany
- Austria
- Belgium
- Bulgaria
- Slovakia
- Spain
- Estonia
- Finland
- France
- Italy
- Latvia
- Lithuania
- Netherlands
- Poland
- Portugal
- UK
- Czech Rep.
- Romania
- Russia
- Sweden
- Switzerland

Asia

- Armenia
- Azerbaijan
- China
- South Korea
- Philippines
- Georgia
- Hong Kong
- India
- Indonesia
- Japan
- Malaysia
- Pakistan
- Singapore
- Taiwan
- Thailand
- Turkmenistan
- Vietnam

Africa

- Egypt
- Morocco
- Nigeria
- South Africa
- Tunisia

Middle East

- Saudi Arabia
- Bahrain
- UAE
- Israel
- Jordan
- Kuwait
- Lebanon
- Oman
- Qatar
- Turkey

Oceania

- Australia

NAS Factory in Kentucky (The US)


ACERINOX

2.1 The best results in 51 years

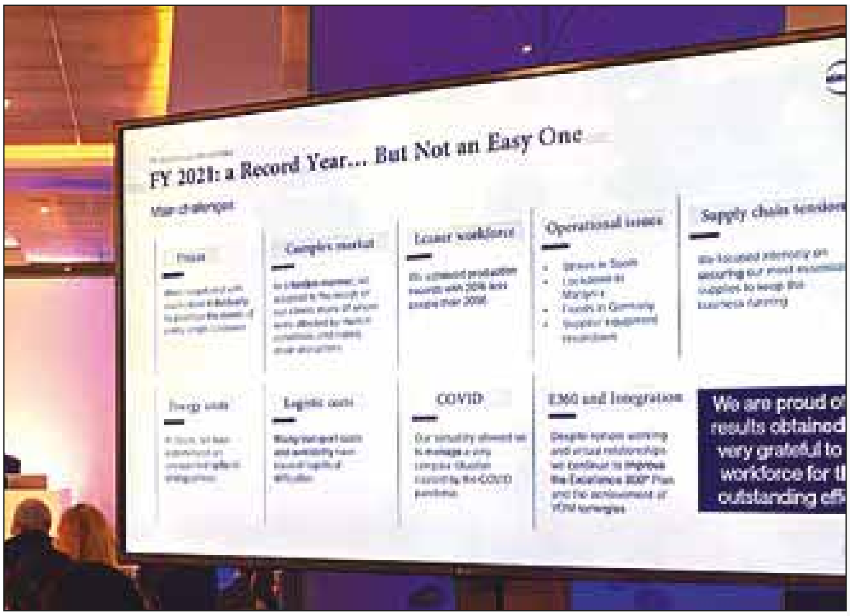
In 2021, Acerinox achieved its best results ever. The effort and commitment of its employees under the circumstances experienced globally were essential in achieving this milestone.

The Group recognised profit after tax and non-controlling interests totalling EUR 572 million, EBITDA amounting to EUR 989 million, and achieved revenues totalling EUR 6,706 million, giving rise to an increase of 1,065.95%, 157.77% and 43.64%, respectively, compared to 2020.

Acerinox achieved this balance sheet under very complicated circumstances as a result of Covid-19, in which it was forced to occasionally stop production in certain factories and reconcile working at the office with working from home for office positions, establishing new routines but always prioritising health and safety. This context also obliged the Group to adapt to new management models due to disruptions in supplier and customer supply chains as a result of the pandemic. Furthermore, in certain areas in which the Group is located, Acerinox was forced to operate with significantly high energy and transport prices, in addition to the challenge of managing the global logistics crisis.

In such a complex scenario, the Group achieved its best results ever thanks to both sound management and favourable market conditions.

Acerinox demonstrated the flexibility necessary to adapt to the volatility of the situation, which was also enhanced by, inter alia, product diversification (with the incorporation of high performance alloys), financial strength and improved efficiency. Meanwhile, market conditions were characterised by a favourable evolution in demand, which allowed for successive price increases for products in various regions.



2021 Results Presentation.

Net profit

€572 million

1,065.95% ↑ 2020

EBITDA

€989 million

157.77% ↑ 2020

Revenue

€6,706 million

43.64% ↑ 2020

2.2. Mission, Vision & Values (MVV)

In 2021 the Acerinox Group approved and rolled out its Mission, Vision and Values.

Striving to reflect its ongoing aspiration to continue improving process and product efficiency, to become a benchmark supplier in the sector, to reinforce its position as leader in the markets and to expand its product range and profitability, Acerinox defined its Mission as: *"to create the most appropriate high-performance materials for each application, thus contributing to the progress and quality of life of a sustainable society"*.

The Group's vision was defined as: "*to become a global supplier that responds to present and future needs with the widest choice of materials, solutions and services, while placing the customer at the centre of our business*". And at the same time, "*to distinguish ourselves as part of the transition towards a new circular economy through the efficient production of stainless steels and high performance alloys that respect the environment*".

To this end, Acerinox has a competitive advantage that must make a difference, and which constitutes a strategic asset: its product range. Both stainless steels and high performance alloys are examples of the circular economy and of reduce, reuse and recycle. Their extremely long useful life and low maintenance requirements minimise the impact on the environment, rendering them sustainable materials par excellence for an increasing variety of applications. At the end of their useful lives, the materials manufactured by Acerinox become a raw material once again, thus every customer who chooses to use and buy Acerinox products, as opposed to other materials, contributes to the circular economy.

Meanwhile, the nine values were compiled in the following diagram in such a way that they are grouped into three areas: People, Culture and Product:

Safety	Sustainability	Employer of choice
Integrity	Commitment	Long-term focus
Excellence	Innovation	Quality

MVV

Acerinox revealed its Mission, Vision and Values through a major simultaneous communication campaign to the Group's **8,206 employees located in 51 countries**. In addition to designing a specific logo, more than 1,500 posters and teasers, a specific edition of the Think Acerinox Magazine, which included a letter from the CEO, and a video explaining the concepts were distributed to all of the Group's centres.

Scan the QR to watch the video

2.3. Managing the effects of Covid-19

Acerinox always prioritises the safety of its workers, while striving to maintain its business activities, with special emphasis placed at the start of the pandemic.

The Acerinox Group maintained at all times the highest level of precautionary measures, as defined in the Group's Covid Protocol Play Book, a guide that details the measures to be taken in each scenario.

The Group's global presence enabled it to act with the knowledge necessary to stay one step ahead of the different waves, facilitating the implementation of measures against Covid-19 in its facilities.

The scenarios included in the aforementioned Play Book, the measures to be taken and the monitoring of the pandemic in each of the Group's workplaces are defined by a Covid-19 Crisis Committee, which was established for this purpose and is comprised of members of Senior Management together with the CEOs of the factories and the Heads of Human Resources and Health and Safety at each of the factories, which complement the different Covid-19 Committees created specifically in each of the work centres.

The measures not only referred to social distancing, separator panels, the use of masks, hydro-alcoholic gels, capacity limitations, protective screens and temperature controls at the entrance, among others, but they also included awareness campaigns and strict disinfection measures before each shift. In addition, getting vaccinated and personal hygiene were promoted among all workers as the most effective measures to reducing the effects of the pandemic.

Working from home was an effective measure in eliminating close contact between workers. Acerinox equipped offices and employees with the necessary software and hardware in order to be able to work remotely in an efficient manner. These are in addition to the investments made in health care equipment and show the Group's commitment to combining the possibility of maintaining its business activities without compromising health and safety.

Scan to view the Play Books

English

Spanish

Investments in materials directed to preventing the effects of the Covid-19 pandemic

+€5 million
Total
investment

+€600
per employee
during the year

All these prevention and control measures show once again the **Group's priority for Health and Safety**, both for its employees and for all the stakeholders with whom Acerinox operates.

Scan the QR Code to discover the measures against Covid-19 at Acerinox Europa (only available in Spanish)

Cold rolling mill inspector at the Acerinox Europa Factory.

3.1. Global context

The stainless steel sector

Increased confidence in the economy and improved activity, due largely to the hope placed on the effect of the vaccines, boosted demand in and consumption of stainless steel. Despite several periods of instability due to various outbreaks and variants of Covid-19, 2021 witnessed growth in the main production regions, where very low inventories were also sustained throughout the supply chain.

The recovery that began in the second half of 2020 continued during 2021. All sectors performed favourably, with the exception of the automotive sector, which continued to be affected by the shortage of semiconductors.

The swift recovery of the main consumer countries, together with high transportation costs and increased delivery times, contributed to limiting imports worldwide.

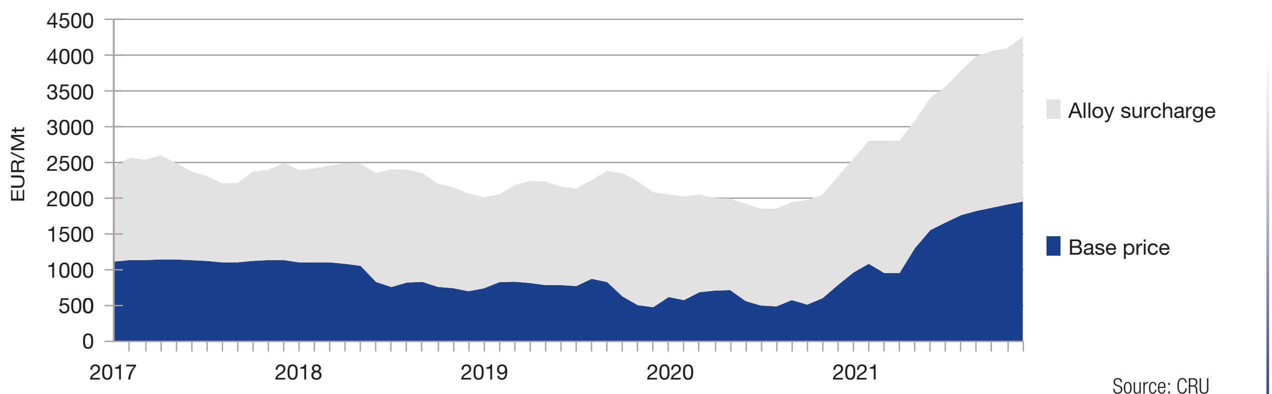
Europe

The increase in apparent consumption in Europe stood at 17.7% of the flat product market, reversing the decrease experienced in 2020 and reaching 2019 pre-Covid levels.

At 2021 year-end, inventories were below the average of recent years, and the European market gradually returned to a system of base prices and alloy surcharges.

In July, the European Commission extended the safeguarding measures for a period of three years, maintaining the quotas for all products, and established provisional antidumping measures for cold-rolled flat products originating from India and Indonesia, the effects of which were felt considerably in the second half of the year.

Price of stainless steel sheet in Europe, AISI 304 cold-rolled 2.0 mm 2017-2021 in EUR/Mt



Source: CRU

North America

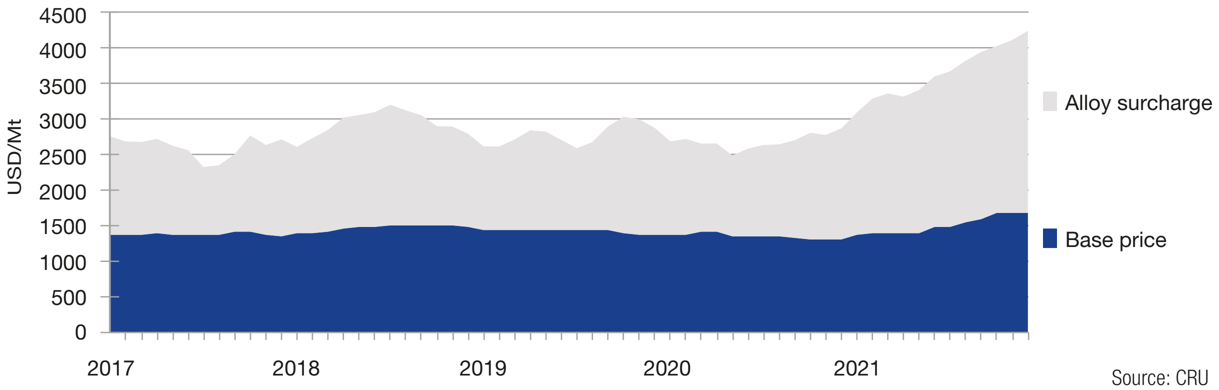
According to the latest data available, apparent consumption increased by 20.8% following a stronger-than-expected recovery, and thus overcoming the decrease experienced in 2020. Growth in household consumption drove demand, especially in sectors such as household appliances, automotive and catering, among others.

Section 232 of the US Trade Expansion Act was modified in favour of a quota system in line with Europe, the result of a framework agreement to protect the industry and the environment. As a result, the alliance between the two economies was strengthened.

North American inventories were below the average of recent years.

NAFTA markets (including Canada and Mexico) recovered and returned to pre-Covid levels

Price of stainless steel sheet in the US, AISI 304 cold-rolled 2.0 mm 2017-2021 in USD/Mt



Source: CRU

Asia

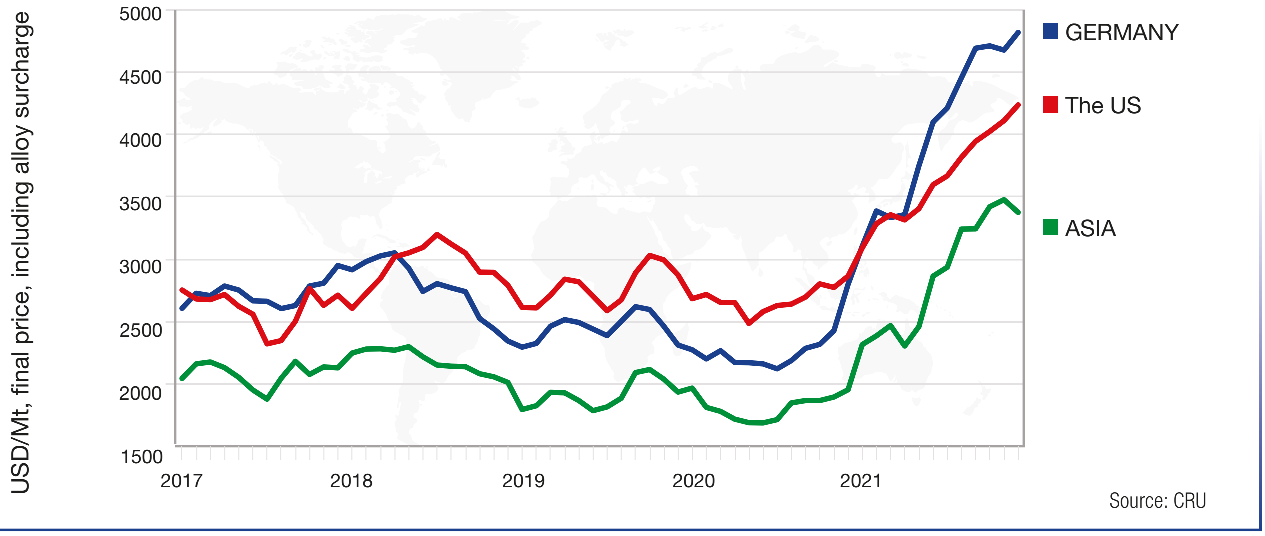
The withdrawal of export subsidies, together with Beijing's control of CO_2 emissions (part of an effort to reduce emissions and energy consumption within the Green Pact), corrected the oversupply that has characterised the Chinese market in recent years. This situation gave rise to an increase in prices in the region, with demand remaining strong. The holding of the Winter Olympic Games in the country in February 2022, together with the investments in facilities and infrastructures arising from this event, boosted demand.

In 2021 China recorded minimal production growth, which, together with a reduction in exports as a result of meeting the needs of the domestic market, stabilised the region's market.

In South-East Asia, Indonesia once again increased its production, and thus maintained its price leadership in the region. The Indonesian market's behaviour was very similar to that of China, increasing prices as soon as export subsidies in China disappeared. The sector is expected to grow in Thailand and Vietnam in 2022, which will place even more pressure on the cold rolled stainless steel market.

In Malaysia, the year was marked by the lockdown suffered during the summer, which forced the closure of all non-essential services. Once activity recovered, the market's response was very positive, following the trend of the rest of South-East Asia.

Price of stainless steel sheet, AISI 304 cold-rolled 2.0 mm
2017-2021



Africa

The South African stainless steel market experienced a strong recovery of more than 20%, following the initial lockdown restrictions due to the pandemic. GDP growth was predicted at 5.2%; however the actual rate fell several points short of this figure. The expected GDP growth rate for 2022 is 1.9%. Stainless steel sales recovered to pre-Covid levels in all sectors.

The high performance alloys sector

The market volume of nickel alloys is considerably smaller compared to the global stainless steels market. With annual sales of more than 39,000 tonnes in 2021, VDM Metals remains the world's largest manufacturer of these materials.

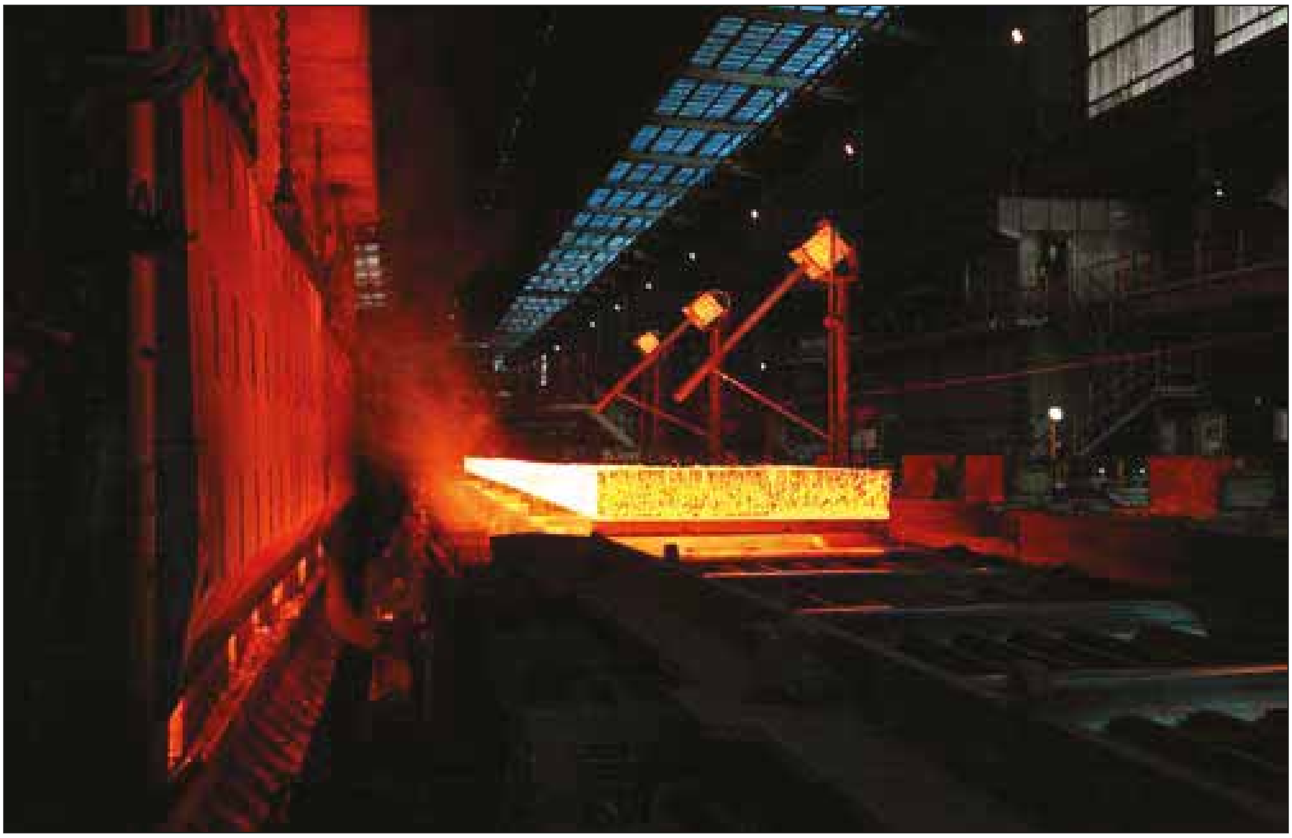
Specialist consultants indicated a 5.0% market recovery to 312,000 tonnes during 2021. The United States continues to be the largest single market for nickel alloys, followed by China, Germany, Japan and South Korea.

The largest consumer sector for nickel-based alloys is the aerospace industry. However, the sales segments of the chemical process industry and the oil and gas industry are the most significant for the High Performance Alloys Division in terms of sales quota.

Following the dramatic drop in 2020, according to the latest market studies, all nickel alloy enduser markets recovered in 2021, with the exception of the aerospace, marine applications and process industries. However, the outlook for demand in 2022 remains positive in all segments, with the exception of marine applications, despite the ongoing pandemic.

G.D.P. Growth (IMF-World Economic Outlook)

	2020	2021	2022 f
China	2.3	8.1	4.8
Germany	-4.6	2.7	3.8
India	-7.3	9.0	9.0
ASEAN 5	-3.4	3.1	5.6
South Africa	-6.4	4.6	1.9
Spain	-10.8	4.9	5.8
The US	-3.4	5.6	4.0
Eurozone	-6.3	5.2	3.9
Global	-3.1	5.9	4.4



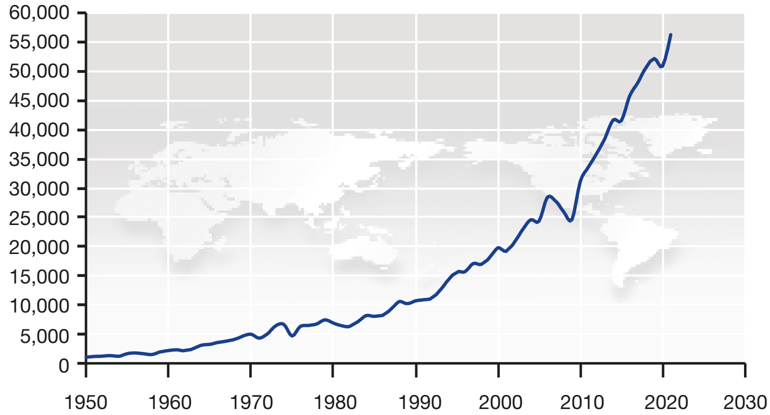
Hot rolling mill at the Acerinox Europa Factory.

3.2. Global production

Global Production of Stainless Steel 1950 - 2021 (Thousand Mt)

Compound annual growth rate 1950- 2021:

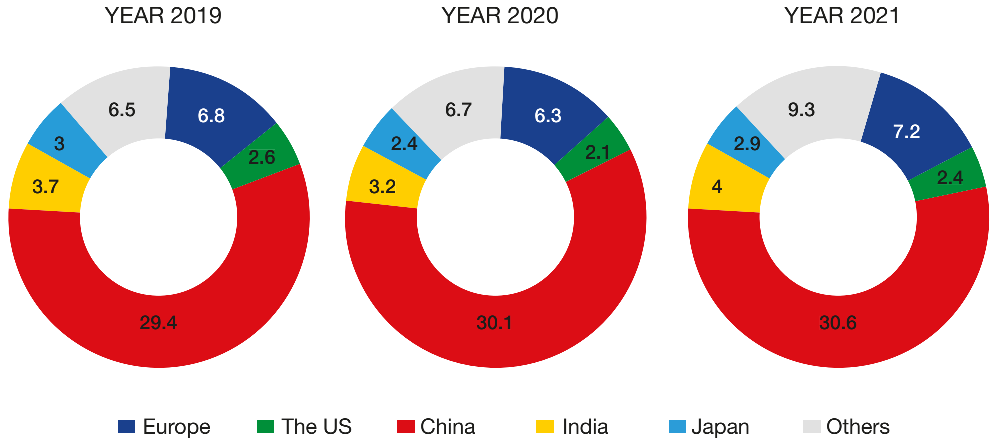
+5.8%



Source: ISSF, Acerinox

Cold rolling mill at the NAS Factory.

Global stainless steel production (Thousand Mt)



Source: ISSF, Acerinox

Evolution of global melting shop production (Thousand Mt)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2019	12,711	13,404	13,685	12,418	52,218
2020	11,636	11,605	13,526	14,125	50,892
2021	14,512	14,514	13,550	13,696	56,272

Source: ISSF, Acerinox

Melting shop production by region/country (Thousand Mt)

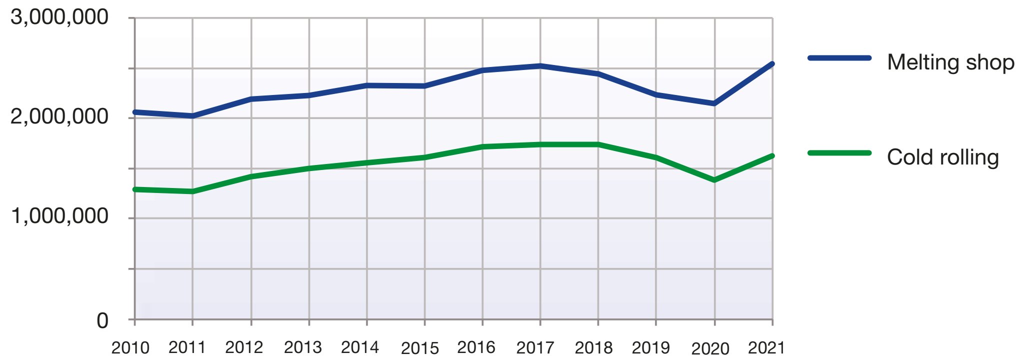
	2020	2021	Variation
Europe	6,323	7,163	13.3%
The US	2,144	2,368	10.4%
China	30,139	30,632	1.6%
India	3,157	3,965	25.6%
Japan	2,413	2,855	18.3%
Others	6,716	9,289	38.3%
TOTAL	50,892	56,272	10.6%

Source: ISSF, Acerinox

3.3. Acerinox Group production

In 2021, the Acerinox Group produced 2.6 million tonnes, setting a new record for the annual steel produced by the Company. On the other hand, cold rolling production would have exceeded its historical maximum if the Bahru Stainless plant had not been forced to stop its business activities for two months due to the pandemic.

Evolution of total production of the Stainless Division's factories (Mt)



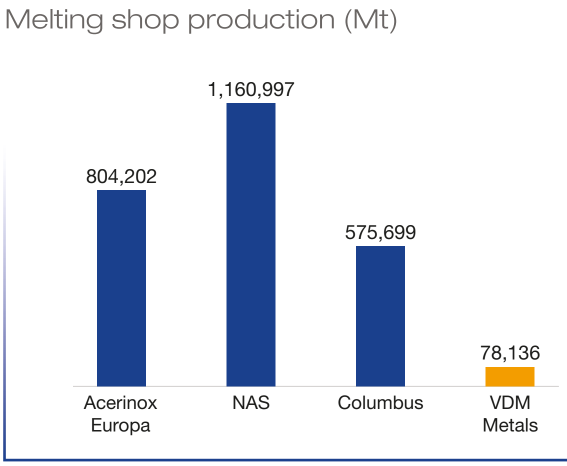
Quarterly evolution of the Stainless Division's production (Thousand Mt)

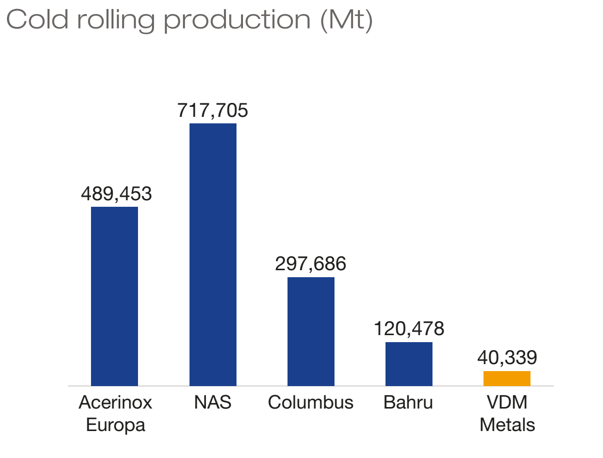
	2021					2020	2021 / 2020 Variation
	Q1	Q2	Q3	Q4	Accumulated	Jan-Dec	
Melting shop	650	654	629	608	**2,541**	2,144	**18.50%**
Cold rolling	394	400	408	423	**1,625**	1,383	**17.48%**
Long products (Hot rolling)	63	61	59	62	**245**	210	**16.53%**

Quarterly evolution of the High Performance Alloys Division's production (Thousand Mt)

	2021					2020	2021 / 2020 Variation
	Q1	Q2	Q3	Q4	Accumulated	Jan-Dec	
Melting shop	18	22	19	19	**78**	64	**21.83%**
Finishing shop	8	11	11	10	**40**	38	**6.8%**

Group production





3.4 Raw materials

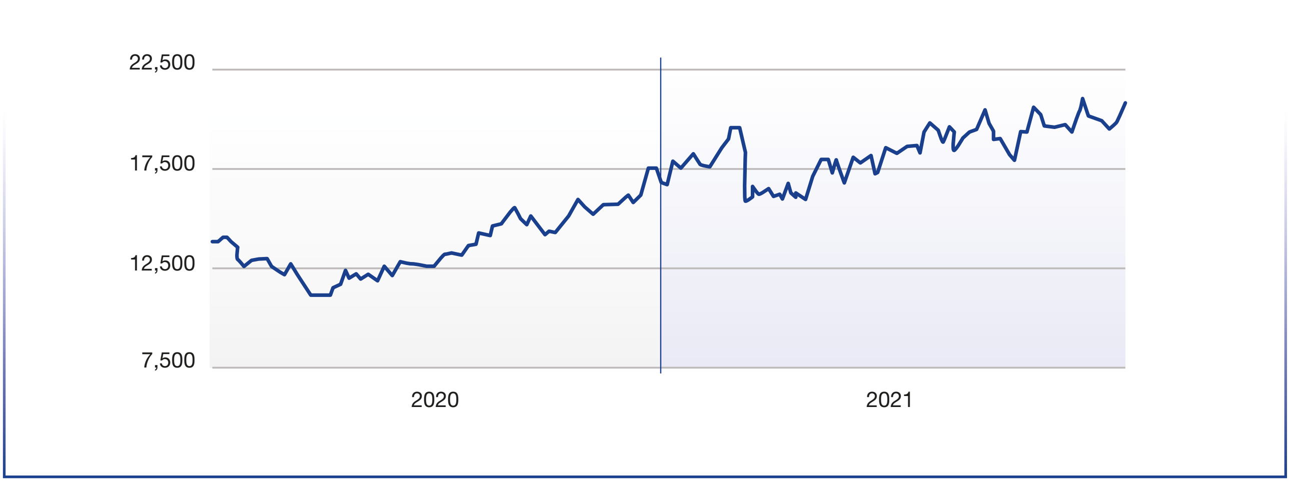
Nickel

Official price of nickel on the London Metal Exchange.

The upward trend in nickel prices during 2021 was driven by:

- The recovery of global demand for stainless steel.
- The increase in demand for nickel for the manufacturing of batteries for electric cars.
- Lower than expected nickel pig iron production.
- The decrease in pure nickel and ferronickel production in the rest of the world.
- Continued reduction of stocks throughout 2021 on the Shanghai and London Metal Exchanges.

Average spot price / three months in USD/Mt – 2020 – 2021



Ferrochrome

The drop in production in China, caused by power cuts, production restrictions due to environmental issues and higher demand in the rest of the world, gave rise to a significant increase in ferrochrome prices, mainly from the second quarter onwards. In the fourth quarter the price reached 180 US¢ / Lb. Cr, which had not been reached since 2008.

Average quarterly prices of ferrochrome – 2020 – 2021 US¢ / Lb. Cr

Molybdenum

China's importing of molybdenum, as well as recovering demand for both stainless and special steels, pushed the price of this material up at the beginning of the second quarter to its highest levels since 2008.

Price of molybdenum – 2020 – 2021 US¢ / Lb. Mo.

Ferrous scrap

The sharp rise in logistics costs and the strong demand for ferrous scrap, coupled with import activity from Turkey, kept prices at historically high levels

Price of ferrous scrap HMS 1&2 FOB Rotterdam
(monthly averages) - 2020 - 2021 USD/Mt

Bahru Stainless Factory in Johor Bahru (Malaysia).

3.5. 2021 Results

Results of the Consolidated Group

In a year of recovery, still affected by the global pandemic and the different variants of the virus, the Acerinox Group obtained the best results in its history.

The improvement in the market situation and the excellent management carried out in recent years in cost control and efficiency enabled the Group to reach record levels in most of the Group's accounting items. Revenue was 44% higher than in 2020, EBITDA was 2.6 times higher than in 2020 and net profit totalled EUR 572 million.

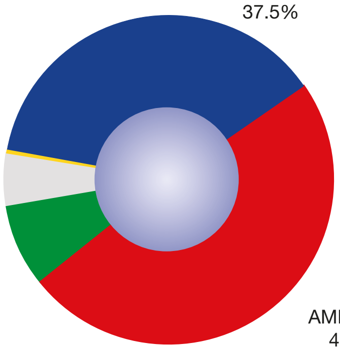
The Group's debt decreased by EUR 194 million and the operating cash flow generated amounted to EUR 388 million, which enabled the Group to pay the cash dividend (EUR 135 million), initiate a share buyback programme (EUR 9 million) and make investments totalling EUR 90 million.

The most significant figures in 2021 and the variation compared to 2020 are summarised in the following table:

Million EUR	12M 2021	12M 2020	% 12M 21 / 12M 20
Melting shop (thousand tonnes)	2,619	2,196	19%
Net sales	6,706	4,668	44%
Adjusted EBITDA	989	398	149%
Adjusted EBITDA margin	15%	9%	
EBITDA	989	384	158%
EBITDA margin	15%	8%	
Depreciation and amortisation	-179	-179	0%
EBIT	810	163 (1)	396%
EBIT margin	12%	3%	

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

Geographical distribution of sales



2021 revenue, which totalled

€6,706 m

was the second highest since 2007, thanks to an improvement in volumes and sales price levels

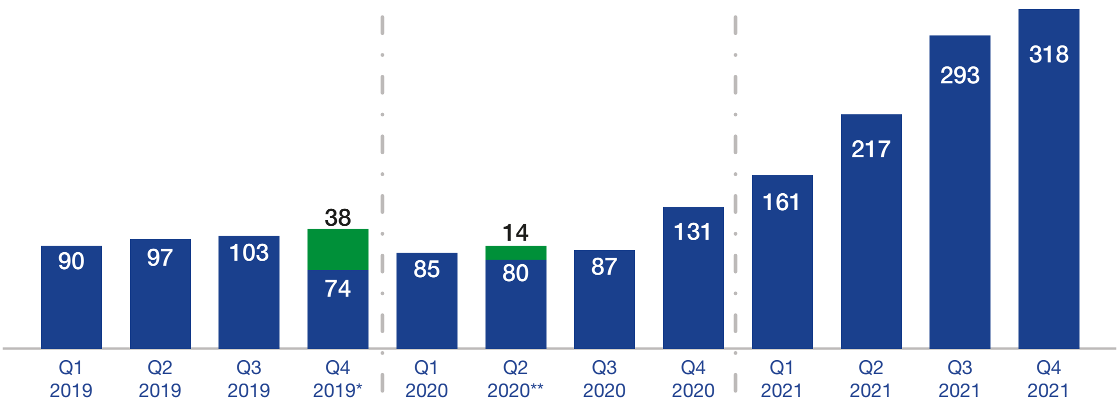
Cost control and efficiency improvements, on which the Group has worked extensively in recent years, Excellence Plans and the current Excellence 360° Plan have enabled Acerinox to take advantage of the market upturn and improve margins.

In 2021, operating expenses increased by 42%, mainly due to the increase in production, the high price of energy and transportation-related costs.

Worthy of note is "Utilities" (including, inter alia, electricity and gas consumption), which increased by 2.6 times in Spain due to increased energy prices, mainly in the second half of the year.

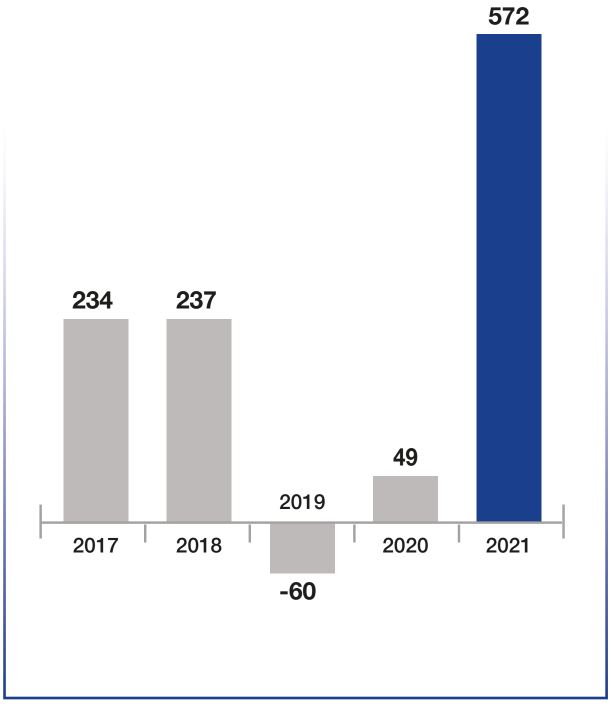
Despite this increase in costs, in 2021 the Group recognised an all-time record EBITDA of EUR 989 million and a margin of 15%. It should be noted that the Group has increased EBITDA in the last six consecutive quarters.

Evolution of quarterly EBITDA - 2019, 2020 & 2021 - EUR million



2019 adjusted EBITDA (*): EBITDA excluding the EUR 38 million provision for the Collective redundancy procedure (ERE) payment at Acerinox Europa
2020 adjusted EBITDA(**): EBITDA excluding the VDM acquisition expenses, which amounted to EUR 14 million

Net profit/loss -
EUR million



Depreciation and amortisation, totalling EUR 179 million, remained stable compared to 2020. EBIT totalled EUR 810 million.

The drop in interest rates in the US reduced NAS's income from deposits, with a consequent negative impact on the Group's net profit.

In 2021 profit before taxes totalled EUR 766 million (2020: EUR 132 million).

Tax credits totalling EUR 5 million were reverted. In 2021 profit after tax and non-controlling interests amounted to EUR 572 million (2020: EUR 49 million).

2021 Results Presentation on 28 February 2022.

Cash generation

Cash generation, established as one of the priorities in the Group's Strategic Plan, also performed outstandingly well.

The favourable results obtained by the Group gave rise to an 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 increase in raw materials.

Cash Flow - EUR million

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	12M 2021	12M 2020
EBITDA	**161**	**217**	**293**	**318**	**989**	**384**
Changes in working capital	-153	-100	-134	-73	-460	223
Changes in operating working capital	-155	-113	-132	-67	-467	236
- Inventories	-154	-167	-144	-129	-594	223
- Trade receivables	-173	-57	-14	-65	-309	83
- Trade payables	171	111	26	127	436	-70
Other adjustments to working capital	2	13	-1	-6	8	-13
- Collective redundancy procedure (ERE) payment at Acerinox Europa	0	0	0	0	0	-26
- Others	2	13	-1	-5	9	13
Income tax	24	-26	-72	-62	-137	-99
Finance costs	-9	-9	-13	-10	-40	-36
Other adjustments to profit	0	2	2	31	36	-51
OPERATING CASH FLOW	**23**	**84**	**77**	**204**	**388**	**421**
VDM purchase payment	0	0	0	0	0	-313
Payments for investments	-29	-20	-20	-21	-90	-99
FREE CASH FLOW	**-6**	**64**	**56**	**182**	**297**	**8**
Dividends and treasury shares	0	-135	0	-9	-145	-135
CASH FLOW AFTER DIVIDENDS	**-6**	**-71**	**56**	**173**	**153**	**-127**
Translation differences	22	-11	17	14	41	-70
Grants and other	0	0	1	-1	0	4
Net financial debt acquired from VDM	0	0	0	0	0	-85
Variation in net financial debt	**16**	**-82**	**74**	**186**	**194**	**-278**

After making investment payments totalling EUR 90 million, the free cash flow generated amounted to EUR 297 million, which made it possible to pay the cash dividend (EUR 135 million), initiate the share buyback programme (EUR 9 million) and reduce debt by EUR 194 million..

Balance sheet and financing

EUR million

ASSETS	2021	2020	Variation
Non-current assets	**2,067**	**2,070**	**-0.1%**
Current assets	**3,917**	**2,664**	**47.1%**
Inventories	1,777	1,182	50.2%
Receivables	837	532	57.5%
· Trade receivables	773	464	66.6%
· Other receivables	64	68	-5.1%
Cash	1,275	917	39.0%
Other current financial assets	28	32	-12.7%
TOTAL ASSETS	5,984	4,733	26.4%

EUR million

LIABILITIES	2021	2020	Variation
Equity	**2,215**	**1,615**	**37.1%**
Non-current liabilities	**1,802**	**1,827**	**-1.4%**
· Bank borrowings	1,368	1,410	-2.9%
· Other non-current liabilities	434	417	3.9%
Current liabilities	**1,968**	**1,291**	**52.4%**
· Bank borrowings	485	280	73.4%
· Trade payables	1,315	879	49.6%
· Other current liabilities	168	132	26.8%
TOTAL EQUITY AND LIABILITIES	5,984	4,733	26.4%

Operating working capital increased by EUR 467 million, due to the recovery of activity in 2021.

Operating working capital - EUR million

	December 2021	December 2020
Inventories	1,777	1,182
Trade receivables	773	464
Trade payables	1,315	879
Working capital	1,234	767

Bright annealing line at the VDM Metals Factory in Werdohl (Germany).

At 31 December 2021, net financial debt totalled EUR 578 million, giving rise to a decrease of EUR 194 million (31 December 2020: EUR 772 million, which included EUR 313 million from the acquisition of VDM and EUR 85 million from theassumption of its debt).

In 2021, as in 2020, the Group continued to decrease the cost of its long-term loans by renegotiating the fixed interest rate or margin and extending the maturity. In this regard, six financing operations were entered into for a total amount of EUR 530 million.

The Group also entered into three new longterm loans in Spain for a total amount of EUR 120 million. Furthermore, a fixed-rate loan of EUR 30 million was entered into in Germany with Intesa Sanpaolo.

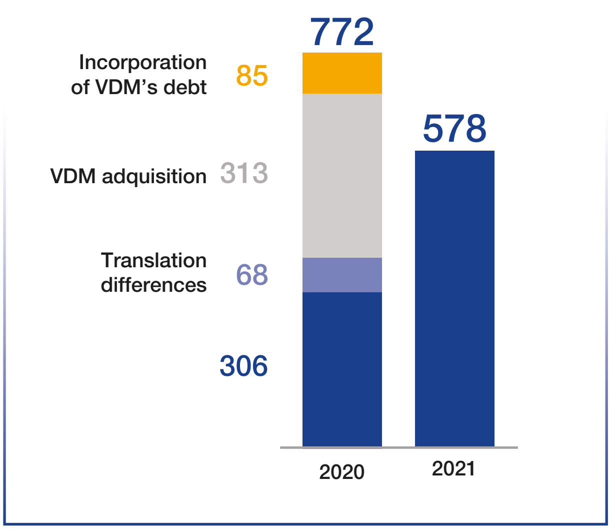
Additionally, in order to continue guaranteeing the Group's liquidity, all credit facilities in euros and US dollars were renewed, extending the term by one year. A new credit facility, amounting to EUR 10 million and maturing in 3 years, was entered into with Liberbank under the guarantee of the ICO (Spanish Official Credit Institute). Moreover, the Syndicated Factoring agreement was renewed for EUR 370 million until 30 June 2023, with the possibility of tacit renewal for a further year.

At 2021 year-end, the Group had sustainable loans amounting to EUR 465 million (EUR 80 million signed in 2020 and the rest in 2021), linking the margin or the fixed rate of the loans to the evolution of two established indicators, which will be reviewed annually.

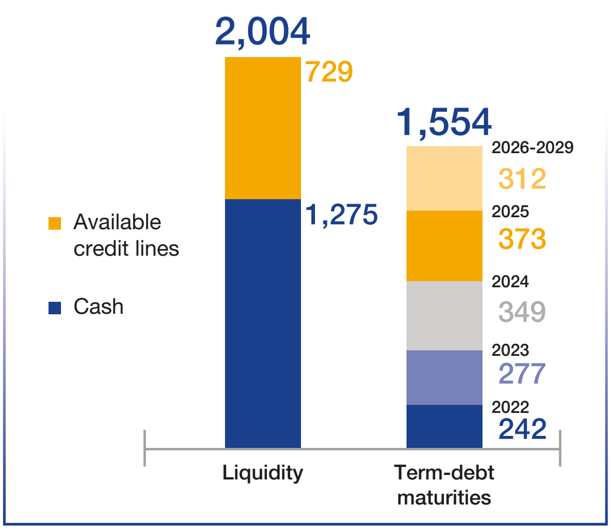
At 31 December 2021, the majority of the Group's financing corresponded to term loans, of which 73% were due to mature in over a year. 80% of the Group's loans and private placements were at fixed interest rates.

At 31 December, the Acerinox Group had immediate liquidity amounting to EUR 2,004 million, of which EUR 1,275 million corresponded to cash and EUR 729 million corresponded to available credit lines.

Net financial debt
EUR million



Term debt maturities
EUR million



Financial ratios

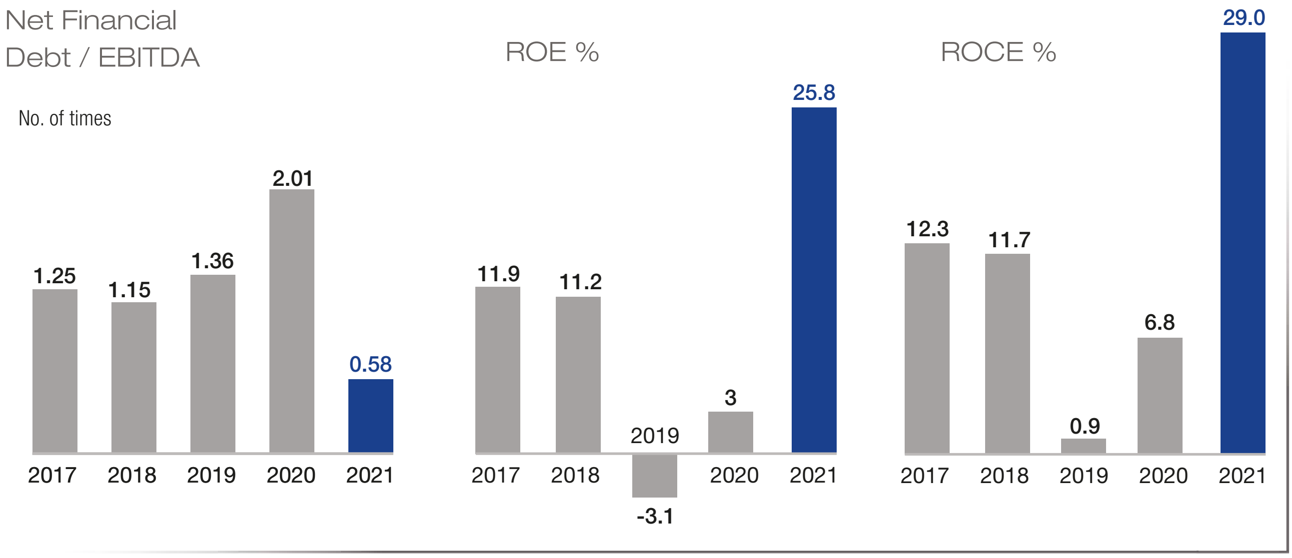
The net financial debt / EBITDA ratio was

0,58x

The lowest in the last 20 years. This figure is significantly lower than the 2.01x recognised in 2020, which was affected by the increase in debt due to the acquisition of VDM.

In 2021 ROE amounted to **25.8%**

while ROCE totalled **29.0%**



Average payment period to suppliers

In relation to the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements, the average period of payment to suppliers of the Spanish companies forming part of the Acerinox Group, having deducted the payments made to Group companies, is as follows:

	2021	2020
	Days	Days
Average period of payment to suppliers	63 days	73 days
Ratio of transactions settled	64 days	75 days
Ratio of transactions not yet settled	58 days	54 days
	Amount	Amount
Total payments made	1,501,556	1,948,440
Total payments outstanding	303,307	239,428

Stainless steel division results

EUR million	12M 2021	12M 2020	% 12M 21 / 12M 20
Melting shop production (thousands of tonnes)	2,541	2,144	18%
Net sales	5,900	4,055	45%
Adjusted EBITDA	929	358	159%
Adjusted EBITDA margin	16%	9%	-
EBITDA	929	344	170%
EBITDA margin	16%	8%	-
Depreciation and amortisation	-149	-155	-4%
EBIT	779	147 (1)	429%
EBIT margin	13%	4%	-

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

The increased activity experienced throughout 2021 was reflected in increases in production (+18% with respect to 2020), with margin increases and excellent cash flows.

Revenue increased by 45% compared to 2020 as a result of strong activity and increased prices (both base prices and alloy surcharges).

Despite the cost inflation experienced (44% increase in operating expenses), especially in the second half of the year, in 2021 EBITDA totalled EUR 929 million, 2.7 times higher than in 2020.

In 2021, operating cash flow totalling EUR 400 million was generated, despite the increase in working capital, which amounted to EUR 386 million.

EUR million	12M 2021	12M 2020
EBITDA	929	344
Changes in working capital	386	147
Changes in operating working capital	-386	175
- Inventories	-445	165
- Trade receivables	-291	62
- Trade payables	350	-52
Other adjustments to working capital	0	-28
Income tax	-133	-92
Finance costs	-33	-28
Other adjustments to profit	24	-34
OPERATING CASH FLOW	400	337

SL-5 in the Columbus Factory (South Africa).

High performance alloys division results

EUR million	12M 2021	12M 2020 (1)	% 12M 21 / 12M 20
Melting shop production (thousands of tonnes)	78	64	22%
Net sales	806	748	8%
Adjusted EBITDA	61	50	21%
Adjusted EBITDA margin	8%	7%	-
EBITDA	61	50	21%
EBITDA margin	8%	7%	-
Depreciation and amortisation	-23	-23	-2%
EBIT	38	27	43%
EBIT margin	5%	4%	-

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

Thanks to the aforementioned recovery in demand, which reached pre-pandemic levels in the second half of the year, activity in the high performance alloys division improved, with melting shop production increasing by 22% compared to 2020.

EBITDA, which totalled EUR 61 million, was 21% higher than in 2020.

The division recognised operating cash flow of EUR -12 million, due to an increase of EUR 74 million in working capital (as a result of good activity).

Wire manufactured at the VDM Metals Factory in Werdohl (Germany).

EUR million	12M 2021	12M 2020 (1)
EBITDA	**61**	**50**
Changes in working capital	-74	64
Changes in operating working capital	-81	61
- Inventories	-149	51
- Trade receivables	-18	28
- Trade payables	86	-17
Other adjustments to working capital	7	3
Income tax	-4	-24
Finance costs	-7	-8
Other adjustments to profit	12	-14
OPERATING CASH FLOW	**-12**	**68**

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

Acerinox, S.A. shares

At 31 December 2021, Acerinox's share capital totalled EUR 67,636,548.25, and was represented by 270,546,193 shares with a nominal value of EUR 0.25 per share.

All of the shares are listed on the official stock markets in Madrid and Barcelona, and are traded on the Continuous Market.

At 31 December 2021, Acerinox had a total of 39,000 shareholders:

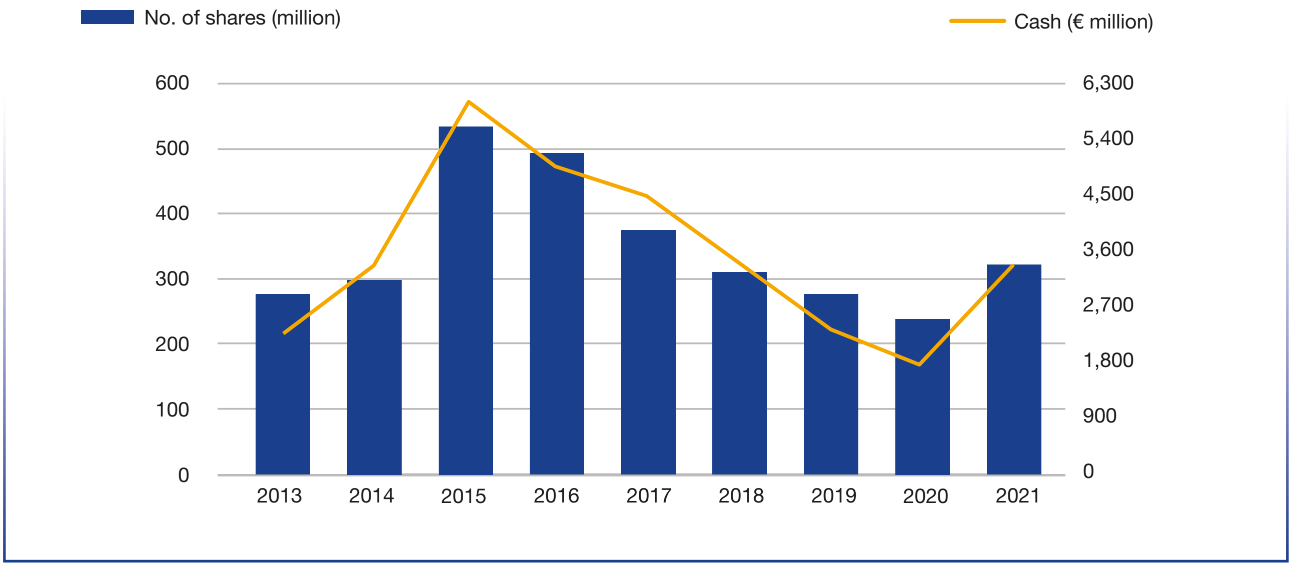
Spanish investors represented 53% of the share capital and foreign investors represented 47%.

In 2016 Nisshin Steel was acquired by Nippon Steel Stainless Steel Corporation. In August 2020, Nippon Steel Stainless Steel Corporation stepped down from the Group's Board of Directors and its ownership interest was classified as an available- for-sale asset.

On 17 June 2021, Nippon Steel Stainless Steel Corporation sold 7.9% of Acerinox's capital, half of its ownership interest, through an accelerated bookbuild offering. On 1 October, it sold the remaining 7.9% of the Acerinox capital it held and completed its exit, bringing to an end its historical shareholding in Acerinox since it was founded in 1970.

	Number of shares	% Share capital
Corporación Financiera Alba, S.A.	48,101,807	17.78%
Danimar 1990, S.L.	13,531,988	5.00%
Industrial Development Corporation	8,809,294	3.26%
Treasury shares	908,669	0.34%
Remaining investors	199,194,435	73.62%

Share trading



Analyst and Investor Relations

Maintaining seamless and efficient communication with the financial markets, shareholders and investors is a priority for the Acerinox Group. The Investor Relations team assisted extensively and proactively the investment community, adapting swiftly and efficiently to the new situation caused by the global pandemic. The schedule of activities and commitments was not affected. All this enabled the team to attend 30 events organised by brokers (conferences and roadshows), and with the direct contacts maintained by Acerinox, more than 200 entities were assisted. The most significant matters addressed were the following:

- Emergency measures implemented, the sectors affected, liquidity or flexibility to reduce investments, all as a result of the situation arising from the Covid-19 pandemic.
- Evolution of the markets by region.
- Trade defence measures: current and potential developments and the impact.
- The impact of rising energy costs.
- The integration of VDM Metals.
- Exit of Nippon Steel from the share capital of Acerinox.
- ESG plans. Programme and strategy to improve standards in the decarbonisation policies.
- Statement of profit or loss, debt and cash targets.
- Shareholder remuneration.

The prestigious publication, Institutional Investor, awarded Acerinox in different categories of the 2021 ALL-EUROPE EXECUTIVE TEAM:

2021 All Europe Executive Team | Small & Mid Cap Metal and Mining Sector

- Best IR Professional: Carlos Lora-Tamayo
- Best IR Team

Evolution of the shares

Stock market performance in 2021 was characterised by an upward trend, mainly supported by signs of economic and health recovery (the development of Covid-19 vaccines). The emergence of new variants (delta and omicron) generated certain corrections, a predictable effect given the uncertainty of the impact thereof.

All the European indices ended the year above pre-crisis levels, with the exception of the IBEX 35. The American indices also exceeded pre-pandemic levels.

Acerinox shares ended 2021 with a 26% gain. The Acerinox shares recognised prices above those of the IBEX 35 during virtually all of 2021. It was observed that during the year investors rotated their portfolios towards sectors and industries more exposed to the economic cycle in order to take advantage of the recovery and their good performance

Coating carried out in the Welding Centre of Excellence at VDM Metals.

In 2021, Acerinox shares hit their lowest on 27 January, closing at EUR 9.1/share, affected by the announcement of the IMF's downgrading of Spain's GDP to 5.9% and the warning that economic growth would be slower than expected, among other reasons. Acerinox shares reached their highest in 2021 on 10 May at EUR 12.2/share.

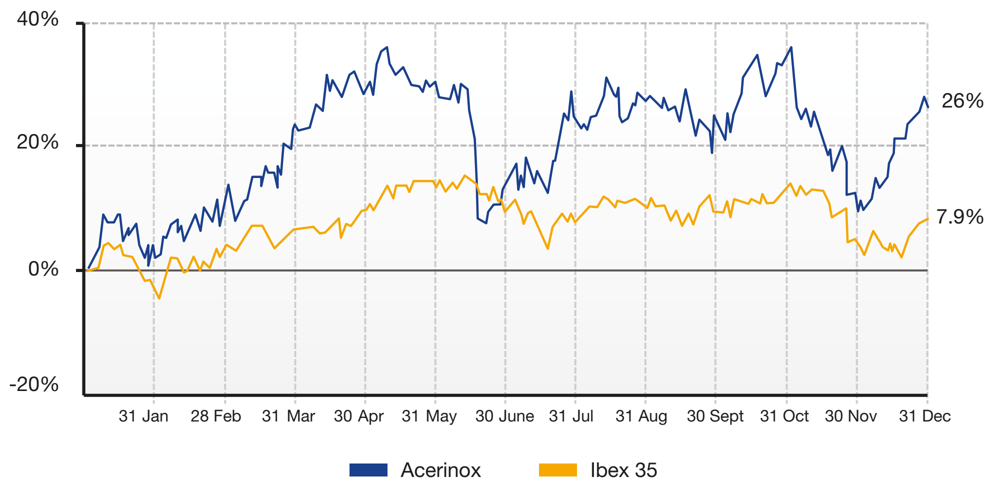
On 17 June 2021, Nippon Steel Stainless Steel Corporation sold 7.9% of Acerinox's share capital, half of its ownership interest, and on 1 October 2021 the company sold the remaining 7.9% it held, which affected the share price.

Evolution of the main global indices in 2021:

	% 2021
France CAC 40	29.21%
NASDAQ-100 Index	27.47%
S&P 500	27.23%
Ftse MIB	23.00%
Euro STOXX 50	21.21%
DJ Industrial	18.92%
Germany DAX (TR)	15.79%
FTSE 100	14.59%
IBEX 35	7.93%
Nikkei	4.91%
CSI 300	-5.56%

Source: Bloomberg

Stock market evolution of Acerinox and the IBEX 35 Daily percentage data, 2021



Source: Bloomberg

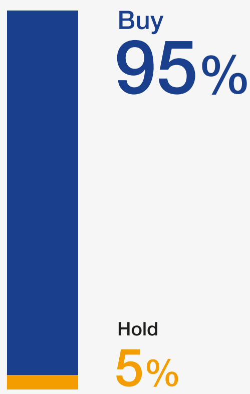
This was the third consecutive year that Acerinox outperformed the IBEX 35.

Analysts' recommendations evolved positively throughout the year, increasing from 85% Buy recommendations to 95% at year-end (with an average target price of EUR 16/share). 5% of the analysts covering the Company recommended Hold and none recommended Sell.

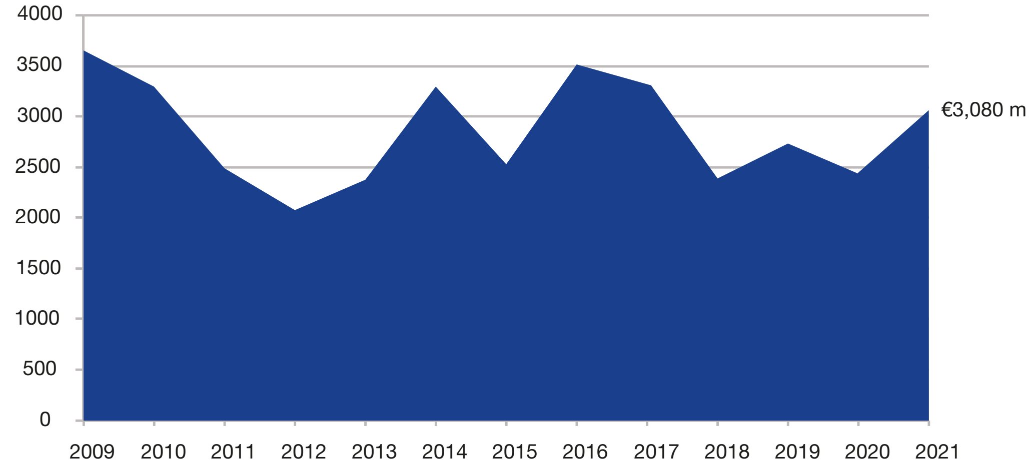
In 2021, Acerinox shares were traded on the 256 days that the Continuous Market was open. The total number of shares traded amounted to 320,055,886, equivalent to 1.18 times the number of shares that make up the share capital, with an average daily trading of 1,250,218 shares.

Trading totalled EUR 3,461,941,903.24 in 2021.

Analysts' recommendations



Market capitalisation of Acerinox, S.A. - 2009-2021 EUR million



At 31 December 2021, Acerinox's market capitalisation totalled EUR 3,080 million, a 26% increase compared to 31 December 2020.

Lorry trailer manufactured from stainless steel.

3.6. EU taxonomy on sustainable finance

Objective, scope and purpose

Adoption by the European Union (EU) of a reference framework aimed at distinguishing the economic activities that contribute to the fulfilment of the European objectives in the fight against climate change and the implementation of the Paris Agreement, highlights the important challenges and the ambition of the European authorities regarding transparency and sustainable finance. That is why Acerinox supports the work of the European Commission to define a set of technical criteria to help public and private operators to direct their investments towards projects that support the transition towards a sustainable and low carbon economy.

Pursuant to Regulation (EU) 2020/852, of 18 June 2020, on the establishment of a framework to facilitate sustainable investment within the European Union (EU), in 2021 the Group was required to report the portion of its income, investments and operating expenses originating from products or services associated with economic activities considered eligible according to the classification and criteria defined in the European Taxonomy.

The Taxonomy Regulation applies to financial market participants and non-financial companies included within the scope of the Non-Financial Reporting Directive -NFRD.

Any company required by the Non-Financial Reporting Directive to publish non-financial information shall include therein information on how and to what extent the company's activities are associated with economic activities that qualify as environmentally sustainable, as well as qualitative information pursuant to the regulation.

In particular, non-financial companies shall disclose the following information:

Income indicator:

The portion of income that originates from products or services related to economic activities that are considered eligible according to the taxonomy regulation.

CAPEX investment indicator:

The portion of total investments (CAPEX) related to assets or processes associated with economic activities that are considered eligible according to the taxonomy regulation.

OPEX indicator:

The portion of total orating expenses (OPEX) related to assets or processes asociated with economic activities that are considered eligible according to the taxonomy regulation.

Identification and classification of the activities covered by European taxonomy

EU Taxonomy Compass

The European Commission also provides a list of activities that are considered sustainable according to the statistical classification of economic activities established by Regulation (EC) No. 1893/2006.

Among the activities considered sustainable are the manufacture of iron and steel, and specifically the NACE codes: C24.10, C24.20, C24.31, C24.32, C24.33, C24.34, C24.51 and C24.52, among which are the activities carried out by the Group (statistical classification of economic activities established by Regulation (EC) No. 1893/2006).

The following process has been implemented to determine which activities are eligible:

1. Establish the scope of consolidation.
2. Review whether the NACE codes are included in the list provided by the Commission.
3. Assess the activities of each of the companies and NACE.
4. Determine the companies whose activities are eligible and qualify as being sustainable, on the basis of these criteria.

Coils of Stainless Steel rod wire manufactured at the NAS Factory.

Business activities eligible for climate change mitigation

The Group considers those companies whose activities are included in the list of sustainable activities published by the European Commission. Therefore, for the calculation of the sustainability indicators, the figures of all the Group companies that are considered eligible and whose NACE codes appear in the EU lists were used in the numerator.

Furthermore, the activities carried out by the Group companies that are dedicated exclusively to the sale and distribution of stainless steel manufactured by the Group have been considered as eligible, since they are considered a branch of activity within an activity that the EU has considered as contributing to sustainability. On the other hand, as special alloys are not eligible activities included in the list, the companies dedicated to the distribution of this type of products will not be included either.

The Group shall review this methodology and the figures based on regulatory developments and, in particular, with the publication of delegated rules in 2022 concerning the remaining EU environmental targets.

Control measures applied to ensure the correct calculation to guarantee the consistency and traceability of the process

To ensure the consistency and traceability of the process, the information has been obtained broken down by company, including the elimination of intercompany balances, and leaving evidence that the information used matches the accounting in the systems.

Scope of consolidation

The activities of the Group companies as described in the notes to the consolidated financial statements and the analysis performed are as follows:

- **Acerinox, S.A.:** holding company of the Acerinox Group. The Company provides legal, accounting and advisory services to all the Group companies and carries out financing activities within the Group. This activity is not included in the classification of eligible activities and will therefore not be included in the calculation of the ratios.

- **Acerinox Europa, S.A.U.:** manufacture and marketing of flat stainless steel products. (NACE 24.10). Eligible activity.

- **North American Stainless, Inc.:** manufacture and marketing of flat and long stainless steel products (NACE 24.10). Eligible activity

- **Columbus Stainless (PTY), Ltd.:** manufacture and marketing of flat stainless steel products. (NACE 24.10). Eligible activity.

• **Bahru Stainless, Sdn, Bhd:** cold rolling and marketing of flat stainless steel products. (NACE 24.10). Eligible activity.

• **Roldan, S.A.:** manufacture and marketing of long stainless steel products. (NACE 24.10). Eligible activity.

• **Inoxfil, S.A.:** manufacture and marketing of stainless steel wire. (NACE 25.93). This activity is not included in the list of NACEs proposed by the EU and will therefore not be included as an eligible activity.

• **VDM Holding Metals Gmbh:** holding company of the group of companies that make up VDM Metals. This activity is not included in the classification of eligible activities and will therefore not be included in the calculation of the ratios.

• **VDM Metals International GmbH,** wholly owned by VDM Holding Metals GmbH, performs the VDM Group's research and development functions, purchases raw materials, manages the supply chain, manages metal product hedges and trading, distributes products of the VDM Group and also has a Quality Department. All these activities are for the manufacture and sale of high performance alloys (NACE 24.45), which is not included among the activities considered eligible by the EU.

Stainless steel bars manufactured at the VDM Metals Factory in Werdohl (Germany).

Indicator summary

88%

Eligible activities under the Delegated Act of Article 8 of Regulation 2020/852 (Taxonomy Regulation)

80%

CAPEX eligible pursuant to EU taxonomy

77%

OPEX eligible pursuant to EU taxonomy

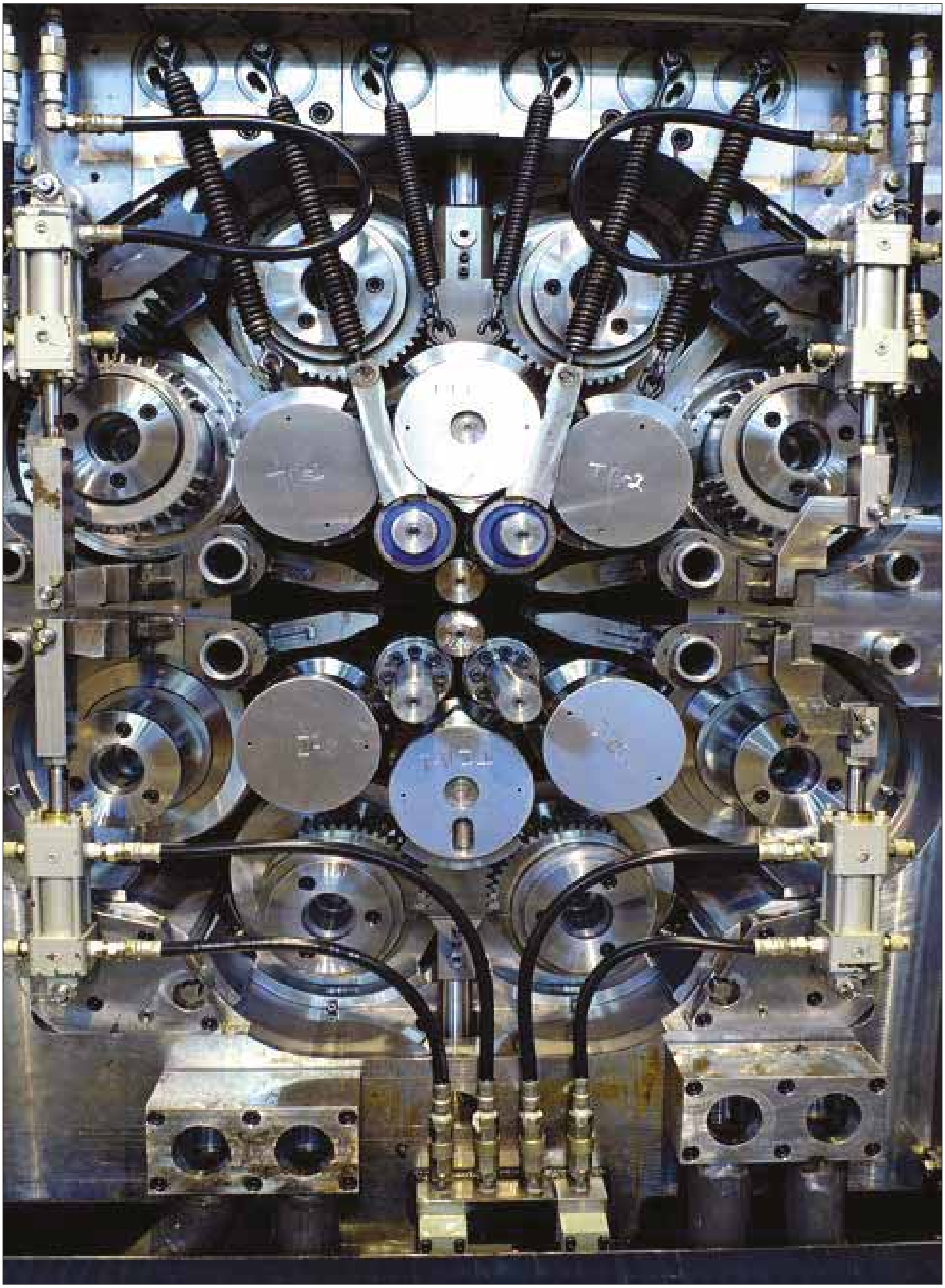
- **VDM Metals GmbH,** is the entity which owns the production plants and is responsible for transforming raw materials into high-performance alloys. (NACE 24.45). This activity is not included in the list of NACEs proposed by the EU.

- **Inox Re, S.A.:** reinsurance company. This company only provides insurance coverage to the Group's factories and specifically to the stainless steel factories; therefore it is considered a branch of activity of the manufacturing activity itself, which the Group considers to be an eligible activity.

- **Inoxplate, Comercio de productos de Aço Inoxidávei, Unipessoal Lda:** owner of the industrial building in which the Group company in Portugal -Acerol, Comércio e indústria de Aços inoxidáveiscarries out its operating activities, for the lease of which it receives income. The leased warehouse is intended for an activity that the Group has decided to consider eligible as it is involved in the distribution of stainless steel products manufactured by the Group's factories.

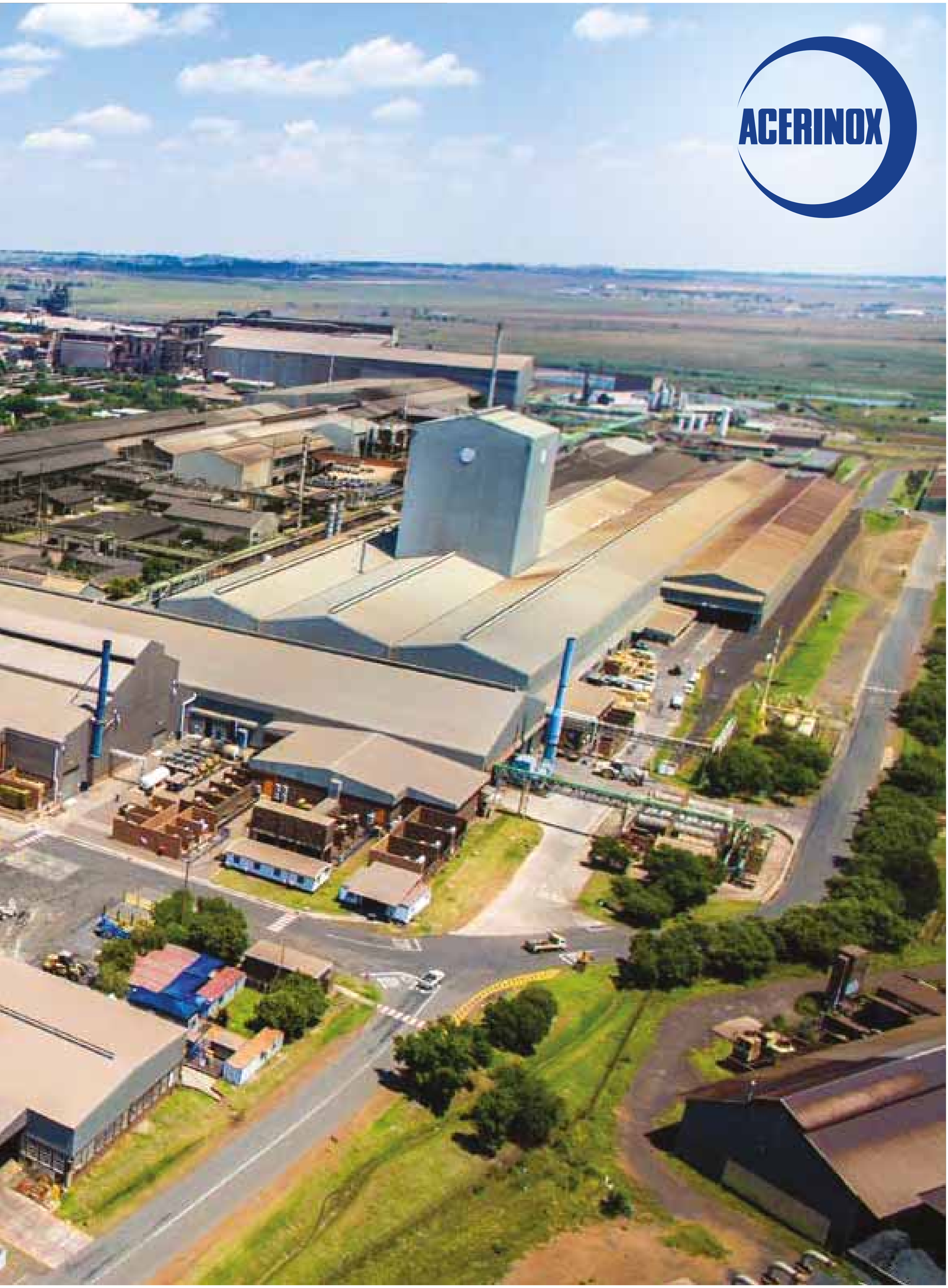
- **North American Stainless Financial Investment, Inc.:** provision of foreign trade advisory services. Eligible activity as explained in the following section.

- The rest of the companies, which are direct investees of either Acerinox, S.A. or the VDM subgroup, engage in the marketing of stainless steel products or high-performance alloys. (NACE 46.72 or 24.45). Given that the companies distributing special alloys are different to those distributing stainless steel, the Group considers as eligible those that distribute stainless steel as they constitute a branch of activity directly related to an eligible activity. On the other hand, since the list provided by the EU does not include NACE 24.45, the Group will not consider as eligible the distribution companies that make up the VDM Group.



Sendzimir cold rolling mill in the NAS Factory.

Columbus Factory in Middelburg (South Africa).


ACERINOX

4.1 Corporate Governance

The difficulties generated by major crises reinforce structures. In 2021, the Group's governance bodies were more active than ever before, holding a record number of meetings and covering a record density of topics.

In addition to the existence of a new committee - the Sustainability Committee - which takes on the tasks in this connection, efforts to improve corporate governance were manifold:

- From a regulatory point of view, the following Regulations were revised: the Regulation of the Board of Directors and three General Governance Policies (Communication of Information, Contact and Engagement with Shareholders, Institutional Investors, Asset Managers, Financial Intermediaries and Proxy Advisers of Acerinox, S.A. and its Corporate Group, Diversity of the Board of Directors and Selection of Directors of Acerinox, S.A. and Corporate Governance).
- Eight sustainability policies were approved and integrated into the General Governance and Sustainability Policy, as well as a Protocol for the Approval of Related-Party Transactions.
- With regard to performance, the governing bodies carried out their annual assessment, they adjusted the Board's competency matrix, adapting it to personal changes and emerging needs, and they set a target to increase the number of women on the Board of Directors to 40%.
- With help from the Appointments, Remuneration and Corporate Governance Committee, succession plans for the Group's senior management team and other key positions were approved.

The 2021 Annual Corporate Governance Report of Acerinox, S.A. forms part of the Management Report and, from the date of publication of the financial statements, is available on the Spanish National Securities Market Commission's website and on the Acerinox website.

Stainless steel handrail in high mountain facilities.

4.2. The Board of Directors and its Committees

Throughout 2021 the Board of Directors was composed of 12 members. The only notable new development was the creation of the new Sustainability Committee in 2020, for which 2021 was its first year of operation and whose activities can be viewed in the documentation that will be made available to shareholders.

Composition of the Board of Directors

Chairman

Rafael Miranda Robredo

- *Member of the Board of Directors and Chairman since April 2014, re-elected in 2018. Holder of 28,592 shares at 31 December 2021.*
- *Independent Director.*
- *Chairs the Board of Directors and the Executive Committee.*

Chief Executive Officer

Bernardo Velázquez Herreros

- *Member of the Board of Directors since 2010, re-elected in 2014 & 2018. Chief Executive Officer since July 2010. Holder of 24,655 shares at 31 December 2021.*
- *Executive Director.*

Independent

Rosa María García Piñeiro

- *Member of the Board of Directors since 2017, re-elected in 2021.*
- *Independent Director.*
- *Chairs the Sustainability Committee.*

Independent

Francisco Javier García Sanz

- *Member of the Board of Directors since 2020.*
- *Independent Director.*

Propriety

Pablo Gómez Garzón

- *Member of the Board of Directors since 2019.*
- *Proprietary Director, representing Corporación Financiera Alba, S.A.*

Independent

Laura González Molero

- *Member of the Board of Directors since 2017, re-elected in 2021.*
- *Independent Director.*
- *Chairs the Appointments, Remuneration and Corporate Governance Committee.*

Propriety

Tomás Hevia Armengol

- *Member of the Board of Directors since 2016, re-elected in 2021.*
- *Proprietary Director, representing Corporación Financiera Alba, S.A.*

Independent

Leticia Iglesias Herraiz

- *Member of the Board of Directors since 2020.*
- *Independent Director.*

Independent

Donald Johnston

- *Member of the Board of Directors since 2014, re-elected in 2019. Holder of 6 shares at 31 December 2021.*
- *Independent Director.*
- *Chairs the Audit Committee.*

Independent

Ignacio Martín San Vicente

- *Member of the Board of Directors since 2018, ratified in 2019.*
- *Independent Director.*

Independent

Marta Martínez Alonso

- *Member of the Board of Directors since 2017, re-elected in 2021.*
- *Independent Director.*

Propriety

Santos Martínez-Conde Gutiérrez-Barquín

- *Member of the Board of Directors since 2002, re-elected in 2006, 2010, 2014 & 2018. Holder of 9,997 shares at 31 December 2021.*
- *Proprietary Director, representing Corporación Financiera Alba, S.A.*

Secretary

Luis Gimeno Valledor

- *Secretary of the Board and Secretary-General of the Acerinox Group.*

Scan to view the CV of each Director

Scan to view the Regulation of the Board of Directors

		Director			Committee				Other
Nombre	Cargo	Executive	Proprietary	Independent	Executive	Audit	Appointments and remuneration	Sustainability	First appointment
Rafael Miranda Robredo	Chairman			√	√c		√		2014
Bernardo Velázquez Herreros	CEO	√			√			√	2010
Rosa María García Piñeiro	Director			√	√			√c	2017
Francisco Javier García Sanz	Director			√	√		√		2020
Pablo Gómez Garzón	Director		√			√		√	2019
Laura G. Molero	Director			√		√	√c		2017
Tomás Hevia Armengol	Director		√		√				2016
Leticia Iglesias Herraiz	Director			√		√			2020
Donald Johnston	Director			√	√	√c			2014
Ignacio Martín San Vicente	Director			√	√			√	2018
Marta Martínez Alonso	Director			√				√	2017
Santos Martínez-Conde	Director		√		√		√		2002
Luis Gimeno Valledor	Secretary				SEC	SEC	SEC	SEC	–

C: Committee Chair

Changes to the Board of Directors

In 2021 there were no changes in the composition of the Board of Directors.

Committees

The Executive Committee

Comprised of eight members, held nine meetings in 2021.

The Audit Committee

Comprised of four members, held ten meetings in 2021.

The Sustainability Committee

Created in December 2020, comprised of five members and held six meetings in 2021.

The Appointments, Remuneration and Corporate Governance Committee

Comprised of four members, held seven meetings in 2021.

Scan to view the competences of the Committees

Senior Management Committee

At 31 December 2021, the Acerinox Senior Management Committee was composed by the following people:

Bernardo Velázquez	Chief Executive Officer.
Hans Helmrich	Chief Operating Officer.
Daniel Azpitarte	Integration Director.
Miguel Ferrandis	Chief Financial Officer.
Oswald Wolfe	Director of Institutional Relations, Sustainability and Communication.
Luis Gimeno	Secretary-General.
Fernando Gutiérrez	CEO of Acerinox Europa and Strategy and Raw Materials Director.
Cristóbal Fuentes	CEO of NAS.
Johan Strydom	CEO of Columbus Stainless.
Mark Davis	CEO of Bahru Stainless.
Niclas Müller	CEO of VDM Metals.

VDM Metals high performance alloys used in the construction of chemical plants.

4.3. General Shareholders' Meeting

The General Shareholders' Meeting was held on 15 April 2021 in Madrid, Spain, and was chaired by Mr Rafael Miranda Robredo. The General Shareholders' Meeting was held by electronic means as a result of the Covid-19 pandemic.

The General Shareholders' Meeting was attended by 1,265 shareholders present and represented, holding 188,264,506 shares and representing 69.59% of the subscribed capital with voting rights.

Events after the reporting period:

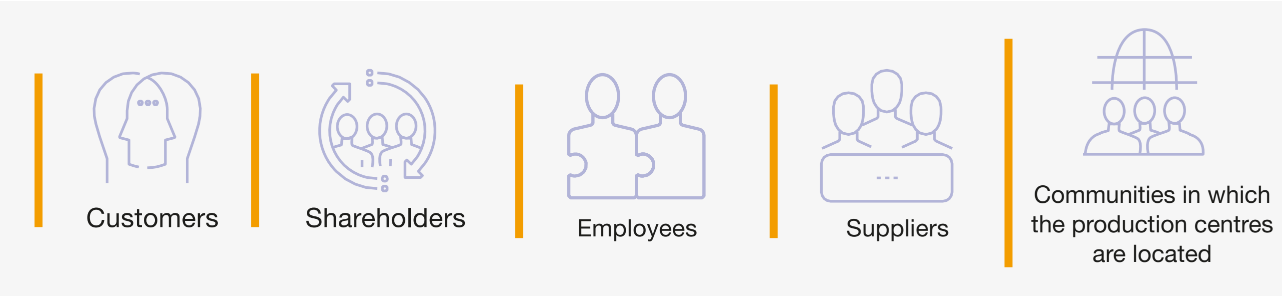
No significant events took place from 31 December 2021 to the date on which this report was authorised for issue that would affect the authorisation thereof.

Agreements of the Acerinox General Shareholders' Meeting held 15 April 2021 (only available in Spanish).

Acerinox General Shareholders' Meeting held telematically on 15 April 2021.

5.1. Stakeholders and materiality analysis

In the Acerinox Group's General Sustainability Policy, which was approved by the Board of Directors on 20 December 2021, the Group's main Stakeholders are the following:

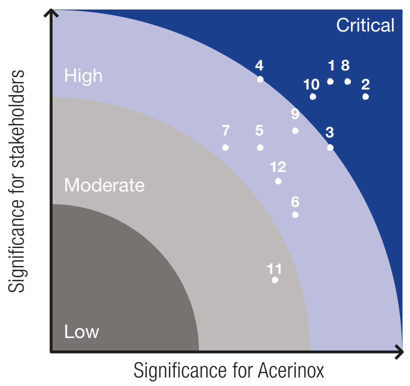


Taking into account the Group's business activities and its obligation to regularly update its Materiality Study, the assessment and analysis of the material issues for the Group and its stakeholders were updated in 2021. The following sources of information were used to identify the risks and opportunities:

- A study of sources of recognised solvency dedicated to ESG areas, paying special attention to those of a sectoral nature
- An analysis of the performance of Acerinox's ESG Management at Group level and at each of its factories.
- A high-level assessment of the main physical and climate transition-related risks of all the Group's plants.
- An analysis of external sources, review of external factors related to the Acerinox Group.

In the Materiality Matrix detailed below, the main issues that have been considered as significant for both Acerinox and the stakeholders have been indicated and are listed from one to twelve, according to their criticality.

Materiality Matrix



Material aspects

1) Leadership and transparency to ensure ethical and responsible behaviour
2) Management of risks and opportunities of the energy transition and climate change
3) Circular economy and efficient resource management
4) Commitment to affiliation and development of the local communities
5) Supply chain responsibility
6) Efficient and sustainable financial management
7) Commitment to and promotion of equality and diversity
8) Health and safety protection in operations
9) Positive work environment. Professional training and development
10) Environmental protection. Control of environmental risk in operations
11) Innovation and new technologies
12) Product safety and sustainability

5.2 Sustainability strategy

At the end of 2019, the Acerinox Group created a specific Department to centralise its efforts in sustainability matters, and subsequently, in 2020 created a Board Committee for the same purpose.

In 2021, the Group continued to implement and develop the actions established in the Sustainability Plan called "Acerinox Positive Impact 360" for the 2021-2025 period, which is structured around 5 pillars with 15 main lines of action and 66 KPIs, in addition to the 6 long-term objectives related to the 2030 horizon. The bonus of the Group's Senior Management team is linked directly to the achievement of these objectives.

On 20 December 2021, the Board of Directors approved a series of General Policies related to ESG matters (Environmental, Social and Governance):

- General Sustainability Policy of the Acerinox Group.
- General Human Rights Policy of the Acerinox Group.
- General Equality, Diversity and Inclusion Policy of the Acerinox Group.
- General Health and Safety at Work Policy of the Acerinox Group.
- General Recruitment and Promotion Policy of the Acerinox Group.
- General Responsible Purchasing Policy of the Acerinox Group.
- General Sustainable Production and Marketing Policy of the Acerinox Group.
- General Climate Change Policy of the Acerinox Group.

Scan to view the policies

All of the aforementioned policies are applicable to all companies that make up the Acerinox Group and define the basic principles for action.

- Acerinox and its Group companies shall minimise the environmental impacts of its business activities and shall promote the circular economy by using an increasing amount of recyclable raw materials and promoting the recycling of any waste that may be generated.
- Acerinox shall make every effort to mitigate climate change by optimising energy consumption, reducing greenhouse gas emissions and minimising water consumption.
- The Acerinox Group companies shall focus their efforts on protecting the health and safety of their employees, they shall apply the best available techniques in this connection and they shall have a comprehensive strategy to reduce the number of incidents among both their own employees and those of companies working for the Group.
- Recruitment shall be carried out in accordance with the principles of merit and ability, fostering the attraction of talent and promoting diversity and inclusion.

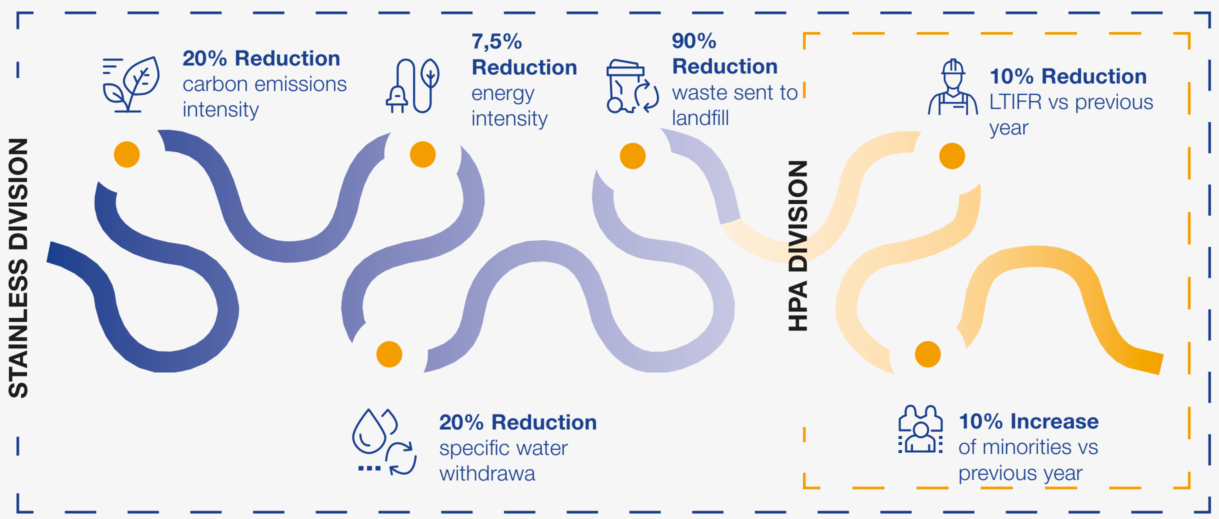
VDM Metals high performance alloys used in the construction of gas turbines.

- Respect for human rights, as recognised by the United Nations Charter and its developmental standards, shall form an integral part in the behaviour of the companies, their managers and their employees, and there shall be protection, monitoring and reporting systems to prevent any violation thereof.
- Group companies shall ensure that the aforementioned principles shall also be extended to customers and companies providing services or goods thereto.
- Acerinox adopts and promotes the following principles of action:
  - Accountability
  - Transparency
  - Ethical behaviour
  - Respect for stakeholder interests
  - Respect for the rule of law
  - Respect for international regulations on Corporate Social Responsibility
  - Respect for human rights

Acerinox does not consider its shareholders as mere holders of economic rights, but rather, in addition to effectively remunerating their investment, it considers them its allies in a broader mission, that of contributing value to society as a whole, to its workers, its customers and suppliers, to those who work in its subcontractors, to the communities where it is located, to the states where it pays its taxes responsibly, to the users of its material and to those who simply enjoy the aesthetics and advantages of its products, which are made of materials that are 100% endlessly recyclable.

2030 objectives

In 2020, Acerinox set environmental and social targets as milestones in the sustainability strategy, aligning them with the Paris Agreement and focusing on people's safety and equality, which the Group worked on throughout 2021.



Stainless steel reinforcing bars from Roldan for the extension of Anse de Portier in Monaco.

5.3 Contribution to sustainable development

Acerinox has the firm commitment to contributing to the achievement of the Sustainable Development Goals (SDGs) approved by the United Nations, particularly via manufacturing entirely and endlessly recyclable products, while also promoting innovation, education, protection of biodiversity, development of professional relationships based on diversity, inclusion, equal opportunities and non-discrimination in the management of people, and the fostering of equality policies, paying special attention to disadvantaged social groups, and protecting and enforcing respect for human rights.

Acerinox adheres to the 10 Principles of the United Nations Global Compact (see Appendix 4) and in response to the commitment to publish the Progress Report, this report details, at an "Advanced" level, the progress achieved in the 4 areas of the Compact:

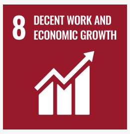
- Human Rights
- The Environment
- Labour Rights
- Anti-Corruption

Since 2015, when the United Nations published the 2030 Agenda, Acerinox has been linking the contribution of its business activities to society with the 17 Sustainable Development Goals (SDGs), as reported in Appendix 5.

In some cases, the Group's contribution to these SDGs is direct and in others it is indirect throughout our value chain and the long life cycle of our products. With regard to the direct SDGs, it is worth noting the Group's greater influencing capacity on SDGs 3, 6, 8, 9, 11 and 12:

Good health and well-being

Clean water and sanitation



Decent work and economic growth

Industry, innovation and infrastructure

Sustainable cities and communities

Responsible consumption and production

Who/what does it protect?

- Occupational health and safety
- Customers
- Suppliers
- Competitors
- Shareholders

What is regulated?

- Conflicts of interest
- Presents, gifts and favours
- Prevention of corruption
- Use and protection of the Group's assests
- Contribution to the welfare state
- Private or confidential information
- Inside information
- Enviromental protection
- General rules for procurement and sales
- Prevention of harassment in the workplace
- Truthful, adequate and useful information

5.4 Ethics and compliance

One of Acerinox's values is integrity and compliance with the applicable regulations. Therefore, its business activities are carried out under the requirement of avoiding any form of non-compliance with regulations, promoting transparency at all times.

Acerinox's growing international presence has determined the transformation of its policies, standards and management system to align them with the best national and internationally recognised practices. Reporting directly to the Audit Committee, with the necessary independence and resources, the Group's Compliance Department is extending the Crime Prevention Programme to the whole Group.

Code of Conduct and Best Practices

The Acerinox Group has a Code of Conduct and Best Practices, approved by the Board of Directors on 25 October 2016, the main objectives of which are:

1. Determine the forbidden types of conduct in the Acerinox Group

2. Establish the ethical principles and general rules that must guide the actions of the Group, the employees and the directors among themselves and in their relations with their stakeholders, with whom the Group, directly or indirectly, interacts.

Stainless steel cladding produced by Acerinox for the Europa Tower in Madrid (Spain).

The Code of Conduct and Best Practices is applicable to all Group Companies and sets out the basic principles and commitments to which its directors, managers and employees must adhere. These principles of behaviour are respect for the rule of law, ethical integrity and human rights, and are embodied in the fulfilment of a series of commitments set out in internal policies and procedures. All employees adhere to these principles and commitments, undertaking to comply therewith and to ensure that external collaborators who carry out activities on behalf of Acerinox also comply.

Code of Conduct and Best Practices

The functions of the Code of Conduct Monitoring Committee, which reports to the Board of Directors through the Audit Committee and the Chief Executive Officer, include supervising compliance with and internal dissemination of the Code among all employees, interpreting it, providing a Complaints Channel to gather information on compliance, and controlling and supervising the processing of files and their resolution.

Complaints Channels

Acerinox has complaints channels available to its employees and any person external to the organisation, which can be accessed via several avenues.

These complaints channels are a communication tool accessible to all Acerinox employees and stakeholders to report behaviour that breaches or may breach the guidelines established in this Code.

Any employee who has knowledge or well-founded suspicions of a breach of the Group's Code of Conduct and Best Practices is obliged to inform a line manager or the Internal Audit Service, or must report it through the complaints channel. This measure is available to any stakeholder via the Group's website. In 2021 no complaints were received via this channel.

What guarantees are made?

- **Confidentiality** of the complainant's data and the data and background information handled, unless the disclosure of information is required by law or a court injunction
- The **absence of reprisals** against employees who report suspected breaches in good faith.
- **Respect for the rights of those allegedly involved** in a possible breach.
- The **comprehensive analysis of information.**

Ethics and Transparency

The actions and investigations that are carried out as a consequence of a complaint shall be carried out independently, swiftly and confidentially, guaranteeing the rights of the complainant and the individuals under investigation, and in accordance with the Complaints and Internal Investigations Protocol. Complaints are managed by the Code of Conduct Monitoring Committee (comprising the Chief Compliance Officer, the Internal Audit Director and the Secretary-General), which proceeds in accordance with section four of the aforementioned Code and the Complaints and Internal Investigations Protocol.

Local Complaints Channels may be established in Group companies, where appropriate or necessary, and shall be governed by the same principles.

Breaches of Acerinox's Code of Conduct and Best Practices can lead to labour sanctions, without prejudice to the possible administrative or criminal proceedings that may also ensue, always in accordance with the legislation in force in the area in which it occurs.

Stainless steel tanks for the food industry.

Ethics and compliance training

Acerinox has a Compliance Department whose purpose is to establish a common process for monitoring and controlling the Group's compliance risks, under the principle of "zero tolerance" towards the commission of criminal acts and, in particular, any form of corruption

Its main objective is to foster a culture of business ethics within the organisation and within its decision-making processes. Therefore, Acerinox has made a considerable effort over the years to transmit this culture of compliance, implementing different communication and training programmes for its employees, directors, managers and its stakeholders.

Number of attendees to ethics and compliance training communication actions	2021
To the Board of Directors	
Members of the Board of Directors and Management	76
Members of the Board of Directors and Management informed of compliance policies and procedures	70
Members of the Board of Directors and Management trained in compliance matters	34
To Employees	
Percentage of employees informed of compliance policies and procedures during 2021	49%
Percentage of employees trained in compliance matters	32%
To Suppliers	
Number of total suppliers	8,765
Suppliers informed of the Group's policies and procedures on compliance matters	2,835

Policies and procedures

In addition to the Code of Conduct and Best Practices and the General Policy of Corporate Social Responsibility, the Group also has a Crime Prevention Programme aimed at preventing the risks concerning the commission of criminal acts, particularly those involving the criminal liability of the legal entity, thus complying with the regulations applicable in this connection and the international best practices on compliance management systems, as confirmed by an external consultant.

This programme, which is already in force in the Group's nine Spanish companies, is being extended to the remaining subsidiaries around the world.

In 2021, no corruption cases arose.

The Group also has a Regulation for Conduct in the Security Markets, a General Conflict of Interest Policy, and various Internal Instructions, such as Good Financial Practices, Bribery Prevention, Internal Instructions on Gifts and Hospitalities, and Internal Instructions on the Acerinox Group's Third-Party Risk in International Trade Sanction Matters.

Reinforcing ribbed bars from Roldan as Stainless Steel reinforcements used in the construction of the Sagrada Familia Basilica in Barcelona (Spain).

The Board and the Audit Committee rely on the Group's internal audit services, the work of the Chief Compliance Officer and the Local Subsidiary Managers for their supervisory work in these matters and to verify the implementation of the prevention and compliance measures. Both the Internal Audit Department and the Chief Compliance Officer report regularly to the Board, and more frequently to the Audit Committee.

Refresh courses on the GDPR and local laws were given to employees in the European Union to continue with their specific training on data protection. Similarly, annual courses on crime prevention were also given.

Acerinox's General Policy of Corporate Social Responsibility

The General Policy of Corporate Social Responsibility (CSR) includes, as one of its general principles of action, supporting, through its adoption and circulation, the integration of the principles of the United Nations Global Compact, as well as other international instruments, especially those concerning human rights, labour practices, the environment and the fight against corruption.

With regard to their employees, the Acerinox Group companies must respect the human rights recognised under national and international legislation, and especially those whose infringement degrades workers as a whole - with explicit rejection of child labour and forced or compulsory labour - as well as the rights of ethnic minorities located in those places where the Group performs its business activities.

Scan to view the General Policy of Corporate Social Responsibility of Acerinox

General Human Rights Policy

This Policy sets out the Group's commitments concerning human rights, in accordance with the principles established in the United Nations Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work and its Follow-up Procedure of the ILO (International Labor Organization) and the Guiding Principles on Business and Human Rights of the United Nations.

This Policy applies to all the companies that make up the Acerinox Group and binds all the governance bodies of the Group and their companies, the managers, workers and, as appropriate, the persons or entities that provide services or that supply goods to Group companies.

In 2021 Acerinox did not receive any complaints in this connection.

Scan to view the General Human Rights Policy

Adherence to the UN Global Compact initiativ

The Group is a signatory of the principles of the United Nations Global Compact, which include, among others, the following principles in relation to human rights:

- Principle 1: “Businesses should support and respect the protection of internationally proclaimed human rights”.
- Principle 2: “Businesses should make sure that they are not complicit in Human Rights abuses”.

With regard to respect for labour rights, Acerinox’s actions in this connection are detailed in the “Committed to people” chapter, and the health and safety section.

In 2021, there were no complaints of harassment in the Acerinox Group.

Corruption and bribery

Acerinox is committed to zero tolerance towards corruption, bribery, fraud or other similar illegal activities in all its business activities. Through the Compliance Director and the complaints channels, the Board ensures compliance with and observance of the Crime Prevention Model, which provides for the application of sanctions and referral to the competent jurisdiction in extreme cases.

Information and measures to combat corruption and bribery within the Group are based fundamentally on the provisions of the Code of Conduct and Best Practices and the Crime Prevention Model, which set out the Group’s commitments and ethical responsibilities and also constitute the main tools for regulatory compliance and criminal prevention, establishing the measures to prevent money laundering. In 2021, no corruption cases arose.

Stainless steel sculpture by Andreu Alfaro in Madrid.

In 2021, no corruption cases arose. In 2020 the Board of Directors of Acerinox, S.A. approved Instructions for the establishment of the Bribery Prevention Programme, which follows the structure of the ISO 37001 standard on Anti-Bribery Management Systems.

5.5. Risks and opportunities

Risk management is one the Acerinox Group's main responsibilities. Doing so effectively enables the Group to achieve the objectives set and driven by the new Mission, Vision and Values (MVV) project.

Scan to view the Risk Control Policy

The management model, based on the General Policy for Risk Management and Control at Acerinox, S.A. and its Group of Companies, enables the identification, assessment and mitigation of potential events that may affect the Group's different business units, with the aim of preserving its financial soundness for the benefit of all its stakeholders and safeguarding its ability to continue as a business with a commitment to sustainable development, efficiency and respect for the environment and for human rights.

The culture of risk present in the Group implies that the Board, which is supported by the various committees (Audit, Sustainability, etc.) and the Corporate Risk Officer, assesses and approves risks and their monitoring.

Focused on continually improving the identification, assessment and monitoring of risks, new tools, such as Highbond, were implemented to manage the risks.

The main risks include:

- Environmental and CO2 emissions legislative changes
- Competition
- Social risks
- Overcapacity
- Strategic plans
- Commodity price volatility
- Cybersecurity
- Customers (trade receivables)
- Reputational risks
- Climate change, transitional risks

Acerinox also believes that there are great opportunities that can arise with appropriate adaptation to climate change.

- Stainless steel as a durable and resistant material
- Its role in the circular economy
- Improvement in energy resources within the production of stainless steel
- Use of green energies (less sensitivity to changes in the cost of carbon)
- High scrap recycling rates: (circular economy, cost savings)
- Reduction / treatment and consumption of water (more efficient processes)
- Development of new sustainable products (improved competitive position)
- More efficient modes of transport (AGVs)

6.1. Process and product certifications and controls

All factories of the Acerinox Group implement quality and environmental controls that go beyond the legal requirements that apply in each country, in addition to all implementing Environmental Management Systems in accordance with the ISO 14001:2015 standard. In addition, all of the subsidiaries have implemented standards that exceed the legislative requirements in various fields such as quality, safety and the environment.

Moreover, Acerinox undergoes a series of annual external audits of the Group's Information Systems, both at the Parent and at all subsidiaries. These audits are carried out both by external entities and by customers.

The Group's customer satisfaction survey remains in line with last year's, where it improved significantly.

Acerinox Europa

Inoxfil

Columbus

Bahru

NAS

Roldan

VDM Metals

Stainless Steel Valves.

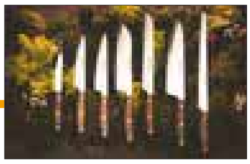
Our products in each sector

Transport

High corrosion resistance, withstands high temperatures and pressures, stringent mechanical properties, high mechanical performance and high aesthetic component.

- Containers, tanks and trailers
- Aviation. Aerospace. Nautical
- Exhaust systems for vehicles
- Vehicles
- Train and underground carriages

Household and catering



Rust resistant, easy to clean. Becoming essential in modern design.

- Household appliances
- Pots and pans
- Industrial kitchens
- Cutlery
- Gardening and design
- Hard drives and electronic devices

Infrastructure and construction

Chosen as a structural steel to prevent both carbonation and chloride corrosion. Nickel alloys resistant to high temperatures and corrosion..

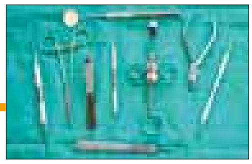
- Industrial furnaces
- 18-metre dome at the Louvre in Abu Dhabi
- Extension of the Monaco Port
- Ventilation units
- Structural elements
- Bridges and structures that require high-durability

Food

Clean and hygienic material, ideal for the production, handling and transportation of foodstuffs, ensuring the safety thereof. Easy to clean and disinfect. Withstands thermal and mechanical impacts.

- Containers, deposits
- Fishing vessels
- Preservation
- Production
- Handling and transport

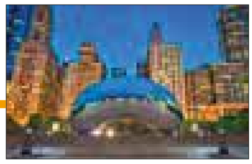
Healthcare sector and pharmaceutical industry



Stops the spread of bacteria on its surface. Highly hygienic. Can be meticulously disinfected in hospitals and health centres.

- Medical equipment and furnishings
- Medical components
- Implants and prostheses
- Surgical tools
- Laboratory equipment

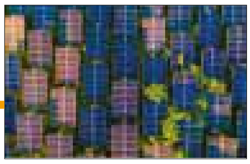
Art



Used as a design material both for new works of arts and for the restoration of historical heritage thanks to its aesthetic characteristics and excellent properties.

- Atomium in Brussels
- Cloud Gate sculpture, Chicago
- Grand Egyptian Museum, Cairo
- Access to the Bilbao Metro (Norman Foster design)
- La Sagrada Familia, Barcelona

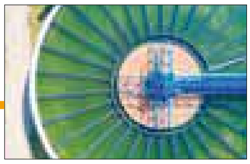
Energy & industry



Present in the obtaining and distribution of hydrocarbons and biofuels. Essential in the production of ethanol and bioethanol, and in the production of renewable energies.

- Photovoltaic panels
- Biodigesters
- Thermal power station salt tanks

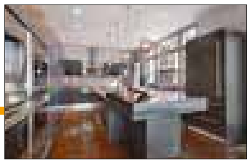
Water



Corrosion is minimal, it does not contaminate water and does not require an additional coating. Allows for design corrections and modifications in situ. Adapts to all types of shapes. Prevents leakages.

- Pumps and valves
- Washing systems
- Tanks
- Treatment and desalination plants
- Chemical processing operations
- Water supply to cities

Daily life and adaptation



Increasingly present in people's daily lives. Pleasant and smooth texture. Hygienic. Easy to clean. Aesthetic.

- Sinks and showers
- Bed frames/headboards
- Handrails
- Chairs
- Lifts
- Kitchens

Architecture

Important in the construction of buildings and major works. Resistant to corrosion and excellent mechanical properties. Clean and low maintenance. Durable and aesthetic material..

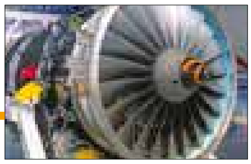
- Street furniture
- Building façades
- Interior decoration
- Foster building in Colon, Madrid
- Cepsa Tower, Madrid
- Europa Tower, Madrid
- Façade and roof of the new Real Madrid Santiago Bernabéu stadium

Electrical applications

Durability and corrosion resistant requirements. Environmentally-friendly.

- Residential energy storage system
- Electrical cabinet
- Modular bus stations

Others: additive manufacturing



Based on 3D printing. Excellent malleability, resistant to corrosion, formability, weldability.

- Aeronautical: In the construction of turbine elements with the aim of reducing weight and emissions.
- Chemical industry: To ensure corrosion resistance.
- Healthcare: With the incorporation of dental implants and other medical implants (tissue engineering).

CEDINOX

Through its commitment to sustainability, Acerinox supports and promotes the work of CEDINOX, the Spanish Association for the Research and Development of Stainless Steel.

This not-for-profit association bases its activity on 4 fundamental pillars: research, advice, dissemination and training on stainless steels. Founded in 1985, Cedinox collaborates actively with the main Acerinox factories.

Among the Association's research activities, worthy of note is its participation in different projects, the search for new applications and the detection of opportunities for the development of this material in sectors as varied and different as industry, energy, architecture and transport, to name a few.

The Association advises companies and different professionals on the correct selection and maintenance of stainless steels, as well as their transformation and cleaning. Cedinox has an extensive library on its website and responds to the technical queries received through its online queries channel. It has also been involved in international reference projects such as the Hong Kong Macao bridge, the Sagrada Familia, the Santiago Bernabeu stadium and the extension of the port of Monaco, as well as different projects related to renewable energies and the industry in general. Lastly, Cedinox also participates and collaborates in the preparation of different regulations on stainless steels, such as the recent Spanish Structural Code, defending, in different forums, the advantages of the material.

The preparation of numerous technical documents on stainless steels, together with its magazine "Acero Inoxidable", is an excellent way of making the material known among professionals and users. Similarly, Cedinox translates specific documentation into Spanish, making it a reference for information on stainless steels in the Spanish-speaking world. Its participation in fairs such as the Stainless Steel World.

Exhibition and Conference in Maastricht, the Metal Madrid Fair and the Tube and Wire Fair in Düsseldorf allows it not only to know the market and the sector in depth, but also to take part in lectures and forums. It also collaborates in the International Stainless Steel Forum's activities and its working groups. Its growing presence in social networks is another way of bringing the material closer to all kinds of audiences.

But undoubtedly, one of the activities that Cedinox carries out that has the greatest impact on our society is the training activities it offers in Universities and in companies. In 2021, Cedinox carried out a total of 25 courses in different Spanish universities, bringing stainless steel closer to more than 1,400 engineering and architecture students. It also gave courses in different companies. Cedinox has a very close relationship with universities and the main research centres, and as a result of this link, the Acerinox Award was created for the best university engineering or architecture project related to stainless steels, which is now in its 6th year.

In short, the work of the Association is a real support to the stainless steel sector, connecting professionals and looking for and promoting the synergies that may arise.

Scan

Dome of the Louvre Museum in Abu Dabi, constructed with stainless steel supplied by Acerinox.

Introduction

The talent and long-term commitment of the thousands of people who make up the Group has been fundamental to the success of Acerinox throughout its more than fifty years of history, as well as the products it markets around the world.

This commitment was once again demonstrated by the organisational changes required to adapt to the circumstances brought about by the pandemic. With the exception of a few cases, the Group's factories continued to operate while maintaining their commitments to their stakeholders, their business activities, their workplaces and to a context of health, safety, stability, personal development, diversity and equality.

7.1. Social and labour context

Acerinox's people management culture is based on a relationship of trust between workers and the Group, generating shared values and seeking to meet expectations. The Group's main drivers include its presence in the five continents and the range of possibilities and experiences that derive therefrom.

This is a sector that offers working and economic conditions that are above the average for the regions in which the Group's companies operate and the average of other sectors.

The integration of the German multinational, VDM Metals, without having to implement social adjustment measures is an example of this culture.

The continual presence of the pandemic during 2021 highlighted the fundamental role played by the steel industry, its strategic nature and its significant influence on the maintenance and sustainable development of its socio-economic surroundings, guaranteeing stable, quality and safe jobs.

Total number of employees at 2021 year-end

1,797	Acerinox Europa
1,275	Columbus
395	Roldán
497	Commercial
90	Acerinox S.A.
106	Inoxfil
1,838	VDM Metals
398	Bahru Stainless
1,535	NAS
197	Grupinox

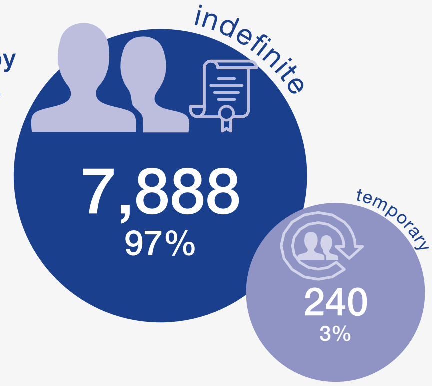
Total employees: 8,206*

Acerinox provides skilled employment in emerging countries, thus meeting very significant targets of the 2030 Agenda.

** This headcount figure includes 10 members of Senior Management and 68 employees from VDM Metals commercial subsidiaries, which are not included in the scope of this report.*

Number of employees by type of contract

At a time of economic recession, the contribution by companies to sustainable development is appreciated for its capacity to generate employment, and it demonstrates their commitment to stability. Acerinox stands out since 97% of its employees have an indefinite contract with the Group.



Recruitment and Promotion Policy

Acerinox ensures the implementation of uniform standards, guaranteeing that its recruitment procedures are based on the principles of merit and ability, and that, once they have joined the Group, the best professionals remain at Acerinox and develop their professional careers there. This is evidenced by the General Recruitment and Promotion Policy of the Acerinox Group, which was approved by the Board of Directors.

Scan to view the Recruitment & Promotion Policy

Work organisation

Acerinox promotes measures that favour reconciliation of the personal, family and professional lives of all employees. Each measure is set out in the various collective bargaining agreements, workplace agreements, or by direct agreement with the parties concerned. The Group does not have a right to disconnect policy; however, it is in the process of preparing a policy.

The agreements take into account the specific characteristics relating to occupational health and safety.

The manufacturing plants generally produce continuously.

Remuneration Policy

The Acerinox Group has a policy in place for fair and transparent remuneration without any kind of discrimination, ensuring full pay equality between women and men.

In 2021 the adjusted salary gap of the Acerinox Group was 15.97%. This represents a reduction of 1.89% compared to 2020.

The incorporation of female workers in the metal industry, and specifically in Acerinox, has mainly occurred in recent years, which implies differences in the total remuneration received for seniority bonuses (where this remuneration concept still exists). Another factor to take into account is the salary concepts related to shift work, for which fewer women apply.

Since it is a listed company, Acerinox has a General Policy for the Remuneration of Group Directors, which establishes the amounts and concepts to be paid to Directors.

In 2021, total remuneration paid to members of the Board of Directors was EUR 2,580 thousand, of wich the four female Directors received EUR 426 thousand. Remuneration to the Senior Management team, excluding the CEO, totalled EUR 4,448 thousand. In the General Shareholders' Meeting held on 15 April 2021, the Policy for the Remuneration of Directors was endorsed by 90.19% of the votes.

Training and development

Training and professional development in the workplace are basic workers' rights and are a necessity for the Group, as this is the basis for the strategy of growth and continuous improvement.

Promoting the development of its professionals allows Acerinox to maintain increasingly stringent quality standards and to achieve the necessary innovation processes to sustain the Group's growth and competitiveness in a global environment. Acerinox does not have a specific policy relating thereto in place.

Part of the training actions are necessary and respond to matters of compliance, such as those related to, inter alia, occupational health and safety, the environment and quality. There are also a number of initiatives carried out in order to respond to the increasingly evolving needs of the Group and to the medium- and long-term strategy. These actions cover the Group's entire human capital structure, both in the production and commercial areas, as well as in the management and executive structure.

The training plans are a strategic pillar of the Group, which reaffirms its commitment to the development of its professionals.

Best practices

VDM Metals received the St. Gallen Leadership Award, a prestigious award presented annually by the Institute for Leadership and Human Resource Management (I.FPM) at the University of St. Gallen (Switzerland) and the German Association for Human Resource Management (DGFP). The Award recognises projects aimed at giving visibility to exemplary leadership techniques, tools and strategies.

VDM Metals inspector calibrating products.

7.2. Equality, diversity and inclusion

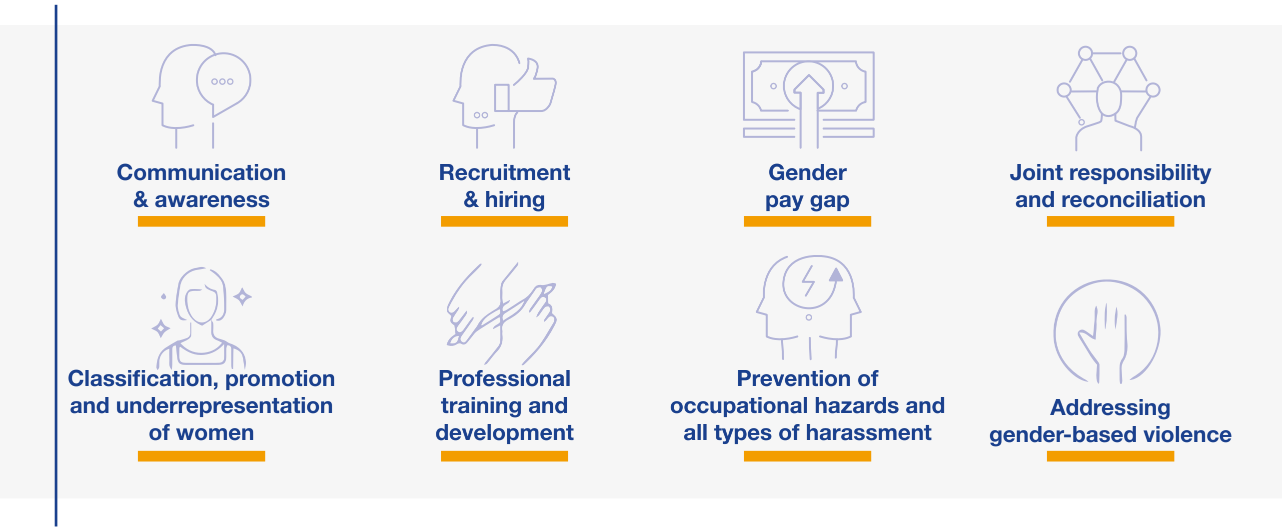
The Acerinox Group has an Equality, Diversity and Inclusion Policy, approved by the Board of Directors and integrated in the Strategic Plan, to which a General Policy on Diversity of the Board of Directors and Selection of Directors of Acerinox, S.A. was added.

Acerinox regards equality, diversity and inclusion as the combination of different personal and professional qualities and characteristics that enable it to multiply opportunities and achieve unique results in changing and agile environments, competing successfully in the markets in which it operates.

Scan to view the General Equality, Diversity and Inclusion Policy

Scan to view the General Policy on Diversity of the Board of Directors and Selection of Directors

The Acerinox Group has been working over the years to promote equality throughout the entire workforce, which has given rise to a cultural change that is already integrated in the Group. This change is based on the implementation and annual development of the Acerinox Group's Equality Plan, which to date applies to the Spanish companies, and the eight vectors on which it is based.



In 2021, Acerinox carried out 85% of the actions established in the Equality Plan with respect to the eight vectors described, ensuring that all processes are governed by the Equality, Diversity and Inclusion Policy and eliminating stereotypes and biases that may remain latent.

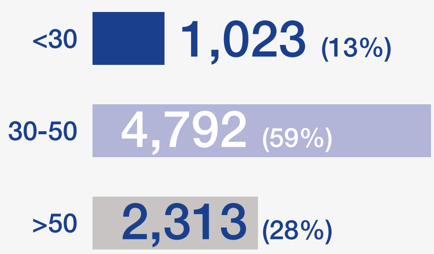
The Group's diversity and inclusion policies have the full support of the Board of Directors and Senior Management, who incorporate this concept as a strategic priority. The challenges of recent years, the digital transformation, the coexistence between different generations and an increasingly uncertain and volatile environment led Acerinox to pay special attention to strategic diversity management, not only focusing on age, gender, race or disability.

Acerinox is committed to strengthening its diversity and inclusion strategy in the 2020-2025 period, with the aim of being a benchmark in this connection, consolidating this culture as part of its mission and adapting to and adopting the evolution that is taking place in society to the Group's day-to-day reality.

Objective

Increase the number of new recruits from minorities by 10% every year

Number of employees by age group



Given the Company's global presence, making the most of the diversity of the talent available has become an advantage and an undeniable business opportunity, thus diversity management is a strategic pillar that has become a fundamental criterion in the Group's decision-making.

Even though women have not traditionally focused on training and developing their professional careers in the sector, it is worth highlighting that:

- The percentage of women exceeds the average for the sector, with an increase in the presence of women in the Group in 2021.
- The percentage of female executives reaching the Director professional category is higher than the percentage of women at entry level.
- Acerinox has been committed to promoting women's careers for many years, increasing the number of female new hires during 2021 by 9% compared to 2020.

Cultural diversity and vulnerable groups

Since the 2008 crisis, especially in Spain, it has become a sad reality that people over the age of 45 who have lost their jobs experience serious difficulties in finding new employment. This obstacle becomes chronic after the age of 50, leading to the non-incorporation into the labour market of individuals who are characterised by the experience they possess and the knowledge they can pass on to the new generations. Acerinox has always demonstrated its commitment to senior talent, as shown by the fact that 28% of its workforce is over 50 years of age.

Acerinox offers comprehensive careers where young people can design their career paths with opportunities, access to experiences in other countries and cultures that add high value to their professional progression.

In this way, colleagues with age differences of several decades and from 65 nationalities interact and learn from each other, which has proven to be the main source of enrichment and development of skills compared to traditional training.

Acerinox encourages the inclusion of workers with different abilities in the workplace. 257 people with a disability recognised by local legislation work for the Acerinox Group.

Best practices

NEXUS

In order to improve the management of all these activities, in 2021 Acerinox began to implement a new platform. Nexus will support the entire employee cycle, consolidating the leadership model that facilitates the adaptation of the Group's professionals to more dynamic, flexible and digitalised environments and covering the entire cycle, including, inter alia, recruitment and selection, support for the organisational structure, development of the Acerinox competencies, management by objectives, performance management, talent review, career and succession plans and total compensation management.

Anchor chains manufactured with stainless steel produced by Acerinox.

7.3. Health and safety

Facilitating adequate and safe workplaces to its employees is a priority for Acerinox. There is nothing more important than the Health and Safety of people. The commitment to occupational risk prevention is integrated at all levels of the Group, from Senior Management to the entire workforce. The Group also requires this same level of commitment from its contractors.

In 2021 the Board of Directors approved a General Health and Safety at Work Policy of the Acerinox Group, which intends to prevent any accident and binds all the governance bodies of the Group and its companies, the managers, workers and, as appropriate, the persons or entities that provide services or that supply goods to Group companies.

General Health and Safety at Work Policy

The Health and Safety management systems must comply with -and even exceed- the requirements established by the local regulation applicable to the different work centres and pursue certification according to international occupational health and safety standards. All Group companies are ISO 45001 certified or are in the process of transitioning from the ISO 18001 to this standard.

The Group is committed to maintaining a systematic approach to risk identification and management, carrying out the relevant risk assessments -and the necessary actions to eliminate or minimise them- and including its health and safety indicators in its strategic plans.

The Group has health and safety management procedures and systems to ensure the most effective control and prevention of risks in the workplace. Meetings are held with multidisciplinary work teams that include technicians from the different Acerinox plants to contribute to the process of continuous improvement in this field, sharing different experiences, best practices and unifying criteria that will be applied throughout the Group.

During 2021, a safety audit programme was implemented in all the Group's factories following the 6S model and the safety minute meeting (carried out at shift changeovers) was established in the workplace between the management of each facility and the workers in each position, with the aim of increasing participation in preventive activities.

Prevention

The Acerinox Group starts every activity it undertakes with a preventive exercise, by assessing the possible risks to health and safety. In a proactive, preventive and predictive manner, it measures situations that could lead to accidents, illnesses or any other incident affecting its stakeholders. All information in this connection is collected and analysed in the internal audit reports, which make suggestions on safety and detail the actions in progress. All Acerinox Group centres are supported by Health and Safety Committees, which facilitate the participation and communication of any type of information in this connection, channelling the appropriate measures.

Best practices

The Group seeks to prevent accidents in its business activities by means of employee training and various measures to guarantee health and safety. The continuous renewal of the signage at the factories, such as those in Columbus, South Africa, which can be found below, is an example of this. The factory identified six specific causes of accidents. After the posters were prepared, they were placed in strategic points where they serve as prevention. Failure to comply with the highlighted actions can even lead to dismissal, all with the ultimate aim of safeguarding health and safety in the workplace.

In the event of an incident, the different established procedures are automatically set in motion, the purpose of which is, firstly, to mitigate the consequences of the incident and, secondly, to study the factors that contributed to the occurrence of the incident in order to learn from it and incorporate new measures to prevent it from happening again. To this end, specific tools are available for the detailed and systematic investigation of incidents.

Working at heights safety day in our Acerinox Europa Factory.

Best practices

Acerinox Europa and the fire brigade consortium carried out a practical exercise of an emergency scenario. The training, which was part of the activities included in the collaboration agreement signed between Acerinox Europa and the provincial fire brigade consortium, was carried out at the Palmones factory.

The Group's factories have the 6S system, also known as 5S + Safety, which seeks to maintain and promote a high level of productivity and safety within the working environment.

A 24-hour Group-wide reporting system was established in order to report accidents, with subsequent training in problem solving and root cause identification for future safety application.

Cádiz fire brigade in the working at heights safety day in our Acerinox Europa Factory.

The Group's factories implemented a safety minute for shift changeover.

LOTO (Lockout Tagout) audits were reinforced.

In addition to accident and absenteeism indicators, Leading Safety Indicators were defined for roll-out in 2022

As a sign of its commitment to reducing accident rates, the Group signed loan transactions with interest rates varying according to the achievement of the annual reduction objective. This objective was endorsed by external consultant Sustainalytics, ensuring that it was aligned with the '2019 Sustainability Linked Loan Principles'. The combined LTIFR x1.000.000 indicator for the Acerinox Europa, North American Stainless, Columbus Stainless and Bahru Stainless factories was 3.4.

Objective

Reduce the LTIFR indicator by 10% every year

To encourage continuous improvements in safety, senior management and factory managers have a variable remuneration system that is linked to, inter alia, the achievement of accident rate indicators.

Acerinox's safety week to commemorate World Steel Safety Day.

With the motto "*Our People, Our Priority: Safety First*", Acerinox promoted activities in its offices and production centres on the five continents. Specific daily training activities were held at each plant, selected on the basis of the main causes of accidents in the steel industry.

8. Committed to the environment

Introduction

The Group's environmental management is based on a production process that is efficient at all levels (energy, with low emissions, promoting a business model that is committed to the circular economy, reducing natural resource consumption, etc.). This efficiency has a direct impact on cost reductions and input savings, thereby increasing the product's value added. Similarly, continuous improvement, on which the production process is based, makes it possible to carry out this business activity competitively, while reducing the environmental impact.

Part of the Group's environmental management lies within the ESG risk analysis, in which these risks are identified in order to manage them, as detailed in chapter 5.5. of this report.

Furthermore, the Group's factories have an environmental control and management system (EMS) in accordance with the ISO 14001 standard.

ISSF Awards

The International Stainless Steel Forum, the association that brings together the world's main stainless steel manufacturers, awarded six prizes to Group companies, three of which in the field of sustainability, at the 2021 ISSF Awards.

In the Sustainability category, the jury looked for developments that offer one or more of the following improvements: reduction of operational emissions (GHG), reduction of production energy intensity, improvement of material efficiency, investment in new processes and/or products that have a positive environmental impact, and the development or improvement of the company's environmental management system.

Gold Award
Bahru Stainless for the acid pickling sludge to clay brick project

Silver Award
Acerinox Europa for improving the efficiency in graphite electrodes in the Electric Arc Furnaces

Bronze Award
North American Stainless for the beneficial reuse of refractory tundish linings to avoid sending these materials to landfill and to reduce the purchasing of new steelmaking consumables

The Acerinox Group participates in global transparency practices, such as the Climate Action Programme, which recently recognised the Group's history of support for the Programme.

8.1 Circular economy

To ensure sustainable growth, it is essential to make efficient use of resources and to promote initiatives that contribute to the shift from a traditional linear economy model to a circular economy model.

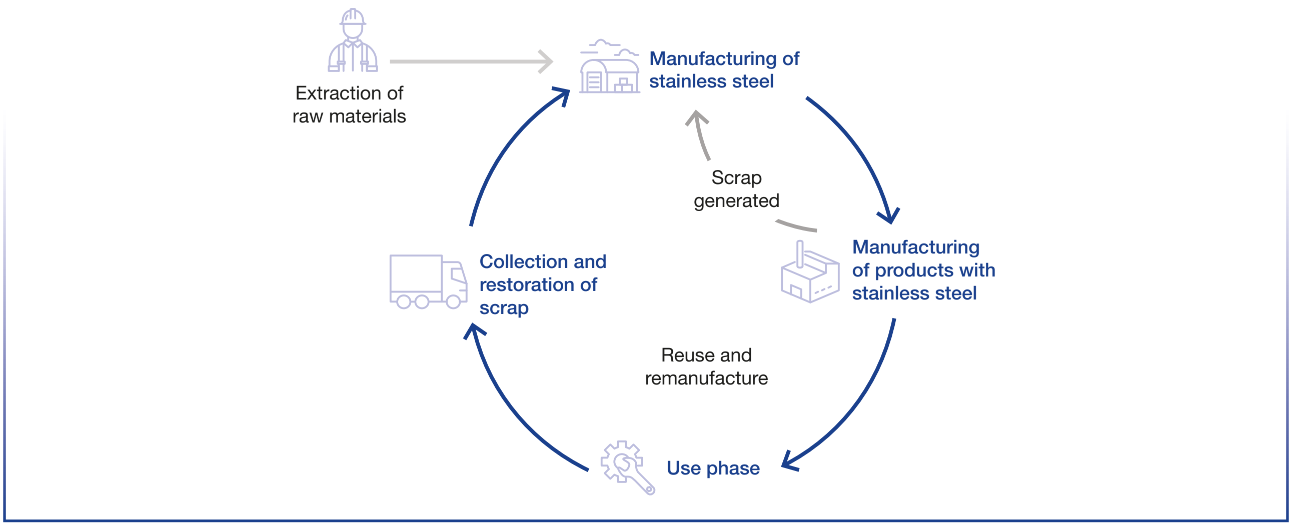
Acerinox is a benchmark in the circular economy, thanks to its ongoing search for eco-efficiency and to the fact that it manufactures products that contain more than 90% recycled material. Acerinox's end products originate from a material that is an example of recyclability and recoverability in any type of application to which it is subjected. The long life cycle, together with the ability to remain in good condition in the long-term and the low maintenance it requires, minimises the negative impact on the environment, making it a sustainable material par excellence.

Acerinox is one of the largest consumers of scrap metal, and works continuously with its suppliers for the use of higher quality scrap metal. Improved scrap collection, enabled in part by improved sorting methods, will be needed to ensure that all available scrap is utilised. Recycling measures will be particularly important in emerging economies as more steel-containing products begin to reach the end of their useful life.

Analysis of the life cycle

Assessing the impact of the product's life cycle is a great mechanism for raising awareness and promoting the circular economy and waste management. Therefore, Acerinox participates in the stainless steels "Life Cycle Inventory" study developed by Eurofer (European Steel Association), to which the ISSF (International Stainless Steel Forum) and WorldSteel have been added at global level. The scope of the study encompasses from the extraction of the raw materials right through to the end of its useful life as a product. This method developed by Eurofer is internationally recognised through the ISO 14040:2006 and ISO 14044:2006 standards, and enables the quantification of emissions, the environmental impacts generated, the resources consumed, and the possible health-related impacts linked to the products placed on the market.

Diagram of the circular economy



Stainless steel is a sustainable material by definition. Some of the properties that characterise this material are:

- Reusable
- Recyclable
- Long-lasting
- Efficient
- Versatile
- Aesthetic
- Resistant
- Hygienic

In line with Acerinox's commitment, and to promote the use of sustainable products and facilitate customers' incorporation into a circular economy, the Group offers a product that has less impact and is more environmentally friendly.

Furthermore, Acerinox is developing a product line, characterised by its high recycled-material content and by the use of renewable energies, as well as other financial and social factors, which will provide that added value of sustainability.

Acerinox's objective

Reduce by 90% the waste sent to landfill by 2030, using 2020 data as a reference point.

VDM Metals high performance alloys used in turbochargers thanks to their heat resistance.

Acerinox was recognised with the Responsible Chromium award after having been successfully assessed by the independent CSR rating agency, Ecovadis, and for going beyond the standard requirements, paving the way towards responsible action. More specifically, Ecovadis recognised the Group's achievements in sustainability by awarding it the Gold seal.

Throughout 2021, the Group worked towards the 2030 waste reduction target, using its best practices in the various factories.

Best practices

E-Waste

In Malaysia, E-waste is categorised as Scheduled Wastes under Code SW110, First Schedule, Environmental Quality (Scheduled Wastes) Regulations 2005. To ensure the implementation of sustainable e-waste management, the consumer is responsible for disposing of their e-waste via the retailer, registered collectors or licensed recovery facilities.

The first phase of the project involved dedicating an area at Bahru's plant for the collection of household e-waste from employees' homes/daily lives. The second phase will look to expand, through Bahru's CSR programme, the collection of household e-waste from the sponsored school and the nearby community/neighbourhood.

Kentucky Excellence in Environmental Leadership

NAS is also a great recycler of scrap metal, and advocates reducing waste generation, reusing materials and separating metallic and non-metallic materials. NAS is one of the first members of the Kentucky Excellence in Environmental Leadership (KY EXCEL) programme and has reached the Master membership level.

Learn more about NAS' environmental advocacy here

Recovery of neutralisation sludge

The Bahru factory continued its project to recover acid pickling neutralisation sludge for processing into building bricks, which has the approval of the Malaysian Department of Environment (DOE). This project was in collaboration with the University Technology Malaysia Construction Research Centre (UTM CRC) and Eco Greenbuild Industries. The end product is made from 100% recycled material, of which 70% is acid pickling sludge from stainless steel, clay sludge from the ceramic industry and coal bottom ash from power plants. The remaining 30% is comprised of recycled cement. The product meets the national requirements of the Construction Industry Development Board (CIDB) Building Standards and is certified in accordance with SIRIM MS 2282-3: 2010. The advantages of these bricks compared to conventional bricks include greater uniformity, increased compressive strength, lower moisture penetrability, fire resistance, improved sound insulation and greater dimensional accuracy.

Rafa Nadal sculpture made in stainless steel by Jordi Diez.

8.2. Climate change and energy

The Glasgow Climate Change Conference (COP26), which was held at the end of 2021, aimed to make the 2020s the decade of climate action and support.

Within this context, Acerinox protects the environment by adopting measures to mitigate the effects of climate change, thus constituting part of the Group's sustainability and eco-efficiency core business.

For example, Acerinox and Técnicas Reunidas are working together to study the decarbonisation process, using Acerinox Europa's facilities as a pilot plant.

The project will identify the most suitable decarbonisation technologies for each industrial sub-process, paying special attention to electrification from renewable energies, green or blue hydrogen, bioenergies and carbon capture and storage.

The technologies finally selected will align compliance of the operational requirements of the facilities with the decarbonisation objectives, thus anticipating the new regulatory requirements of the European Union.

Based on this analysis, a roadmap with mediumand long-term objectives will be designed, to which the investment schedule to be assumed by Acerinox to achieve its decarbonisation objectives will be adjusted. This schedule will be based on technological and business maturity criteria, as well as on the optimisation of Acerinox's investment.

Direct emissions of the stainless division compared to the sector's global average

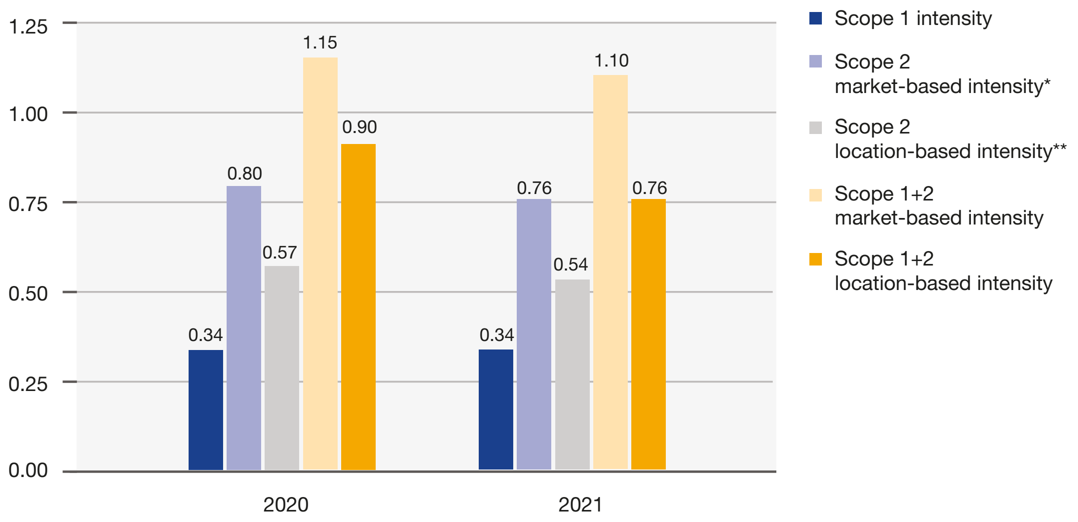
0.31 Tn CO2 / Tn produced vs 0.39 Tn CO2 / Tn of ISSF

Acerinox's objective

Acerinox established a set of carbon targets for 2030, comprising a 20% reduction in the direct and indirect carbon emissions intensity (Scope 1 and 2) with respect to 2015 levels. At 2021 yearend, Acerinox had reduced its emissions intensity by 3.38% and 10.22% compared to 2020 and the base year, respectively.

Scope 1 emissions refer to the direct emissions arising from the manufacturing process, including the consumption of fuels, alloys and raw materials. Scope 2 refers to indirect emissions related to electricity consumption, which are assigned an emissions factor resulting from the mix of the supplier or according to the domestic mix as a result of the location of the plant. This is summarised in the graph below. With regard to Scope 3, Acerinox is working on the significance of all categories with a view to its implementation and reporting in 2022.

Emissions intensity of the Group (Scope 1+2) tCO2/tonnes:



* market-based: emissions derived from electricity and selected by the organisation on the basis of contractual instruments
**location-based: the average GHG emissions intensity of the grids on which the energy consumption occurs

Collaboration agreement between Acerinox and the ALAPAR Foundation.

Acerinox received a B grade in the Climate Change CDP for its performance, which is in line with the European regional average, and is higher than the metal smelting, refining and forming sector average of C.

In order to achieve the 2030 emissions reduction targets, Acerinox designed a roadmap with lines of action based on measures concerning energy efficiency, reduction of direct and indirect emissions and responsible consumption of resources.

- To mitigate direct emissions, tests are being carried out with the addition of hydrogen to natural gas in boilers, while investments are forecast to be made to improve furnaces and burners, sensorisation and recovery boilers. Acerinox implemented numerous actions to continuously improve energy efficiency and reduce GHG emissions, such as increasing scrap usage ratios, reducing electrode consumption, detecting and repairing air leaks; and automatic learning algorithms to optimise electricity consumption in the electric arc furnaces.
- Additionally, with regard to Scope 2 emissions, the Group focused on the following lines of action: improving the energy mix of suppliers, a series of investments in solar plants, the purchase of renewable energy with a guarantee of origin and the change to LED lighting in factory and warehouse buildings.
- Acerinox's first step for action regarding Scope 3 indirect emissions was to carry out a significance analysis of the new categories according to the new ISO 14064-1:2019, in order to subsequently proceed to monitor those of greatest relevance and establish measures such as the use of low-emission transport.

Stainless steel screws produced with wire from Roldan for SNCF, French national railway company.

Affordable CCUS (Carbon Capture, Utilisation and Storage) technology and infrastructure also needs to be developed. This will require significant investments, and governments will need to promote and provide financial support for their deployment.

Best practices

Climate neutrality requires not only initiatives that reduce the amount of carbon dioxide emitted into the atmosphere, but also actions that neutralise these emissions, such as reforestation. During 2021 Acerinox carried out several actions in this connection as an awareness-raising measure to care for the planet and involve employees and nearby communities.

Practical care for our environment

The Columbus Stainless factory launched the "Practical care for our environment" project, which included two talks on the value of ecosystems and their restoration, as well as a practical component comprising the planting of trees. To broaden both the scope of the awareness campaign and the long-term practical benefit provided by indigenous trees, the project was opened up to all Columbus Stainless employees. A local nursery recommended 4 species of indigenous trees, adapted to the local climate. A total of 491 seeds were ordered for planting, of which approximately 100 were planted in situ, and were labelled with the name of the employee sponsoring and planting the specimen. When the size of the trunk so allows, the labels will be replaced by engraved plaques for permanent identification.

Misión Ardilla

Acerinox Europa launched a reforestation campaign together with the Misión Ardilla Association and the Nuestra Señora de Guadalupe Nursery and Primary School in Palmones, Los Barrios. Encompassed by the Group's commitment to sustainability, the aim of this activity was to raise awareness among the entire community, especially the new generations, on "the importance of caring for the environment and the need to fight against climate change". The planting of the trees took place on private land owned by Acerinox in Palmones, and it was carried out by the Year 6 Primary School students of the aforementioned Palmones school, each of whom sponsored a tree that was planted. The species chosen for the reforestation were previously determined by a forestry technician and acquired by Acerinox through the APADIS Association (Association of Parents of People with Intellectual Disabilities of Algeciras).

LIFE CO2RK

Acerinox Europa signed the letter of support for the LIFE Project called CO2RK, which aims to reforest the Alcornocales Park, located in the province of Cadiz, Spain. This is a climate change mitigation activity.

Best practices

Reduction of transportation emissions

Acerinox also launched significant initiatives in the field of transport infrastructures. These are aimed at mitigating the impact of climate change. These include the launch of a goods train, chartered by the company JSV, between Acerinox Europa and Roldán in Spain. Clean energy replaces the emissions of the lorries that, until now, have been transporting the material, as well as reducing the number of heavy goods vehicles on the roads. The entire train journey between Algeciras and Ponferrada is made with clean energy, leading to a reduction in CO2 emissions of approximately 83 tonnes per journey.

Energy

Responsible energy consumption is an essential feature of the Group's business activity. Energy efficiency is strategic due to its electro-intensive nature. Lower energy consumption is directly linked to a reduction in production costs, and thus, this is included in the Group's Sustainability Strategy.

Acerinox's objective

Furthermore, and with regard to a more efficient use of energy, given that it cannot depend solely on a more decarbonised electricity grid as a whole, the Stainless division undertook to **reduce its energy intensity by 7.5%, also from 2015 onwards.** In 2021, Acerinox decreased its energy intensity by 1.5% compared to 2020 and by 3.1% compared to the base year.

Acerinox has renewable energy contracts for 105,120 MWh per year, thus supporting the energy transition.

In the search for new technologies that ensure the path towards decarbonisation and energy efficiency, Acerinox joined the first interdisciplinary Chair on hydrogen with the Comillas Pontifical University, Spain. This 'Hydrogen Studies Chair' has the active participation of Acerinox, which will contribute to promoting research and the final applications of the fuel. The aforementioned research will cover the entire hydrogen value chain, from its production to its transportation and its end uses, as well as the relevant entities in areas such as financial aspects or new associated business models.

There is a certain consensus that hydrogen is destined to be a key factor in a decarbonised energy system, mainly because it enables the bridging between energy sectors and the longterm energy storage necessary to manage the variability of renewable electricity production, and because it allows for the decarbonisation of consumption that is difficult to electrify, technically and/or economically, particularly in the industrial and transport sectors.

Those responsible for the Chair assure that "it will be the meeting point for all the agents involved in the hydrogen value chain to contribute to the development of the renewable hydrogen sector in Spain, by carrying out academic impact studies, compiling and analysing data, producing reports and organising events". In this way, the Chair will contribute to the development and achievement of the European and Spanish green hydrogen strategy, which will enable the country to achieve climate neutrality and a 100% renewable electricity system by 2050.

Likewise, at the Acerinox Europa factory, trials to add hydrogen to natural gas in boilers are being carried out in order to replace grey fuel with a renewable option.

VDM Metals high performance alloys used in the aerospace industry.

Best practices

Acerinox Europa:

Thanks to controlling the operation of different lines, in 2021 energy savings totalling 479,200 kWh in electricity and gas consumption were achieved.

Bahru Stainless:

As an energy efficiency improvement, 750 conventional units were replaced with LED lighting, achieving a 369,580 kWh reduction in electricity consumption.

VDM Metals:

The high performance alloys division implemented energy saving measures such as the replacement of the three-electrode core in the electric arc furnace with an improved five-electrode core, achieving a total saving of 725,150 kWh. Furthermore, VDM Metals incorporated a CEAG filter system that allows drives to be turned off when they are not being used, giving rise to a 518,624 kWh reduction in energy consumption

Acerinox Group:

The Group has initiatives such as the Energy Hunt, consisting of a programme to identify, act and repair points with a potential for energy efficiency improvements in all plants, such as air, gas or steam leaks.

Biodiversity

Acerinox respects the environment in which it operates and collaborates in studies that analyse this environment. The Group's business units implemented a series of programmes and initiatives to preserve the biodiversity of its surroundings.

For example, Columbus launched a Biodiversity Plan, which aims to protect the indigenous flora and fauna. In collaboration with the on-site landscaping contractor, alien plant species are actively controlled in order to avoid the displacement of species indigenous to the area, thus avoiding disturbance of the local ecosystem.

Additionally, at NAS, an assessment to identify whether any endangered species are located in the factory's surroundings is carried out before any site expansion occurs, as well as ensuring that the cultural resources will be protected.

In 2021 Acerinox Europa continued to collaborate in the University of Seville's project, co-sponsored by Acerinox, which studies the invasion caused by the Rugulopteryx Okamurae algae in the Algeciras Bay, and in particular in the area surrounding the factory.

Acerinox Europa's support for the study of invasive algae is enabling worldwide publications in specialised international journals, and is providing the local community with information on the state of the environment affected by this invasion.

8.3. Water consumption management

To guarantee responsible and sustainable use, Acerinox has water recirculation systems in its plants, as well as treatment systems to return as much water as possible to the environment in the same or better condition, in terms of purity and quality, than when first collected. The Group reinforces its measures to secure the necessary water (e.g. in times of drought), while also facilitating access for use by local communities.

Water withdrawals are essential to the production process, so volumes are monitored daily by flowmeters. This monitoring is necessary for production processes, but also ensures compliance with water permit requirements.

The Group's factories have strict measures in place to prevent, avoid and act should other discharges or spillages arising from the storing of other substances occur.

The factories have acid recovery and neutralisation plants for the efficient management of pickling acids and the correct treatment of acid and basic water. There are also emergency dams to prevent discharges into the environment, and dams for water recirculation. The tanks are equipped with a permanent secondary containment mechanism, as well as cleaning and emergency shut down services.

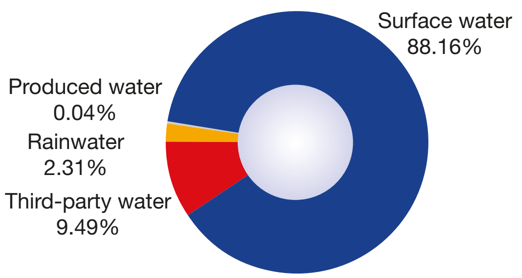
Stainless steel tubing for industrial applications.

Acerinox's objective

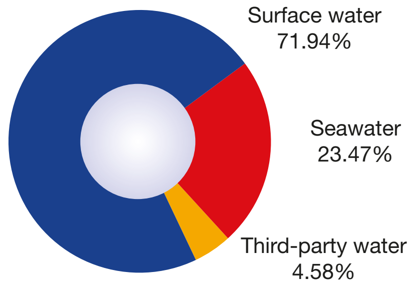
Reduce specific water withdrawal by 20% by 2030, using 2015 data as a reference point. Evidence of the Group's commitment to responsible water consumption is the fact that it achieved a 12% reduction compared to 2020.

Water data

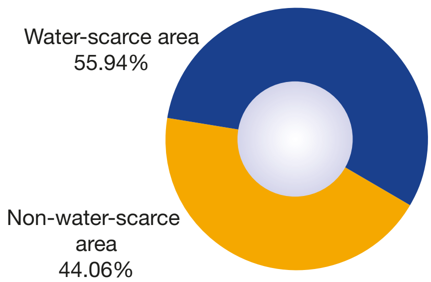
Distribution of the total water withdrawn by source in 2021: **9,517,403 m³**



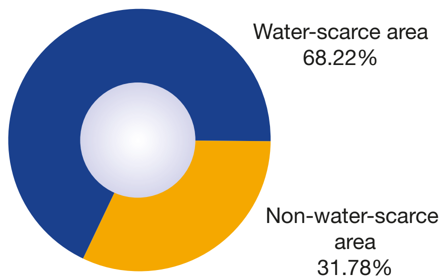
Distribution of the total water discharged by discharge destination in 2021: **5,952,207 m³**



Distribution of the total water withdrawn in water-scarce/non-water scarce areas:



Distribution of the total water discharged in water-scarce/non-water scarce areas:



Acerinox achieved a B grade in the Water CDP, which is in the Management band. This is the same as the European regional average of B, and higher than the Metal smelting, refining & forming sector average of C.

Water quality

The Group's factories have strict measures in place to prevent, avoid and act should other discharges or spillages arising from the storing of other substances occur.

The factories have neutralisation plants for treating acidic and basic waters, as well as emergency dams to prevent any discharges into the natural environment, and other safety instruments to eliminate any potential spillages. The tanks are equipped with a permanent secondary containment mechanism, as well as cleaning and emergency shut down services.

Best practices

R&D project to reduce the pollutant load through treatment with microalgae.

Improvement of the equipment that internally measures the production lines' water consumption. Control as a savings tool.

Memorial to the victims of 11 September 2001 in New Jersey, made with stainless steel manufactured by NAS.

The water in our factories

Acerinox Europa

The factory seeks to constantly recirculate the water used, and exhaustive monitoring of a large number of parameters is carried out at all times to ensure that the water discharged into the environment complies with the properties established by the Integrated Environmental Authorisation. To this end, the water is pretreated by processes such as flocculation, decantation and neutralisation.

Columbus Stainless

The South African factory is located in a water- scarce area. Adapting to this scenario requires a great deal of effort to raise awareness and implement measures to prioritise water use. The factory's water is reused as much as possible thanks to the effluent treatment plant, where processes such as reverse osmosis and evaporation are applied. Also, in line with the Group's circular economy vision, the concentrated brine is sold as a calcium nitrate product.

Stainless steel vats used in the food industry.

In order to use water in a sustainable manner, reservoirs were constructed to collect rainwater during the wet season to supply the factory.

Columbus Stainless is a member of an association that promotes measures for the sustainable and efficient use of the municipal network's water resources (Upper Olifants Catchment Management Forum). In addition, the principle known as Zero Effluents is applied.

Bahru Stainless

Water is withdrawn via artificial reservoirs located close to the factory, which are fed by rainwater, so the a treatment plant. Before the water is discharged, it passes through inside the factory to ensure that the final effluent meets the A standard according to local legislation (Malaysian National Environmental Legislation Requirements).

North American Stainless

The water withdrawn for use in the factory originates from the Ohio River. Prior to use, the water is treated with polymers and undergoes various filtering processes to remove solid particles. Rainwater is also collected.

Throughout the process, the water is reused as many times as possible until its characteristics are no longer suitable for further use in the production of NAS' products. One example is reusing the water from the pickling lines for the subsequent production of acid or caustic products. The final effluent is discharged back into the Ohio River in the same or better conditions, thus avoiding any possible environmental impact. All this is possible thanks to real-time monitoring of a large number of parameters that define water quality.

Roldán

The water used in the industrial processes originates from the Sil River thanks to the authorisation provided by the Miño-Sil Hydrographic Confederation. In addition to this withdrawal source, rainwater is also collected through pipelines and directed to the treatment plant. One measure to improve efficiency is the implementation of closed circuits, so that after the water has been used in the processes, it can pass through the treatment plant to remove suspended solids and any remaining grease or oil through processes such as neutralisation and filtering. The water is discharged into the sewage system and into the Sil River. Both discharging processes are monitored to measure their quality and improve them through neutralisation and flocculation processes.

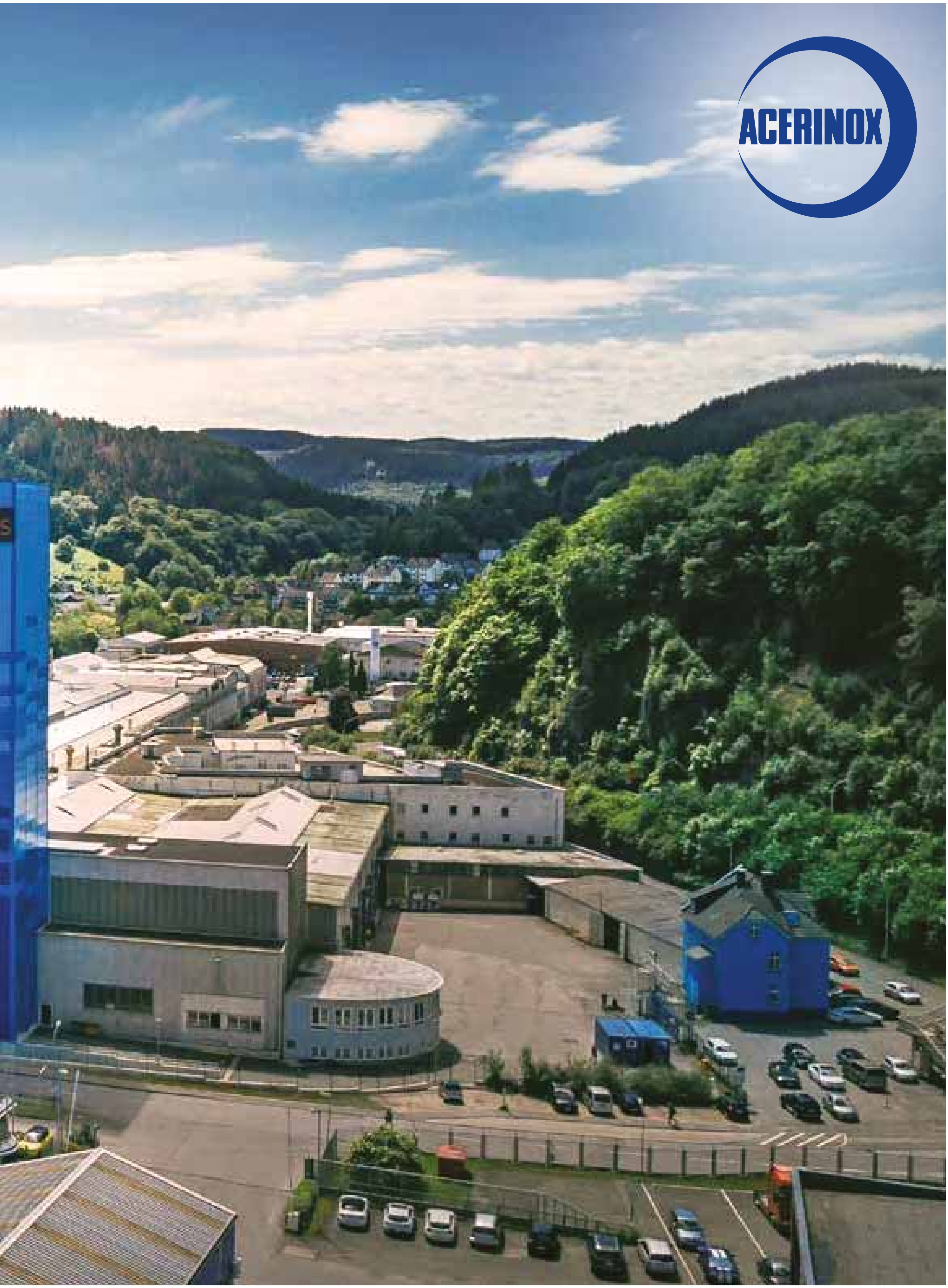
Inoxfil

The water consumed comes from the public network that serves the industrial estate where Inoxfil is located. The water entering the factory is subjected to a descaling process. There is also a physico-chemical treatment plant that treats the water from surface treatment processes. The final effluent is discharged into the municipal sewerage system after it has been treated through processes such as coagulation and flocculation at a connection point where the process water, sanitary water and rainwater converge.

VDM Metals

The VDM Metals facilities' main water treatment processes include neutralisation with lime, flocculation, sedimentation tanks and filtration.

VDM Metals Factory in Werdohl (Germany).


ACERINOX

9.1. Innovation strategy

Investments in fixed assets

In 2021, Acerinox continued to implement its policy of investments in new equipment and the improvement and maintenance of existing equipment, earmarking EUR 101.3 million in this connection. In a business activity as competitive as the steel industry, the constant upgrading of the production processes is strategic. Aware of this fact, in 2021 the Board of Directors approved investments aimed at improving different aspects, mainly of a productive and environmental nature, in each of the Group's subsidiaries.

At the Campo de Gibraltar Factory, investments totalling EUR 38.6 million were made in 2021, including the construction phase of the new refractory works warehouse in the melting shop, which will allow part of the operations to recover metals from slag to be moved under cover.

Civil works also began on the new CS-6 cut-to-length line, transferred from the Paris service centre, with significant updates that reduce diffuse emissions, and automatic strip inspection equipment was installed on the BA2 Bright Annealing line, completing the installation of automatic systems on all the final annealing lines.

Furthermore, the complete layout of the three conductors of the 220 kV high-voltage power line was replaced, adding a fourth replacement conductor, among other actions.

Acerinox earmarked EUR 28.2 million for the North American Stainless plant, of which EUR 13 million were invested in the maintenance of existing equipment approaching the end of its useful life to improve its performance and reliability. Moreover, a slitter was transferred from Acerinox France to Kentucky for its reuse.

Several lines in the cold rolling mill were modernised to improve their general efficiency. Investments continued to be made in the pickling line upgrade project, which will become operational in January 2022. The project will give rise to more efficient electrolytic and mixed acid pickling to improve quality and productivity, and reduce acid consumption and water discharge. The automatic inspection equipment of this line was also improved and the motors of one of the sendzimir mills were upgraded, reducing energy consumption and CO2 emissions.

NAS installed in-line inspection equipment and quality control tools in the hot rolling mill to measure coil dimensions, profile, shape and surface quality, in order to improve the quality of the product and the subsequent process. Also, the IT infrastructure was upgraded with the purchase of two new servers. Furthermore, 3D printing trials are underway, while research into the possibility of using large-scale equipment for large parts and rapid deployment is also underway.

VDM Metals received investments totalling EUR 20.1 million, earmarked mainly for growth, product quality, safety, the environment and maintenance of existing equipment.

The South African plant, Columbus Stainless, carried out investments valued at EUR 10.3 million, earmarked mainly for equipment maintenance and systems upgrading.

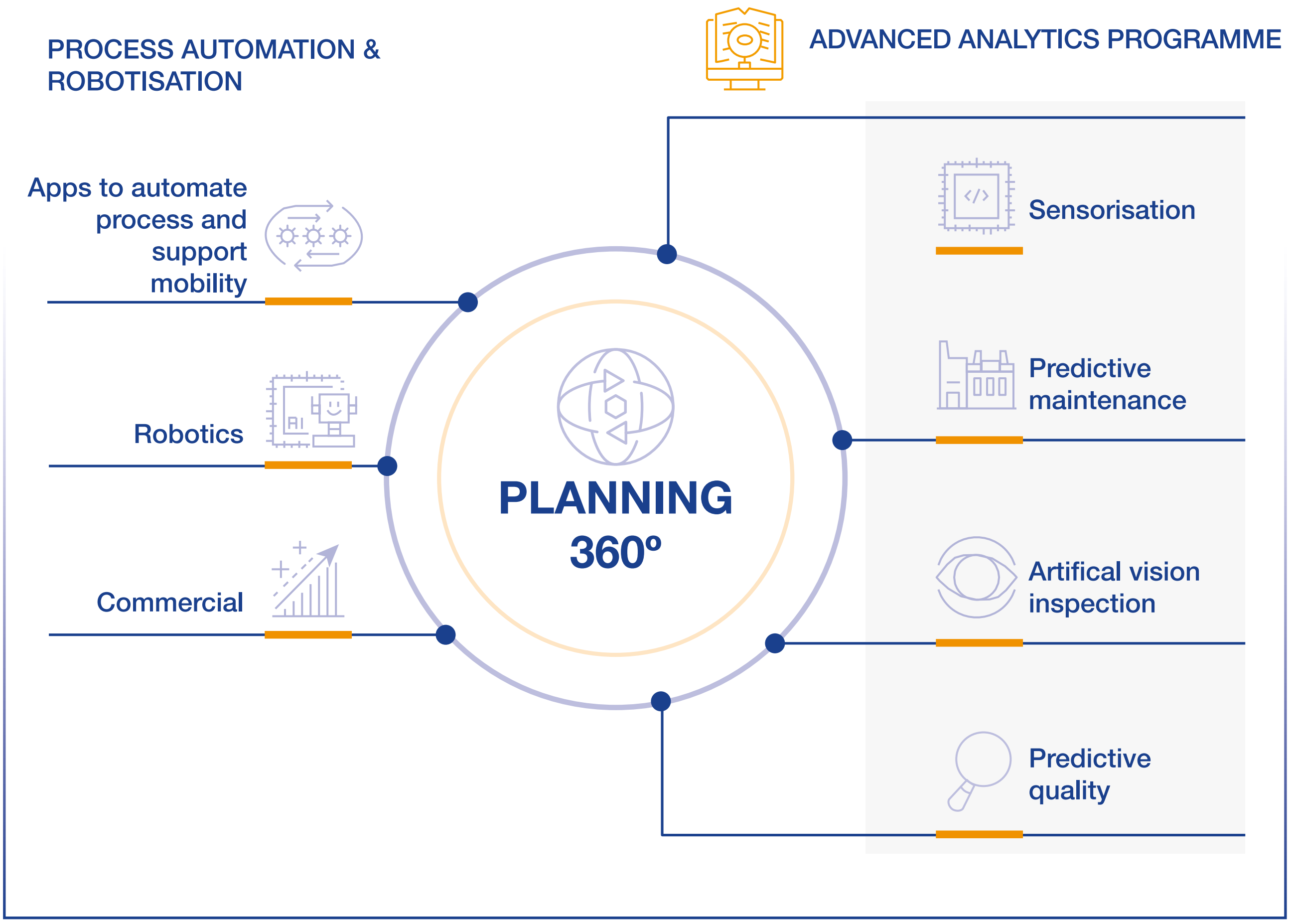
The remaining investments were allocated to the Bahru Stainless, Roldán and Inoxfil plants.

9.2. Excellence 360º

In 2021 Acerinox continued to roll out its multidisciplinary Excellence 360º strategy, which includes all the projects comprising the operational efficiency improvements, using the digital transformation of processes as an enabler.

As a result of the integration of VDM Metals into the Acerinox Group, the efficiency plans that the company had been developing were unified with the Group's best practices through internal benchmarking and the Digital Strategy to integrate the High Performance Alloys Division within Excellence 360º. Thus, the target of EUR 125 million in annual recurring returns in 2023 was increased to EUR 140 million per year.

Excellence 360º is focused on strengthening the business comprehensively: production (increasing process quality and productivity), supply chain (optimising stock and increasing accuracy in deliveries), sales (improving margins and the customer mix) and procurement of raw materials (optimising the mix at all times). Excellence 360º also takes into account the Group's sustainability objectives, with special emphasis on the continuous improvement of efficiency, the reduction of energy consumed, the improvement of performance and machine times, as well as the reduction of environmental costs. All this is thanks to the use of new technologies and placing the customer and the service thereto at the centre of the business.



Excellence 360° consists of three significant projects. Firstly, 360° Planning; secondly, the Advanced Analytics Programme; and thirdly, Process Automation and Robotisation. During 2021, the Group continued to undertake projects in each of these areas, which are detailed below.

1. **360° Planning:** Launch of the second phase of the project consisting of a campaign- planning optimisation tool in the cold rolling mill.

2. ***Advanced Analytics Programme:*** This data-driven programme responds to the strategic approach of decision making.

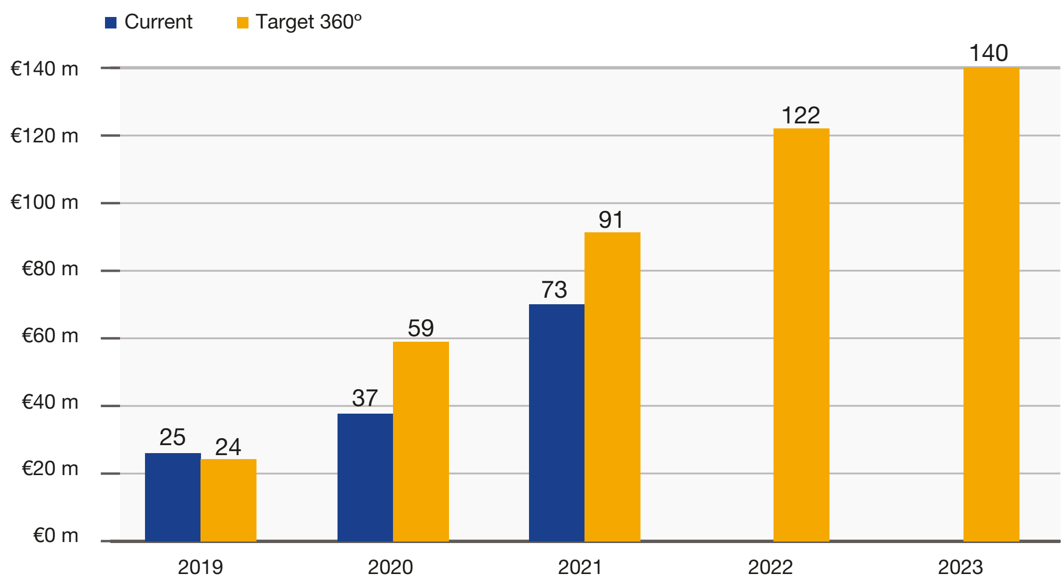
The programme's methodology consists of training teams in data analysis through actual use cases that have a direct impact on Operational Excellence. The most representative projects carried out in 2021 were:

- Model to optimise logistic routes.
- Model to optimise the width of the continuous casting output.
- Model to optimise electric arc furnace consumption

3. **Process Automation and Robotisation:** Launch of the second Autonomous Guided Vehicle (AGVs) project at the NAS factory. AGVs are 100% electric autonomous vehicles with a capacity to transport 60Mt of billets from the melting shop to the long product workshop, replacing the use of lorries.

The development of an application to manage maintenance work orders in mobility also began.

In the third year of Excellence 360°, Acerinox obtained estimated savings totalling EUR 73 million, representing 81% of the total scope.



9.3. R&D&I

Due to the nature of its business activities and as stated in its mission, the Acerinox Group considers research, development and innovation to be strategic.

With the incorporation of VDM Metals into the Acerinox Group, the efforts to promote the resources available in line with the purpose and global strategy of the Group to boost sustainable innovation were integrated, identifying the risks that enable their management. The Group is improving the adaptation capacity of the R&D&I departments by creating joint working structures and more agile and flexible processes.

In collaboration with its customers, VDM Metals develops optimal solutions for the specific requirements of different industries, helping to make their processes more efficient. This includes the development of new materials, the identification of alloys with high performance potential and the optimisation of key properties in established alloys already on the market that can be qualified for other applications. Development cycles typically last several years, thus R&D&I activities also focus on the timely identification of upcoming trends. Representative examples of the High Performance Alloys Division's R&D&I projects in 2021 include the qualification and expansion of the new patented high-temperature alloy portfolio for use in energy-efficient syngas processes for hydrogen production, and the development of another patented superalloy powder for use in next-generation aircraft engines, among others.

In 2021, an Innovation and Technology Committee was established. Led by the Group's CEO and comprising the heads of various business areas, the aim of this Committee is to review the Group's capabilities, define the R&D&I strategy, provide sufficient funding, identify the risks that could significantly affect the Group's operations and define long-term objectives in these areas.

Stainless steel tanks for the food industry.

In 2021, three work groups were created, focusing their efforts on the development of materials, improvement of production processes, implementation of new processes, and the promotion of innovation processes, which includes, inter alia, the management of Group patents.

This exchange of experiences between the Group's business units is open to the contribution of any employee through a platform created for this purpose, and with the aim of making the most of the extensive know-how of Acerinox staff.

Additionally, and in the case of the subsidiaries located in the European Union, the R&D&I departments are working on the approach and obtaining of grants from the funds announced thereby.

Collaboration with public bodies is essential, since almost half of the investments in this field are carried out in partnership with entities, universities and research centres of this nature.

More than 40 people in the Group, located in various production plants, dedicate their knowledge and efforts to research and development tasks. In addition to these 40 people, there are also personnel who work in the laboratories of each of the Group's plants to find new alloys and improve the properties of the current alloys.

Acerinox also promotes the participation of all employees in this field with the annual Rafael who have stood out for their innovative projects in the areas of Safety, the Environment and Quality in Progress.

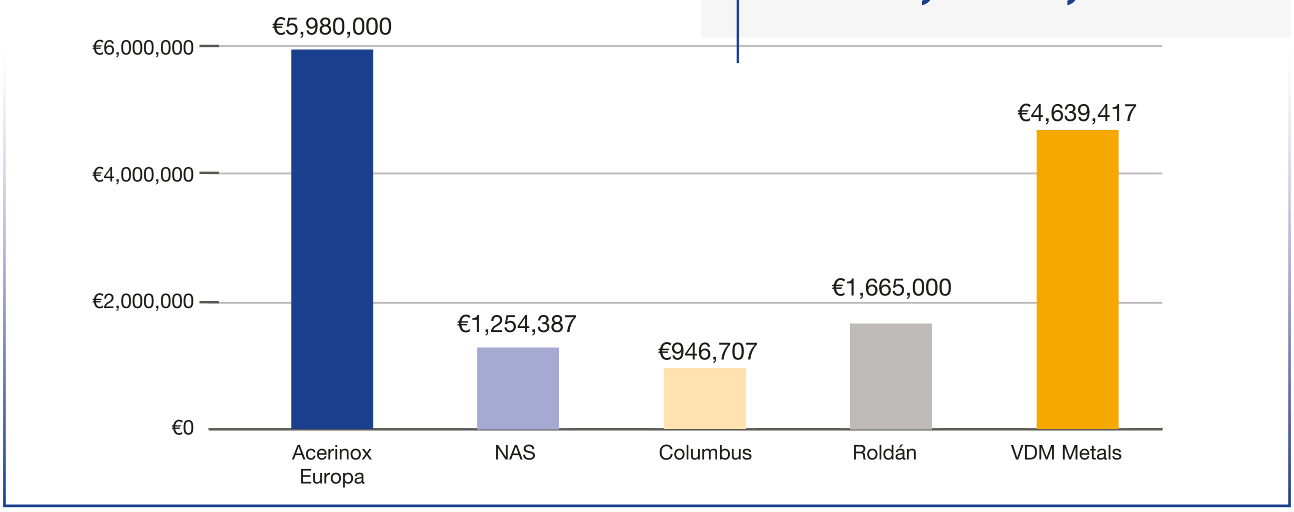
In the 2021 edition, in the "Safety" category, a single prize was awarded to a project consisting of automating the system for extracting excess grease from the lubrication process, increasing safety during the undertaking of the task.

The prize in the "Environment" category was awarded to the "Modification of the trough-sealing system for the AP-5 brushes" project. In the "Quality in Progress" category, which includes three awards, first prize was awarded to the "Extraction of the steel encrusted in the interior of the slag pots" project, second prize was awarded to the "Increasing the AOD's useful life by avoiding steel leakages through a new refractory lining design" project, and third prize was awarded to "Optimisation of the Bernabéu embossed linen finish".

2021 R&D&I investments and expenses

Group total

€14,485,512



Acerinox ISSF award for the best technology

Each year, the ISSF awards its members for their best practices and new ideas in the areas of best technology, best development, safety and sustainability.

Efficient Sanitation System to Combat the Global Sanitation Crisis

Prize for the best technology

In this Award category the Jury looks to recognise original concepts that make significant contributions in either the production methods for stainless steels or for the application of stainless steels in service.

Columbus Stainless received gold in this category for an efficient sanitation system to combat the global sanitation crisis.

Best practices

The new Bernabéu, clad by Acerinox Europa

In 2021, Acerinox Europa began to manufacture the plates that will clad the façade and the roof of the new Santiago Bernabéu stadium.

In addition to studying the composition, the alloy and the properties of each of the plates manufactured, a measurement of their brightness and the different types of reflectance was also taken. These values had to be adapted to specific characteristics depending on where in the stadium and at what height the plate will be placed.

In addition to the compositions of stainless steel that generate different intensities of reflection, a control process was implemented during the procedure to adapt them specifically to the desired conditions.

Model of the Santiago Bernabéu Stadium incorporating stainless steel cladding.

9.4. IT systems

In its commitment to maintain a competitive service, and as a fundamental part of the business model, the Acerinox Group implements a series of good practices in Information Security to achieve the objectives of confidentiality, integrity, availability and legality.

The Information Systems department has the fundamental task of providing the necessary IT infrastructures and tools to the whole Group. Its transversal position gives it a complete vision of the entire Group, collaborating with numerous departments in the implementation of technological solutions, in the development of applications and in the installation and maintenance required thereby. In particular, the strategic collaboration of the IT systems department was reflected in the Digital Transformation projects carried out by the Group in recent years.

The commitment to information security was reflected in 2021 in the implementation of a series of plans aimed at this purpose and the consequent obtaining of certifications that accredit this.

Stainless steel façade produced by Acerinox for Plaza de Colón in Madrid (Spain).

10. Committed to the supply chain

The logistics crisis that occurred as a result of coronavirus once again highlighted Acerinox's competitive advantage in having factories on four continents. Managing the disruptions that arose in the supply chains of the resources necessary to supply the factories was facilitated by the proximity between the plants and their suppliers. When business activities had to be stopped, in almost all cases it was on the grounds of health or due to legal constraints.

Thus, the 8,765 suppliers that the Group has around the world were able to continue their commercial activity with the Group, thus contributing to maintaining their revenues and the employment they provide. This is confirmed by the fact that 60.70% of the Group's suppliers were local, invoicing Acerinox for a total of EUR 2,755 million, which undoubtedly helped to maintain the social fabric while guaranteeing the Group's continued supply.

Procurement management

The acquisition of raw materials and goods in a steel company like Acerinox forms part of the core of its business strategy, and is essential for the process, the product and the results. The continuous studying and monitoring of the market, the success of operations and the planning and management of the entire supply chain, as well as the continuous improvement of operations and the search for more efficient systems and models are also an essential part of the Group's strategic plan.

In this regard, in December 2021, the Board of Directors approved a new Responsible Purchasing Policy with the aim of consolidating "stable and lasting relationships with its suppliers based on shared ethical criteria that make it possible to create value in a sustainable manner", as indicated in this Policy.

In its procurement management model, Acerinox establishes a number of general common guidelines for all Group companies, which in turn develop their own procedures to control and guarantee a supply chain that meets the requirements included in this model and the legal and regulatory standards.

To this end, the supplier selection processes are based on the principles of openness, equality and transparency, promoting among its suppliers similar principles that inspire Acerinox as a responsible Group.

Ethical, environmental and social principles are reflected in the approval processes, as well as in the:

General Terms and Conditions

Code of Conduct

This Policy outlines objectives such as

Including **social and environmental criteria** in purchasing decisions.

Promoting the **development and sustainable long-term growth** of all entities involved in the supply chain.

Promoting sustainability principles among the suppliers and contractors of the Acerinox Group.

Ensuring that the selection of suppliers complies at all times with the **fulfilment of the commitments acquired and the internal rules of the Group** that regulate contracting.

Accreditation

Suppliers must comply with the requirements defined by each factory in matters such as the environment, health and safety and labour practices, and their activity must be compatible with international declarations of human rights. Moreover, suppliers must be aligned with the 10 Principles of the United Nations Global Compact.

General terms and conditions

These terms and conditions include labour contracting and compliance with tax and labour legislation (for which they must provide evidence), respect for the environment, contribution to sustainable development and innovation in products and processes.

Periodic assessments

These assessments check that quality, environmental, health and safety and hygiene requirements are maintained. This rating will make it possible to confirm or reassess the level of confidence granted by the accreditation. Inspections are carried out at the suppliers' premises to confirm compliance with good practices linked to the corporate responsibility strategy.

Assessments using environmental criteria:

239

Assessments using social criteria:

135

Stainless steel bottle.

11.1 Social action

Commitment as a Group

The values set out in the Mission, Vision and Values initiative, which the Group recently launched, demonstrates its desire to foster a more caring and committed society.

Like 2020, 2021 was marked globally by the Covid-19 pandemic, and the Acerinox Group continued to collaborate in mitigating its effects, prioritising health and safety through social and labour measures.

All the activities carried out by the Group's various companies can be divided into actions that benefit health, actions related to education, and others related to sustainable growth and the eradication of poverty.

A total investment of approximately **€415 million**

€135 million
Shareholder remuneration

€136 million
Taxes paid

€591 million
Personnel remuneration

€6,754 million
Direct economic value generated

€6,532 million
Economic value distributed

Scan to view all the educational entities with which Acerinox collaborates

Scan to view all the association with which Acerinox collaborates

Collaboration with education

One of Acerinox's most significant social contributions is its collaboration with educational entities, specifically with universities and vocational training centres.

Acerinox has partnership agreements with more than 20 universities and vocational training centres, thus helping to identify and develop the talent of future professionals, who are key to the industry.

Colaboration with associations

One of the Group's significant contributions involves the various associations to wich it belongs or with witch it collaborates directly.

Best practices

The Acerinox Group against COVID-19

To ensure that the health and safety of employees, customers and suppliers 2021 approximately €5 million was spent on precautionary measures, medical supplies, direct aid and donations to mitigate the effects of the pandemic.

Social welfare

Employee Tender Loving Care is a not-for-profit organisation that seeks support among the factory's own employees. NAS increased by up to €8,761 more the aid with which the workers financed the difficulties of other employees.

Reforestation Campaign

Acerinox Europa launched a reforestation campaign together with the Misión Ardilla Association and the Nuestra Señora de Guadalupe Nursery and Primary School in Palmones, Los Barrios. As part of the company's commitment to sustainability, this activity aimed to raise awareness throughout the community, especially among the younger generations, of the importance of caring for the environment and the need to combat climate change. Worthy of note is the importance of the work carried out by Acerinox Europa volunteers to prepare the land, and the APADIS Association (Association of Parents of People with Intellectual Disabilities of Algeciras), which supplied the trees sponsored by the school's students.

Scan the QR to view the video (only available in Spanish)

Agreement with the ALAPAR Foundation

Acerinox and the ALAPAR Foundation signed an agreement to collaborate in the awareness raising, integration of and collaboration with people with disabilities. Both institutions shall carry out training, employment integration of people with disabilities, volunteer collaborations and goods and services, favouring the integration of people with disabilities into society, as well as raising awareness within the company in this connection.

VDM Metals Aid following the floods in Germany

Among the areas worst hit by the July floods in Germany were Altena and Werdohl, where two of the VDM Metals plants are located. The floods caused by heavy and persistent rain caused significant material damage. After the most critical moments and after the damage had been assessed, the generosity of the population, employees and the rest of the Group was evident, helping enormously to alleviate the damage caused. Acerinox contributed €25,000 in aid to the towns of Altena and Werdohl, and another €25,000 in direct aid to the people affected, in addition to donations made by VDM Metals employees.

Aid for Kampung Tanjung Langsat

This small village close to the factory was significantly affected by the Covid- 19 pandemic. Bahru Stainless wanted to collaborate with the town by donating money and 50 sets of support material valued at €300 each. In a ceremony held on 7 October 2021, the village Chief thanked the factory on behalf of the 21 families affected for the aid.

Donation of own material

Columbus Stainless continued to collaborate with the various organisations in the area, donating stainless steel for roofs, fences, stockades and other resources manufactured with Acerinox materials. In 2021, Columbus donated material with a value totalling €20,000 to local schools, non-governmental organisations and other local institutions.

11.2. Tax action

Acerinox, S.A. and its subsidiaries ensure compliance with the tax regulations of each country in which they operate, avoiding aggressive corporate structures and any tax contingency, as reflected in the "General Tax Policy".

This policy, available on the corporate website www.acerinox.com, addresses the Principles, Good Tax Practices, Monitoring and Control, Dissemination and Updating of the Corporate Tax Policy and the Group's commitment to the tax authorities. The management and responsibility of the Acerinox Group's tax matters lies with the Head of Tax.

The ICAP Programme, outlined below as one of the Group's best practices, gave rise to an advancement in all the work already carried out by the Group concerning tax action, and which has been publicly acknowledged.

General Tax Policy of Acerinox, S.A. and subsidiaries

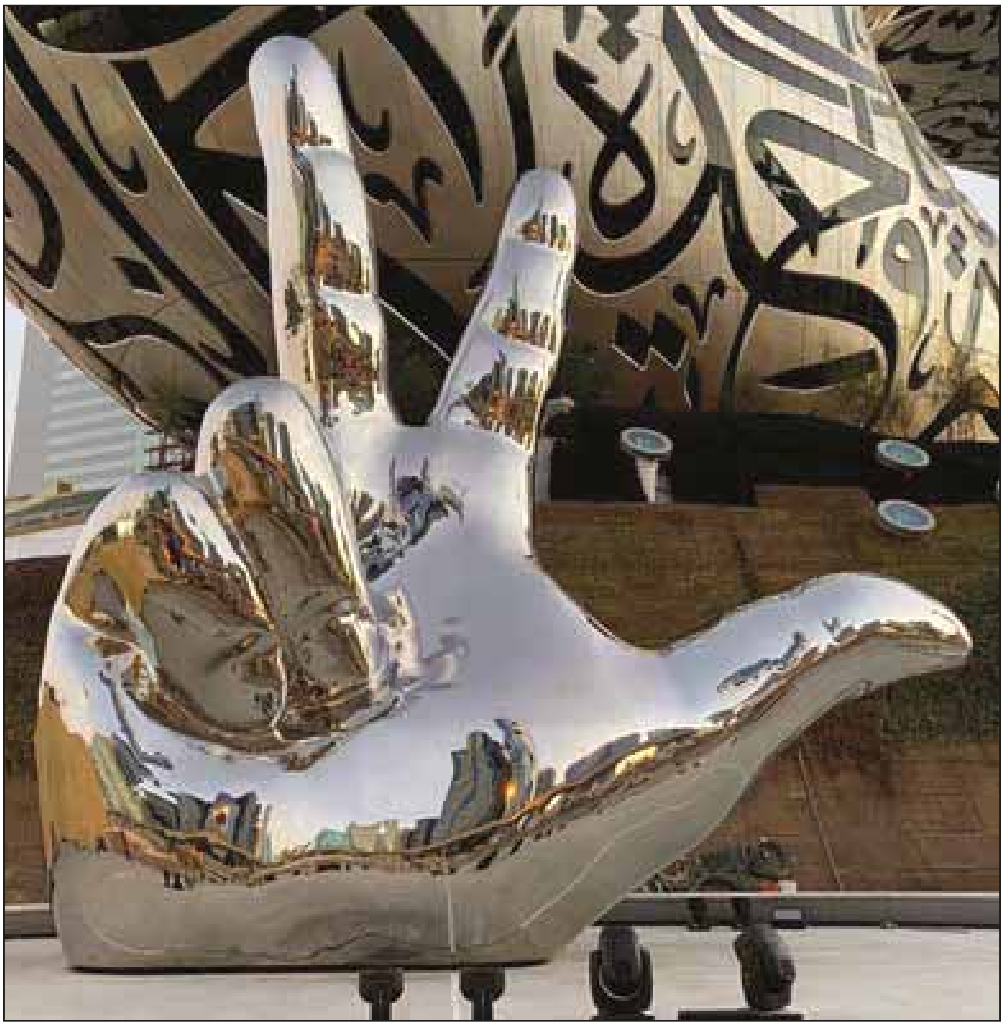
Public subsidies received in 2021 (€ thousand)

	2021
R&D	988
The Environment	7,171
Allocation of CO_2 rights	12,055
Subsidies due to COVID-19	295
Training	160
Other	80
Total	20,749

Profit/ Loss before tax and tax paid by country (€ thousand)

Country	Profit/Loss before tax	Income tax
Spain*	361,378	-23,608
The US	610,362	145,688
South Africa	78,732	5,261
Malaysia	324	60
Canada	6,403	1,777
Mexico	5,734	1,640
Portugal	1,208	-13
France	6,746	143
Germany	28,497	2,642
Italy	2,210	358
The UK	897	81
Sweden	1,661	0
Switzerland	137	4
Austria	914	225
Poland	1,275	93
Chile	2,458	0
Argentina	935	116

Country	Profit/Loss before tax	Income tax
Belgium	978	517
Russia	-65	0
Turkey	1,313	102
Brazil	28	17
Colombia	-121	1
Peru	17	0
Australia	255	86
China	3,365	895
Hong Kong	-350	-5
Japan	1,639	467
Korea	1,020	-218
Singapore	-240	0
India	-51	0
United Arab Emirates	-76	0
Luxembourg	0	506
Total	1,117,583	136,835



Hand sculpture in the Museum of the Future (Dubai) made with stainless steel supplied by Acerinox.

Profit/Loss before tax reflects the profit or loss obtained by the entities comprising the consolidated Group in each of the countries. With regard to holding companies, the profit or loss includes the dividends received from subsidiaries.

To determine the corporate income tax, tax legislation establishes adjustments to these profits or losses to obtain the taxable income. Moreover, in many cases there are deductions that reimburse the tax payable amount. In cases where there are tax loss carryforwards from previous years yet to be applied, legislation allows them to be offset against the profit for the year. Each country has its own rules on offsetting, and in many countries there are limitations on their use. Therefore, in many cases, the tax rates shown do not correspond to the nominal rates of the country or to the actual rates paid.

The corporate income tax paid includes payments on account made during the year, as well as final tax assessments corresponding to previous years.

In some countries, legislation requires payments on account to be made on the basis of the profit or loss recognised for the year rather than on the basis of taxable income. These prove to be higher than those that would be payable according to the calculation of taxable income.

*In the case of Spain, in 2021 the tax assessment corresponding to 2019 was received and resulted in a refund as a consequence of the overpayment on account made. The amount collected for 2019 amounted to EUR 29 million.

Best practices

ICAP Programme

As indicated in the 2020 Corporate Governance Report, in 2019 the Acerinox Group was invited by the Spanish Tax Agency (AEAT) to represent Spain in the ICAP.2 programme of the OECD ("International Compliance and Assurance Programme").

Acerinox agreed to participate voluntarily in this initiative, which involves a co-operative and multilateral process of tax risk assessment and assurance. The programme has been designed to be an efficient, effective and co-ordinated approach to provide multinational enterprise groups (MNEs) willing to engage actively, openly and in a fully transparent manner with increased tax certainty with respect to certain of their activities and transactions where they maintain a substantial presence and at the choice of the tax administrations concerned.

The ultimate aim is to provide participating MNEs with a letter/certificate issued by each covered tax administration, qualifying the entity as a "low tax risk" in that country, subject to the successful completion of the process. This process does not affect the existing internal procedures in each country (e.g. the inspection procedure) and its main aim is reputational, especially for the administrations involved, but also for the other stakeholders interested in corporate governance, in this case the Group's tax governance, as well as the level of transparency and soundness of its tax policies.

The Acerinox Group's ICAP process involved the Spanish, British, Canadian and US tax agencies. The process began at the end of 2019, although it suffered several delays as a result of the pandemic. Throughout 2020 and 2021, with the assistance of the Corporate Tax Department and the Group's managers of the aforementioned countries, the tax authorities reviewed the transfer pricing policy,

including the Group's related-party transactions in these countries, as well as its legal and operational structure and other aspects that may affect its policy.

At 31 December 2021, and pending formal completion of the process with the receipt of the corresponding letters classifying Acerinox in these jurisdictions as low-risk entities, all the research and analysis had been completed and, according to the information received, is to the full satisfaction of the tax administrations involved. The letters concluding this process are expected to be received in the coming weeks. This follows several documentation and question answering sessions, providing the tax administrations with a detailed picture and justification aligned with the business and industry challenges of the transfer pricing policy.

ICAP is an international endorsement of the good tax practices and transparency with which Acerinox operates. It is undoubtedly the programme with the greatest global recognition of the so-called "cooperative relationship with the tax administrations" since, as indicated, it has the endorsement and monitoring of the OECD, providing confidence to those who participate therein.

The Acerinox Management Team is particularly proud to have participated in this initiative, to have successfully completed the process and to be one of the approximately 25 MNEs around the world, which, after completing this second call, are part of this OECD initiative that marks a real milestone in the world of cooperative relations with the tax administrations.

> "The Spanish, British, Canadian and US tax agencies qualify Acerinox as a low tax risk entity."

Coach bodywork made with stainless steel produced by Acerinox.

Bahru Stainless factory in Johor Bahru (Malaysia)


ACERINOX

Appendix 1. Additional Information

Sustainable use of resources

Main raw materials (Tonnes)

Alloys	Gases	Acids	Recycled material*	Recycled acid**
714,075	355,466	43,726	2,500,852	16,104

*Recycled material includes purchased scrap, internal process scrap and the metal recovered from slag and other recycled waste
**Recycled acid: Total amount of nitric acid and hydrofluoric acid recovered

Waste management (Tonnes)

	2021		2020		2019	
Total waste	**1,669,804**	**%**	**1,382,841**	**%**	**1,401,201**	**%**
Landfill	471,113	28.2%	302,191	21.9%	401,318	28.6%
Recycled / Recovered	1,193,399	71.5%	1,079,247	78.0%	998,373	71.3%
Other (R&D&I)	5,292	0.3%	1,403	0.1%	1,510	0.1%
Total non-hazardous waste	**1,521,397**	**91.1%**	**1,253,389**	**90.64%**	**1,261,893**	**90.06%**
Landfill	385,293	25.3%	232,600	18.6%	316,452	25.1%
Recycled / Recovered	1,135,377	74.6%	1,019,386	81.3%	943,931	74.8%
Other (R&D&I)	727	0.0%	1,403	0.1%	1,510	0.1%
Total hazardous waste	**147,672**	**8.8%**	**129,452**	**9.36%**	**139,308**	**9.94%**
Landfill	85,477	57.9%	69,591	53.8%	84,866	60.9%
Recycled / Recovered	57,630	39.0%	59,861	46.2%	54,442	39.1%
Other (R&D&I)	4,565	3.1%	0	0.0%	0	0.0%

CO2e emissions (Tonnes)

	2021			2020**			2019		
	Total	Stainless	HPA	Total	Stainless	HPA	Total	Stainless	HPA
Scope 1	**974,009**	867,628	106,381	**816,685**	727,049	89,636	**785,771**	785,771	N/A
Scope 2 - market-based	**2,179,654**	2,097,141	82,513	**1,952,046**	1,873,071	78,974	**2,111,364**	2,111,364	N/A
Scope 2 - location-based	**1,530,710**	1,464,449	66,261	**1,384,752**	1,325,580	59,172	**1,527,532**	1,527,532	N/A
Total (scope 1 + 2*)	**3,153,663**	**2,964,769**	**188,894**	**2,768,730**	**2,600,120**	**168,610**	**2,897,135**	**2,897,135**	N/A

*Scope 2 - market-based
**2020 data are corrected according to ISO 14064

CO2e emissions intensity (Tonnes of CO2e/Tonne)

	2021			2020			2019		
	Total	Stainless	HPA	Total	Stainless	HPA	Total	Stainless	HPA
Intensity (Scope 1+2)	**1.11**	1.07	2.42	**1.15**	1.11	2.63	**1.13**	1.13	N/A

The commitment to reduce greenhouse gases also extends to all other atmospheric emissions. Acerinox is working to reduce its emissions of nitrogen oxides, volatile organic compounds and particulate matter.

Other emissions (Tonnes)

	2021			2020*			2019		
	Total	Stainless	HPA	Total	Stainless	HPA	Total	Stainless	HPA
NOx	**600**	574	26	**618**	589	29	**983**	983	N/A
VOCs	**33**	33	-	**27**	27	-	**24**	23	N/A
Particulate Matter	**324**	324	-	**424**	424	-	**295**	295	N/A

*2020 data have been recalculated in line with the improved considerations taken into account for the calculation of 2021 data.

The plants have catalytic towers where nitrogen oxides are converted into molecular nitrogen, thus reducing the emissions of this air pollution.

Energy consumption (GJ)

	2021			2020**			2019		
	Total	Stainless	HPA	Total	Stainless	HPA	Total	Stainless	HPA
Natural gas*	**13,570,225**	12,446,065	1,124,160	**11,559,423**	10,577,977	981,446	**11,626,381**	11,626,381	-
Diesel	**194,471**	181,671	12,799	**167,291**	161,123	6,168	**167,122**	167,122	-
Electricity	**11,450,674**	10,797,582	653,092	**10,000,382**	9,412,730	587,652	**10,416,846**	10,416,846	-
Total consumption	**25,215,369**	**23,425,318**	**1,790,051**	**21,727,095**	**20,151,830**	**1,575,265**	**22,210,349**	**22,210,349**	**-**

* The natural gas data relating to the High Performance Alloys Division includes both natural gas and mixed gas
**2020 data are corrected according to ISO 14064

Energy intensity (GJ/Tonne)

	2021			2020			2019		
	Total	Stainless	HPA	Total	Stainless	HPA	Total	Stainless	HPA
Intensity	**8.84**	8.44	22.91	**8.99**	8.57	24.56	**8.40**	8.40	-

Electricity consumption (GJ)

	2021			2020*			2019*		
	Total	Stainless	HPA	Total	Stainless	HPA	Total	Stainless	HPA
Renewable	**2,928,417**	2,632,566	295,851	**2,028,874**	1,874,674	154,199	**1,770,864**	1,770,864	-
Non-renewable	**8,522,257**	8,165,016	357,241	**7,971,508**	7,538,055	433,453	**8,645,982**	8,645,982	-
Total	**11,450,674**	**10,797,582**	**653,092**	10,000,382	**9,412,729**	**587,652**	10,416,846	10,416,846	**-**

*Data corrected according to the improved considerations taken into account for the calculation of the 2021 data

Water

Water-scarce areas: permanent deficit situation concerning water demand in a region-wide resource system, characterised by either an arid climate or a rapidly growing consumptive demand.
Non-water-scarce areas: include the remaining plants.

Water withdrawal (m³)

	Total			Stainless		HPA	
2021	Total	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas
Surface water	**8,390,933**	4,827,086	3,563,847	4,419,129	3,563,847	407,957	-
Groundwater	**0**	0	0	0	0	0	-
Seawater	**0**	0	0	0	0	0	-
Produced water	**3,712**	3,712	0	3,712	0	0	-
Third-party water	**903,018**	493,199	409,819	288,756	409,819	204,443	-
Rainwater	**219,740**	0	219,740	0	219,740	0	-
Total	**9,517,403**	**5,323,997**	**4,193,406**	**4,711,597**	**4,193,406**	**612,399**	**-**

	Total			Stainless		HPA	
2020	Total	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas
Surface water	**8,145,389**	4,945,572	3,199,817	4,654,015	3,199,817	291,557	-
Groundwater	**0**	0	0	0	0	0	-
Seawater	**0**	0	0	0	0	0	-
Produced water	**5,216**	5,216	0	5,216	0	0	-
Third-party water	**603,114**	401,251	201,863	220,560	201,863	180,691	-
Rainwater	**296,180**	0	296,180	0	296,180	0	-
Total	**9,049,899**	**5,352,039**	**3,697,860**	**4,879,791**	**3,697,860**	**472,248**	**-**

	Total			Stainless		HPA	
2019	Total	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas
Surface water	**8,879,282**	5,162,616	3,716,666	5,162,616	3,716,666	N/A	N/A
Groundwater	**0**	0	0	0	0	N/A	N/A
Seawater	**0**	0	0	0	0	N/A	N/A
Produced water	**65,340**	65,340	0	65,340	0	N/A	N/A
Third-party water	**515,649**	211,203	304,446	211,203	304,446	N/A	N/A
Rainwater	**0**	0	0	0	0	N/A	N/A
Total	**9,460,271**	**5,439,159**	**4,021,112**	**5,439,159**	**4,021,112**	**N/A**	**N/A**

Water discharge (m³)

2021	Total			Stainless		HPA	
	Total	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas
Surface water	**4,282,134**	3,830,331	451,803	3,769,526	451,803	60,805	-
Groundwater	**0**	0	0	0	0	0	-
Seawater	**1,397,168**	0	1,397,168	0	1,397,168	0	-
Third-party water	**272,906**	229,995	42,911	0	42,911	229,995	-
Total	**5,952,207**	**4,060,326**	**1,891,882**	**3,769,526**	**1,891,882**	**290,800**	**-**

2020	Total			Stainless		HPA	
	Total	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas
Surface water	**4,183,772**	3,810,232	373,540	3,691,638	373,540	118,594	-
Groundwater	**0**	0	0	0	0	0	-
Seawater	**1,221,457**	0	1,221,457	0	1,221,457	0	-
Third-party water	**169,782**	135,222	34,560	0	34,560	135,222	-
Total	**5,575,011**	**3,945,454**	**1,629,557**	**3,691,638**	**1,629,557**	**253,816**	**-**

2019	Total			Stainless		HPA	
	Total	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas
Surface water	**4,268,513**	3,828,404	440,109	3,828,404	440,109	N/A	N/A
Groundwater	**0**	0	0	0	0	N/A	N/A
Seawater	**1,434,018**	0	1,434,018	0	1,434,018	N/A	N/A
Third-party water	**35,500**	0	35,500	0	35,500	N/A	N/A
Total	**5,738,031**	**3,828,404**	**1,909,627**	**3,828,404**	**1,909,627**	**N/A**	**N/A**

Water consumption (m³)

	Total			Stainless		HPA	
	Total	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas	Non-water-scarce areas	Water-scarce areas
2021	**3,565,195**	1,263,671	2,301,524	942,072	2,301,524	321,599	-
2020	**3,474,888**	1,406,585	2,068,303	1,188,153	2,068,303	218,432	-
2019	**3,722,240**	1,610,755	2,111,485	1,610,755	2,111,485	-	-

Customers & Suppliers

Number of Suppliers

	2021*		2020		2019	
Total suppliers	**8,765**	**%**	**8,255**	**%**	**5,374**	**%**
Local	5,320	60.70%	5,316	64.39%	3,239	60.27%
Non-local	3,445	39.30%	2,939	35.61%	2,135	39.73%
Accredited	1,322	15.08%	2,065	25.02%	1,782	33.16%
Not accredited	7,443	84.92%	6,190	74.98%	3,592	66.84%
New suppliers	610	6.96%	647	7.84%	-	-%

*In 2021, the "local supplier" criteria was modified to unify it at Group level

Spending on suppliers (€)

	2021		2020*		2019	
Total suppliers	**6,894,022,857**	**%**	**3,887,454,300**	**%**	**3,725,000,000**	**%**
Local	2,755,618,455	39.97%	1,376,877,652	35.42%	1,453,000,000	39.01%
Non-local	4,138,404,400	60.03%	2,510,576,648	64.58%	2,272,000,000	60.99%
Accredited	3,769,550,017	54.68%	2,386,358,059	61.39%	-	-%
Not accredited	2,770,576,952	45.32%	1,501,096,241	38.61%	-	-%

*2020 data has been corrected

Contracting terms

	2021	2020	2019
Assessment using environmental criteria	%	%	%
New suppliers	14.10%	36.63%	18.32%
Assessment using social criteria	%	%	%
New suppliers	22.13%	48.69%	30.99%

Impact on the supply chain. Assessment of the supplier management model

	2021	2020
Assessment using environmental criteria		
Total number of suppliers whose environmental impact has been assessed	239	406
Total number of suppliers with significant potential and actual environmental impacts	2	4
Total percentage of suppliers with significant actual and potential negative environmental impacts with which improvements have been agreed following the environmental assessment	100.00%	50.00%
Total percentage of suppliers with actual and potential impacts with which the relationship has been terminated as a result of the environmental assessment	50.00%	25.00%

	2021	2020
Assessment using social criteria		
Total number of active suppliers whose social impact has been assessed	135	315
Total number of active suppliers with significant potential and actual negative social impacts	0	0
Total percentage of active suppliers with significant actual and potential negative social impacts with which improvements have been agreed following the social assessment	-	-
Total percentage of active suppliers with actual and potential impacts with which the relationship has been terminated as a result of the social assessment	-	-

Health and Safety

Own employees accident rate

	2021			2020			2019		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Hours worked	12,566,201	1,713,313	**14,279,514**	12,255,303	1,695,378	**13,950,680**	11,032,648	1,419,807	**12,452,455**
Total accidents	194	4	**198**	219	6	**225**	205	6	**211**
Fatalities	0	0	**0**	0	0	**0**	0	0	**0**
Accidents with sick leave	83	1	**84**	116	2	**118**	114	2	**116**
TRIFR x 1.000.000*	15.44	2.33	**13.87**	17.87	3.54	**16.13**	18.58	4.23	**16.94**
LTIFR x 1.000.000*	6.61	0.58	**5.88**	9.47	1.18	**8.46**	10.33	1.41	**9.32**
Hours of absenteeism**	640,877	56,055	**696,932**	511,466	54,834	**566,300**	141,280	7,632	**148,912**
Absenteeism rate (%)**	5.10%	3.27%	**4.88%**	4.17%	3.23%	**4.06%**	6.72%	4.96%	**6.55%**
Work-related illnesses	0	0	**0**	**0**	0	**0**	**1**	0	**1**
Fatalities from work-related illnesses	0	0	**0**	0	0	**0**	**0**	0	**0**

*Total accidents figure includes fatalities, lost time injuries, restricted work case and medical treatment injury. Severity rate is not included.
**2019 & 2020 data has been modified to the x1,000,000 criteria.
***Includes the number of hours of absenteeism caused by sick leave due to an occupational accident, non-work-related illness, unjustified causes, in itinere accidents and strikes. The scope of the report has increased compared to 2019 due to the inclusion of VDM, service centres and offices.

Contractors accident rate

	2021			2020			2019		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Hours worked	2,450,470	325,813	**2,776,283**	1,603,527	381,683	**1,985,210**	2,040,486	429,811	**2,470,297**
Total accidents	117	4	**121**	105	3	**108**	19	0	**19**
Fatalities	1	0	**1**	0	0	**0**	0	0	**0**
Accidents with sick leave	54	2	**56**	50	1	**51**	5	0	**5**
TRIFR x 1,000,000*	47.75	12.28	**43.58**	65.48	7.86	**54.40**	9.31	0.00	**7.69**
LTIFR x 1,000,000*	22.04	6.14	**20.17**	31.18	2.62	**25.69**	2.45	0.00	**2.02**
Absenteeism rate (%)**	3.17%	0.22%	**2.83%**	2.54%	0.06%	**2.06%**	0.19%	0.00%	**0.17%**
Work-related illnesses	0	0	**0**	0	0	**0**	0	0	**0**
Fatalities from work-related illnesses	0	0	**0**	**0**	0	**0**	**0**	0	**0**

*Total accidents figure includes fatalities, lost time injuries, restricted work case and medical treatment injury. Severity rate is not included.
**2019 & 2020 data has been modified to the x1,000,000 criteria.
***Includes the number of hours of absenteeism caused by sick leave due to an occupational accident, non-work-related illness, unjustified causes, in itinere accidents and strikes. The scope of the report has increased compared to 2019 due to the inclusion of VDM, service centres and offices.
Does not include commercial subsidiaries
TRIFR: (No. of accidents recorded / No. of hours worked) * 1,000,000
LTIFR: (No. of accidents with sick leave / No. of hours worked) * 1,000,000.

Health and safety management systems

	2021	2020	2019
Number of employees covered by a health and safety management system	7,888	6,705	3,683
Percentage of employees covered by a health and safety management system	97.05%	82.99%	62.00%

Workforce*

Total number of employees at year-end

Total number of employees at year-end: 8,128

Acerinox Europa	Acerinox S.A.	Bahru	Columbus	Inoxfil	NAS	Roldán	VDM Metals	Subsidiaries & Service Centres
1,797	90	398	1,275	106	1,535	395	1,838	694

*Workforce figure in this appendix does not include the 10 members of Senior Management nor the 68 employees at the VDM commercial subsidiaries.

Average number of employees in 2021

Average number of employees in 2021

Acerinox Europa	Acerinox S.A.	Bahru	Columbus	Inoxfil	NAS*	Roldán	VDM Metals	Subsidiaries & Service Centres
1,849	89	402	1,275	107	1,520	395	1,823	692

*NAS data corresponds to the February-December 2021 period.

Number of employees by type of contract and gender

		2021	2020	2019
Permanent contract	Men	6,890	7,012	5,292
	Women	998	1,015	636
	Total	**7,888**	**8,027**	**5,928**
Temporary contract	Men	199	141	32
	Women	41	27	17
	Total	**240**	**168**	**49**
Total		**8,128**	**8,195**	**5,977**

Number of employees by type of working day and gender

		2021	2020	2019
Full-time	Men	7,069	7,138	5,291
	Women	982	987	637
	Total	**8,051**	**8,125**	**5,928**
Part-time	Men	20	15	33
	Women	57	55	16
	Total	**77**	**70**	**49**
Total		**8,128**	**8,195**	**5,977**

Number of employees by age group and gender

		2021	2020	2019
<30	Men	852	926	817
	Women	171	169	133
	Total	**1,023**	**1,095**	**950**
30-50	Men	4,167	4,169	3,276
	Women	625	625	404
	Total	**4,792**	**4,794**	**3,680**
>50	Men	2,070	2,060	1,231
	Women	243	246	116
	Total	**2,313**	**2,306**	**1,347**
Total		**8,128**	**8,195**	**5,977**

Number of employees by professional category and gender

		2021	2020
Director	Men	15	24
	Women	4	4
	Total	**19**	**28**
Manager	Men	220	242
	Women	45	43
	Total	**265**	**285**
Analyst	Men	572	580
	Women	173	181
	Total	**745**	**761**
Specialist	Men	312	337
	Women	129	135
	Total	**441**	**472**
Administrative staff	Men	596	627
	Women	471	480
	Total	**1,067**	**1,107**
Operator	Men	5,374	**5,345**
	Women	217	197
	Total	**5,591**	**5,542**
Total		**8,128**	**8,195**

Number of employees by contract type and age group

		2021	2020	2019
Permanent contract	<30	902	1,011	868
	30-50	4,685	4,714	3,610
	>50	2,301	2,301	1,346
	Total	**7,888**	**8,026**	**5,824**
Temporary contract	<30	121	84	82
	30-50	107	80	70
	>50	12	5	1
	Total	**240**	**169**	**153**
Total		**8,128**	**8,195**	**5,977**

Number of employees by type of working day and age group

		2021	2020	2019
Full-time	<30	1,020	1,093	931
	30-50	4,736	4,744	3,662
	>50	2,295	2,287	1,343
	Total	**8,051**	**8,124**	**5,936**
Part-time	<30	3	2	19
	30-50	56	50	18
	>50	18	19	4
	Total	**77**	**71**	**41**
Total		**8,128**	**8,195**	**5,977**

Number of employees by contract type and professional category

		2021	2020
Permanent contract	Director	19	28
	Manager	265	284
	Analyst	744	755
	Specialist	429	464
	Administrative staff	1,042	1,088
	Operator	5,389	5,407
	Total	**7,888**	**8,026**
Temporary contract	Director	0	0
	Manager	0	1
	Analyst	1	6
	Specialist	12	8
	Administrative staff	25	19
	Operator	202	135
	Total	**240**	**169**
Total		**8,128**	**8,195**

Number of employees by type of working day and professional category

		2021	2020
Full-time	Director	19	28
	Manager	265	284
	Analyst	744	760
	Specialist	433	468
	Administrative staff	1,019	1,060
	Operator	5,571	5,524
	Total	**8,051**	**8,124**
Part-time	Director	0	0
	Manager	0	1
	Analyst	1	2
	Specialist	8	4
	Administrative staff	48	46
	Operator	20	18
	Total	**77**	**71**
Total		**8,128**	**8,195**

Employment

New hires by age group and gender

		2021	2020	2019
<30	Men	437	243	282
	Women	136	37	39
	Total	**573**	**280**	**321**
30-50	Men	519	215	209
	Women	73	55	39
	Total	**592**	**270**	**248**
>50	Men	33	16	7
	Women	8	2	2
	Total	**41**	**18**	**9**
Total		**1,206**	**568**	**578**

Rate of hires

		2021	2020	2019
<30	Men	51.29%	26.24%	34.52%
	Women	79.53%	21.89%	29.32%
	Total	**56.01%**	**25.57%**	**30.79%**
30-50	Men	12.46%	5.16%	6.38%
	Women	11.68%	8.80%	9.65%
	Total	**12.35%**	**5.63%**	**6.74%**
>50	Men	1.59%	0.78%	0.57%
	Women	3.29%	0.81%	1.72%
	Total	**1.77%**	**0.78%**	**0.67%**
Total		**14.84%**	**6.93%**	**9.67%**

Voluntary departures

		2021	2020	2019
<30	Men	100	84	111
	Women	12	11	14
	Total	**112**	**95**	**125**
30-50	Men	137	113	111
	Women	25	21	9
	Total	**162**	**134**	**120**
>50	Men	42	41	18
	Women	11	8	3
	Total	**53**	**49**	**21**
Total		**327**	**278**	**266**

Staff turnover rate

		2021	2020*	2019*
<30	Men	15.73%	11.23%	22.28%
	Women	7.02%	8.88%	18.80%
	Total	**14.27%**	**10.87%**	**21.79%**
30-50	Men	4.25%	3.93%	6.23%
	Women	4.32%	4.32%	2.97%
	Total	**4.26%**	**3.98%**	**5.87%**
>50	Men	7.44%	7.77%	7.96%
	Women	9.47%	7.72%	6.91%
	Total	**7.65%**	**7.76%**	**7.87%**
Total		**6.48%**	**5.97%**	**8.85%**

*2019 & 2020 data has been corrected according to GRI.

Layoffs

Number of layoffs by professional category and gender

		2021	2020
Director	Men	0	0
	Women	0	0
	Total	**0**	**0**
Manager	Men	0	1
	Women	2	1
	Total	**2**	**2**
Analyst	Men	2	6
	Women	0	0
	Total	**2**	**6**
Specialist	Men	3	7
	Women	0	1
	Total	**3**	**8**
Administrative staff	Men	6	3
	Women	1	9
	Total	**7**	**12**
Operator	Men	130	**124**
	Women	1	4
	Total	**131**	**128**
Total		**145**	**156**

Number of layoffs by age group and gender

		2021	2020	2019
<30	Men	34	20	71
	Women	0	4	11
	Total	**34**	**24**	**82**
30-50	Men	40	51	93
	Women	2	6	3
	Total	**42**	**57**	**96**
>50	Men	67	70	25
	Women	2	5	1
	Total	**69**	**75**	**26**
Total		**145**	**156**	**204**

Training and performance

Number of employees trained

		2021	2020
Director	Men	6	7
	Women	5	3
	Total	**11**	**10**
Manager	Men	159	163
	Women	42	36
	Total	**201**	**199**
Analyst	Men	427	445
	Women	134	135
	Total	**561**	**580**
Specialist	Men	188	221
	Women	64	71
	Total	**252**	**292**
Administrative staff	Men	382	359
	Women	289	227
	Total	**671**	**586**
Operator	Men	3,517	**3,624**
	Women	190	129
	Total	**3,707**	**3,753**
Total		**5,403**	**5,420**

Hours of training

		2021	2020
Director	Men	95	41
	Women	73	40
	Total	**168**	**81**
Manager	Men	4,469	3,529
	Women	1,260	747
	Total	**5,729**	**4,276**
Analyst	Men	8,811	9,963
	Women	2,459	2,261
	Total	**11,270**	**12,225**
Specialist	Men	3,207	3,484
	Women	903	930
	Total	**4,110**	**4,414**
Administrative staff	Men	7,851	6,905
	Women	6,858	5,493
	Total	**14,709**	**12,398**
Operator	Men	372,473	**363,830**
	Women	23,083	12,128
	Total	**395,556**	**375,958**
Total		**431,542**	**409,352**

Hours of training by employee

		2021	2020
Director	Men	6.3	1.7
	Women	18.3	10.0
	Total	**8.8**	**2.9**
Manager	Men	20.3	14.6
	Women	28.0	17.4
	Total	**21.6**	**15.0**
Analyst	Men	15.4	17.2
	Women	14.2	12.5
	Total	**15.1**	**16.1**
Specialist	Men	10.3	10.3
	Women	7.0	6.9
	Total	**9.3**	**9.4**
Administrative staff	Men	13.2	11.0
	Women	14.6	11.4
	Total	**13.8**	**11.2**
Operator	Men	69.3	**68.1**
	Women	106.4	61.6
	Total	**70.7**	**67.8**
Total		**53.1**	**50.0**

Number of employees who received a performance appraisal

		2021	2020
Director	Men	8	7
	Women	4	4
	Total	**12**	**11**
Manager	Men	100	110
	Women	33	31
	Total	**133**	**141**
Analyst	Men	253	294
	Women	117	118
	Total	**370**	**412**
Specialist	Men	104	140
	Women	44	54
	Total	**148**	**194**
Administrative staff	Men	268	264
	Women	173	190
	Total	**441**	**454**
Operator	Men	1,185	**1,268**
	Women	69	67
	Total	**1,254**	**1,335**
Total		**2,358**	**2,547**

% of the workforce subject to a performance appraisal

		2021	2020
Director	Men	53.33%	29.17%
	Women	100.00%	100.00%
	Total	**63.16%**	**39.29%**
Manager	Men	47.62%	48.67%
	Women	76.74%	75.61%
	Total	**52.57%**	**52.81%**
Analyst	Men	47.29%	53.65%
	Women	73.13%	70.66%
	Total	**53.24%**	**57.62%**
Specialist	Men	40.63%	49.47%
	Women	46.32%	51.92%
	Total	**42.17%**	**50.13%**
Administrative staff	Men	46.21%	43.85%
	Women	42.61%	46.80%
	Total	**44.73%**	**45.04%**
Operator	Men	22.47%	**24.24%**
	Women	33.33%	34.36%
	Total	**22.88%**	**24.60%**
Total		**30.29%**	**32.52%**

Benefits for employees

Parental leave

		2021	2020	2019
Employees who had the right to parental leave	Men	6,214	6,253	4,856
	Women	818	804	625
	Total	**7,032**	**7,057**	**5,481**
Employees who used their right to parental leave	Men	251	251	222
	Women	47	48	37
	Total	**298**	**299**	**259**
Employees who returned to work after their parental leave ended	Men	242	250	222
	Women	35	37	37
	Total	**277**	**287**	**259**
Employees who returned to work after their parental leave and who were still employees 12 months after returning to work	Men	237	204	221
	Women	33	27	37
	Total	**270**	**231**	**258**

No. of employees covered by collective bargaining agreements

	2021*		2020		2019	
	Employees subject to collective agreements	%	Employees subject to collective agreements	%	Employees subject to collective agreements	%
Acerinox Europa	1,797	100%	1,809	100%	1,934	92%
Acerinox S.A.*	90	100%	69	100%	207	100%
Bahru Stainless	205	52%	235	53%	571	60%
Centros de servicio	153	100%	166	100%	-	-%
Columbus Stainless	106	100%	693	55%	1,289	54%
Inoxfil	702	55%	106	100%	107	100%
North American Stainless	NA	NA	NA	NA	NA	NA
Roldán	420	106%	382	100%	375	99%
VDM Metals	1,661	90%	1,635	87%	-	-%

* The 207 Acerinox, S.A.employees in 2019 are broken down into Acerinox, S.A. and service centres in 2020 & 2021.

Return-to-work and retention rate

		2021	2020	2019
Return-to-work rate	Men	96.41%	99.60%	100.00%
	Women	74.47%	77.08%	100.00%
	Total	**92.95%**	**95.99%**	**100.00%**
Employee retention rate	Men	94.80%	94.44%	100.00%
	Women	82.50%	84.38%	100.00%
	Total	**93.10%**	**93.15%**	**100.00%**

% of workforce with access to

	2021	2020	2019
Life insurance	50%	65%	81%
Medical insurance	52%	47%	100%
Disability coverage	76%	97%	100%
Pension fund	48%	65%	58%
Transport compensation	50%	58%	61%
Study scholarships for workers / workers’ children	48%	50%	61%
Disability allowances	26%	26%	67%
Family death aid	21%	38%	-%
School / Nursery aid	26%	26%	-%
Food aid	43%	42%	-%

Contractors

Number of contractors

		2021	2020*
Total workforce	Men	1,225	1,300
	Women	211	212
	Total	**1,436**	**1,512**

* 2020 data has been corrected

Remuneration and salary gap*

Average remuneration by professional category (€)

	2021	2020
Director	€293,104	€331,544
Manager	€119,063	€121,361
Analyst	€68,035	€62,430
Specialist	€49,143	€47,838
Administrative staff	€49,574	€48,674
Operator	€47,865	€44,050

Salary gap by professional category (%)**

	2021	2020
Director	-4.36%	-1.84%
Manager	5.31%	20.36%
Analyst	12.95%	10.09%
Specialist	10.29%	15.15%
Administrative staff	17.21%	-1.85%
Operator	17.14%	23.25%

Average remuneration by age group (€)

	2021	2020	2019
<30	€40,471	€36,702	€35,142
30-50	€50,592	€47,444	€40,925
>50	€63,324	€59,871	€48,673

Average remuneration by gender (€)

	2021	2020
Men	€53,476	€50,048
Women	€48,133	€46,072

Average basic salary (€)

	2021		2020	
	Men	**Women**	**Men**	**Women**
Director	€207,477	€148,538	€180,883	€124,103
Manager	€104,094	€84,637	€106,539	€75,510
Analyst	€65,055	€49,385	€56,404	€45,868
Specialist	€49,263	€38,058	€43,267	€31,490
Administrative staff	€47,301	€39,134	€38,460	€41,691
Operator	€29,209	€23,929	€23,014	€21,225

Ratio of male/female basic salary by professional category**

Data calculated with the weighted average number of employees in each professional category

	2021	2020
Director	1.00	0.84
Manager	0.96	0.83
Analyst	0.87	0.90
Specialist	0.90	0.86
Administrative staff	0.87	1.08
Operator	0.85	0.81

**The scope of the remuneration and salary gap data covers 99% of the workforce.

** Only those categories with representation from both genders are included in the calculation of the salary gap

Appendix 2. GRI Content

GRI Standard	Disclosure	Page/Reference	External assurance
GRI 101: Foundation 2016			
	GRI 102: General Disclosures 2016		
Profile of the organisation	102-1 Name of the organisation	Acerinox S.A.	√
	102-2 Activities, brands, products, and services	29-31	√
	102-3 Location of headquarters	The registered office of Acerinox, S.A. is: Calle Santiago de Compostela, 100, 28035, Madrid, Spain.	√
	102-4 Location of operations	29-31	√
	102-5 Ownership and legal form	29-31	√
	102-6 Markets served	32-33	√
	102-7 Scale of the organisation	32-33	√
	102-8 Information on employees and other workers	100-105	√
	102-9 Supply chain	135-136	√
	102-10 Significant changes to the organisation and its supply chain	135-136	√
	102-11 Precautionary principle or approach	109	√
	102-12 External initiatives	24	
	102-13 Membership of associations	137	√
Strategy	102-14 Statement from senior decision-maker		√
	102-15 Key impacts, risks, and opportunities	94	√
Ethics and transparency	102-16 Values, principles, standards, and norms of behaviour	87-93	√
Governance	102-18 Governance structure	74-79	√
Stakeholder engagement	102-40 List of stakeholder groups	81	√
	102-41 Collective bargaining agreements	100-102	√
	102-42 Identifying and selecting stakeholders	81	√
	102-43 Approach to stakeholder engagement	81	√
	102-44 Key topics and concerns raised	81	√

GRI Standard	Disclosure	Page/Reference	External assurance
GRI 101: Foundation 2016			
Reporting practice	102-45 Entities included in the consolidated financial statements	29-31	√
	102-46 Defining report content and topic boundaries	81	√
	102-47 List of material topics	81	√
	102-48 Restatements of information	Amended data from prior years includes an explanatory note	√
	102-49 Changes in reporting	In 2021 there were no changes to the preparation of the report with regards to the previous year	√
	102-50 Reporting period	Calendar year 2021 (1 January to 31 December 2021).	√
	102-51 Date of most recent report	Calendar year 2020 (1 January to 31 December 2020).	√
	102-52 Reporting cycle	The reporting cycle is annual.	√
	102-53 Contact point for questions regarding the report	sustainability@acerinox.com	√
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with GRI Standards: Core Option.	√
	102-55 GRI content index	164-170	√
	102-56 External assurance	The Acerinox Group has obtained external assurance for the report, in accordance with the international standard ISAE 3000, through an independent third party: KPMG Asesores, S.L.	√
Economic performance			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	137	√
	201-4 Financial assistance received from government	140-142	√
Indirect economic impacts			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 203: Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	140-142	√
	203-2 Significant indirect economic impacts	140-142	√
Procurement practices			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	135	√
Anti-corruption			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√

GRI Standard	Disclosure	Page/Reference	External assurance
GRI 101: Foundation 2016			
Anti-corruption			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	All employees of the Group must comply with the anti-corruption guidelines. Furthermore, Acerinox endorses the United Nations Global Compact.	√
	205-2 Communication and training about anti-corruption policies and procedures	93	√
	205-3 Confirmed incidents of corruption and actions taken	In 2021 no significant incidents of corruption were reported.	√
Anti-competitive behaviour			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 206: Anti-competitive behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	In 2021 no significant legal action concerning anti-competitive behaviour, anti-trust, and monopoly practices was taken.	√
Tax			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 207: Tax 2019	207-1 Approach to tax	140-142	√
	207-2 Tax governance, control and risk management	140-142	√
	207-3 Stakeholder engagement and management of concerns related to tax	140-142	√
	207-4 Country-by-country reporting	140-142	√
Materials			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 301: Materials 2016	301-1 Materials used by weight or volume	146	√
	301-2 Recycled input materials used	146	√
Energy			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	147-148	√
	302-3 Energy intensity	147-148	√
	302-4 Reduction of energy consumption	147-148	√
Water			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 303: Water and effluents 2018	303-1 Interactions with water as a shared resource	147-149	√
	303-2 Management of water discharge-related impacts	147-149	√
	303-3 Water withdrawal	147-149	√

GRI Standard	Disclosure	Page/Reference	External assurance
GRI 101: Foundation 2016			
Water			
GRI 303: Water and effluents 2018	303-4 Water discharge	147-149	√
	303-5 Water consumption	147-149	√
Biodiversity			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity.	120	√
	304-3 Habitats protected or restored	120	√
Emissions and climate change			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	146-147	√
	305-2 Energy indirect (Scope 2) GHG emissions	146-147	√
	305-4 GHG emissions intensity	146-147	
	305-5 Reduction of GHG emissions	146-147	
	305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	146-147	√
Waste			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	146	√
	306-2 Management of significant waste-related impacts	146	√
	306-3 Waste generated	146	√
	306-4 Waste diverted from disposal	146	√
	306-5 Waste directed to disposal	146	√
Environmental compliance			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	In 2021 no significant sanctions were recorded	√
Supplier environmental assessment			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	150-151	√
	308-2 Negative environmental impacts in the supply chain and actions taken	150-151	√
Employment			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√

GRI Standard	Disclosure	Page/Reference	External assurance
GRI 101: Foundation 2016			
Employment			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	156-157	√
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	161-162	√
	401-3 Parental leave	161-162	√
Labour management relations			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 402: Labour management relations 2016	402-1 Minimum notice periods regarding operational changes	Minimum notice periods are in accordance with current legislation and the steel industry collective agreement.	√
Occupational health and safety			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	95, 100-108	√
	403-2 Hazard identification, risk assessment, and incident investigation	100-108	√
	403-3 Occupational health services	100-108	√
	403-4 Worker participation, consultation, and communication on occupational health and safety	100-108	√
	403-5 Worker training on occupational health and safety	100-108	√
	403-6 Promotion of worker health	100-108	√
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	95	√
	403-8 Workers covered by an occupational health and safety management system	151-152	√
	403-9 Work-related injuries	151-152	√
	403-10 Work-related ill health	151-152	√
Training and education			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	159-161	√
	404-2 Programmes for upgrading employee skills and transition assistance programmes	159-161	√
	404-3 Percentage of employees receiving regular performance and career development reviews	159-161	√
Diversity and equal opportunity			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	74-79	√
	405-2 Ratio of basic salary and remuneration of women to men	163	√

GRI Standard	Disclosure	Page/Reference	External assurance
GRI 101: Foundation 2016			
Non-discrimination			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	In 2021 no significant incidents of discrimination were reported.	√
Freedom of association and collective bargaining			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	In 2021, the Acerinox Group did not record any operations or suppliers whose right to freedom of association and collective bargaining was at risk.	√
Child labour			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 408: Child labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	In 2021, the Acerinox Group did not record any operations or suppliers with significant risk of cases of child labour. All Acerinox Group companies support the abolition of child labour. Acerinox is a signatory of the United Nations Global Compact.	√
Forced or compulsory labour			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 409: Forced or compulsory labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	In 2021, the Acerinox Group did not record any operations or suppliers with significant risk of cases of forced or compulsory labour. All Acerinox Group companies support the abolition of all forms of forced labour or that performed under duress. Acerinox is a signatory of the United Nations Global Compact.	√
Local communities			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	137-143	√
Supplier social assessment			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√

GRI Standard	Disclosure	Page/Reference	External assurance
GRI 101: Foundation 2016			
	Supplier social assessment		
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	150-151	√
	414-2 Negative social impacts in the supply chain and actions taken	150-151	√
	Customer health and safety		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	95	√
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	In 2021 no significant incidents concerning the health and safety impacts of products and services categories were recorded.	√
	Customer privacy		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	In 2021, no significant complaints regarding breaches of customer privacy and losses of customer data were made through the established complaints channels.	√
	Socioeconomic compliance		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	81	√
	103-2 The management approach and its components	81	√
	103-3 Evaluation of the management approach	81	√
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	In 2021, no significant sanctions or non-monetary sanctions were received for non-compliance with social or economic laws or regulations.	√

Appendix 3. Statement of Non-Financial Information Content Table

Information required by the Spanish Law on Non-Financial Information	Associated reporting criteria (GRI Standard)	Page/Reference
Finance model		
Taxonomy	• Regulation (EU) 2020/852	66-70
Business model		
Brief description of the Group's business model (business environment and organisation)	• 102-2 Activities, brands, products and services • 102-7 Scale of the organisation"	29-33
Geographical presence	• 102-3 Location of headquarters • 102-4 Location of operations • 102-6 Markets served"	29-33
Objectives and strategies of the organisation	• 102-14 Statement from senior decision-maker	
Main factors and trends that may affect its future development	• 102-15 Key impacts, risks, and opportunities	94
Mention in the report of the National, European and International reporting frameworks used for the selection of key indicators of non-financial results included in each of the Materiality sections	• 102-54 Claims of reporting in accordance with the GRI Standards • GRI 102-46 and 102-47	This report has been prepared in accordance with GRI Standards: Core Option.
Environmental matters		
General information		
Description of the policies applied by the group concerning such matters, which will include the due diligence procedures applied for the identification, evaluation, prevention and mitigation of significant risks and impacts, and on their verification and control, as well as the measures that have been adopted	• 103-2 The management approach and its components	81
The results of these policies, which must include relevant non-financial key performance indicators that allow for the monitoring and evaluation of the progress made and that promote the comparability between companies and industries, in accordance with the National, European and International reference frameworks used for each matter	• 103-2 The management approach and its components • 103-3 Evaluation of the management approach"	81
The main risks related to these issues linked to the Group's activities, including, among others, when relevant and proportionate, their business relationships, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to detect and evaluate them according to the National, European and International reference frameworks for each matter Information on the impacts that have been detected must be included, offering a breakdown thereof, in particular of the main short-, medium- and long-term risks.	• 102-15 Key impacts, risks, and opportunities	94
Current and foreseeable effects of the company's activities on the environment and, where applicable, on health and safety	• 102-15 Key impacts, risks, and opportunities	94
Environmental evaluation and certification procedures	• 103-2 The management approach and its components	81
Resources dedicated to the prevention of environmental risks	• 103-2 The management approach and its components	81
Application of the precautionary principle	• 102-11 Precautionary principle or approach	109
Number of provisions and guarantees for environmental risks	• 103-2 The management approach and its components	81

Information required by the Spanish Law on Non-Financial Information	Associated reporting criteria (GRI Standard)	Page/Reference
Pollution		
Measures to prevent, reduce or remedy emissions that seriously affect the environment, taking into account any form of air pollution specific to an activity, including noise and light pollution	• 103-2 The management approach and its components • 305-5 Reduction of GHG emissions	81
Circular economy and waste prevention and management		
Measures regarding prevention, recycling, reuse, other forms of recovery and disposal of waste Actions to combat food waste	• 103-2 The management approach and its components • 306-2 Management of significant waste-related impacts • 306-3 Waste generated • 306-4 Waste diverted from disposal • 306-5 Waste directed to disposal"	81
Sustainable use of resources		
Water consumption and water supply in accordance with the local restrictions	• 303-1 Interactions with water as a shared resource • 303-2 Management of water discharge-related impacts • 303-3 Water withdrawal • 303-4 Water discharge • 303-5 Water consumption	121-125; 147-149
Consumption of raw materials and the measures adopted to improve the efficiency of their use	• 301-1 Materials used by weight or volume	147-149
Direct and indirect energy consumption	• 103-2 The management approach and its components • 302-1 Energy consumption within the organisation	81
Measures implemented to improve energy efficiency	• 103-2 The management approach and its components • 302-4 Reduction of energy consumption	81
Use of renewable energies	• 302-1 Energy consumption within the organisation	147
Climate change		
The main elements of the greenhouse gas emissions generated as a result of company activities, including the use of goods and services that it produces	• 305-1 Direct (Scope 1) GHG emissions • 305-2 Energy indirect (Scope 2) GHG emissions • 305-3 Other indirect (Scope 3) GHG emissions	148
Measures adopted to adapt to the consequences of climate change	• 103-2 The management approach and its components	81
Voluntary reduction goals established in the medium- and long-term to reduce GHG emissions and the measures implemented for this purpose	• 305-5 Reduction of GHG emissions	146-147
Protecting biodiversity		
Measures implemented to preserve or restore biodiversity	• 304-3 Habitats protected or restored	120
Impacts caused by activities or operations in protected areas	• 304-2 Significant impacts of activities, products and services on biodiversity	120
Social issues and those relating to personnel		
General information		
Description of the policies applied by the group concerning such matters, which will include the due diligence procedures applied for the identification, evaluation, prevention and mitigation of significant risks and impacts, and on their verification and control, as well as the measures that have been adopted	• 103-2 The management approach and its components	81
The results of these policies, which must include relevant non-financial key performance indicators that allow for the monitoring and evaluation of the progress made and that promote the comparability between companies and industries, in accordance with the National, European and International reference frameworks used for each matter	• 103-2 The management approach and its components • 103-3 Evaluation of the management approach	81

Information required by the Spanish Law on Non-Financial Information	Associated reporting criteria (GRI Standard)	Page/Reference
The main risks related to these issues linked to the Group's activities, including, among others, when relevant and proportionate, their business relationships, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to detect and evaluate them according to the National, European and International reference frameworks for each matter Information on the impacts that have been detected must be included, offering a breakdown thereof, in particular of the main short-, medium- and long-term risks.	• 102-15 Key impacts, risks, and opportunities	94
Employment		
Total number and distribution of employees based on criteria representing diversity (gender, age, country, etc.)	• 102-8 Information on employees and other workers • 405-1 Diversity of governance bodies and employees"	151-163
Total number and distribution of employment contract types, annual average of permanent, temporary and part-time contracts by gender, age and professional category	• 102-8 Information on employees and other workers	151-163
Number of layoffs by gender, age and professional category	• 103-2 The management approach and its components	151-163
Average remunerations and their evolution broken down by gender, age and professional category or equal value	• 405-2 Ratio of basic salary and remuneration of women to men • 103-2 The management approach and its components	151-163
Salary gap, the remuneration of equal job positions and the company's average	• 405-2 Ratio of basic salary and remuneration of women to men	151-163
Average remuneration of directors and managers, including variable remuneration, attendance fees, compensation, payment to long-term savings forecast systems and any other benefits, broken down by gender	• 102-35 Remuneration policies	151-163
Implementation of policies on the disconnection from work during non-work hours	• 103-2 The management approach and its components	81
Disabled employees	• 405-1 Diversity of governance bodies and employees	104-105
Work organisation		
Organisation of the working schedule	• 103-2 The management approach and its components	81
Number of hours of absenteeism	• 403-9 Work-related injuries	151
Measures designed to facilitate the reconciliation of employees' personal and professional lives and to encourage joint responsibility of these measures by both parents	• 401-3 Parental leave	161
Health and safety		
Occupational health and safety conditions	• 403-1 Occupational health and safety management system • 403-2 Hazard identification, risk assessment, and incident investigation • 403-3 Occupational health services • 403-4 Worker participation, consultation, and communication on occupational health and safety • 403-5 Worker training on occupational health and safety • 403-6 Promotion of worker health • 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships • 403-8 Workers covered by an occupational health and safety management system	151-152
Accidents at work, in particular their frequency and severity, as well as occupational illnesses; broken down by gender	• 403-9 Work-related injuries • 403-10 Work-related ill health	151-152
Social relations		
Organisation of social dialogue, including procedures for informing and consulting staff and negotiating with them	•103-2 The management approach and its components	81
Percentage of employees covered by collective bargaining agreements	•102-41 Collective bargaining agreements	100-101

Information required by the Spanish Law on Non-Financial Information	Associated reporting criteria (GRI Standard)	Page/Reference
The balance of collective bargaining agreements, particularly in the field of occupational health and safety	• 102-41 Collective bargaining agreements	106-108
Training		
Policies implemented in the field of training	• 103-2 The management approach and its components • 404-2 Programmes for upgrading employee skills and transition assistance programmes	81
Total number of hours of training by professional category	• 404-1 Average hours of training per year per employee	159-160
Universal accessibility for people with disabilities		
Universal accessibility for people with disabilities	• 103-2 The management approach and its components	81
Equality		
Measures adopted to promote equal treatment and opportunities between men and women	• 103-2 The management approach and its components	81
Equality plans (Chapter III of the Spanish Organic Law 3/2007, of 22 March, for effective equality between women and men), measures adopted to promote employment, protocols against sexual harassment and on the basis of gender, integration and universal accessibility for people with disabilities	• 103-2 The management approach and its components	81
The policy against all types of discrimination and, where appropriate, management of diversity	• 103-2 The management approach and its components	81
Respect for human rights		
General information		
Description of the policies applied by the group concerning such matters, which will include the due diligence procedures applied for the identification, evaluation, prevention and mitigation of significant risks and impacts, and on their verification and control, as well as the measures that have been adopted	• 103-2 The management approach and its components	81
The results of these policies, which must include relevant non-financial key performance indicators that allow for the monitoring and evaluation of the progress made and that promote the comparability between companies and industries, in accordance with the national, European or international reference frameworks used for each matter	• 103-2 The management approach and its components • 103-3 Evaluation of the management approach	81
The main risks related to these issues linked to the Group's activities, including, among others, when relevant and proportionate, their business relationships, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to detect and evaluate them according to the National, European and International reference frameworks for each matter Information on the impacts that have been detected must be included, offering a breakdown thereof, in particular of the main short-, medium- and long-term risks.	• 102-15 Key impacts, risks, and opportunities	94
Detailed information		
Application of due diligence procedures with regard to human rights; prevention of the risks of human rights violations and, where appropriate, measures to mitigate, manage and remedy any abuse that may have been committed	• 102-16 Values, principles, standards and norms of behaviour • 102-17 Mechanisms for advice and concerns about ethics • 410-1 Security personnel trained in human rights policies or procedures • 412-1 Operations that have been subject to human rights reviews or impact assessments	86-93
Reports of cases of human rights violations	• 103-2 The management approach and its components • 419-1 Non-compliance with laws and regulations in the social and economic area	81
Promotion of and compliance with the provisions of the fundamental agreements of the International Labour Organisation related to the respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labour and the effective abolition of child labour	• 103-2 The management approach and its components • 408-1 Operations and suppliers at significant risk for incidents of child labour • 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	81

Information required by the Spanish Law on Non-Financial Information	Associated reporting criteria (GRI Standard)	Page/Reference
Fight against corruption and bribery		
General information		
Description of the policies applied by the group concerning such matters, which will include the due diligence procedures applied for the identification, evaluation, prevention and mitigation of significant risks and impacts, and on their verification and control, as well as the measures that have been adopted	• 103-2 The management approach and its components	81
The results of these policies, which must include relevant non-financial key performance indicators that allow for the monitoring and evaluation of the progress made and that promote the comparability between companies and industries, in accordance with the National, European and International reference frameworks used for each matter	• 103-2 The management approach and its components • 103-3 Evaluation of the management approach	81
The main risks related to these issues linked to the Group's activities, including, among others, when relevant and proportionate, their business relationships, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to detect and evaluate them according to the National, European and International reference frameworks for each matter Information on the impacts that have been detected must be included, offering a breakdown thereof, in particular of the main short-, medium- and long-term risks.	• 102-15 Key impacts, risks, and opportunities	94
Detailed information		
Measures adopted to prevent corruption and bribery	• 102-16 Values, principles, standards and norms of behaviour • 102-17 Mechanisms for advice and concerns about ethics • 103-2 The management approach and its components • 205-1 Operations assessed for risks related to corruption • 205-2 Communication and training about anti-corruption policies and procedures	86-93
Measures to combat money laundering	• 103-2 The management approach and its components • 102-16 Values, principles, standards and norms of behaviour • 102-17 Mechanisms for advice and concerns about ethics	81
Contributions to foundations and not-for-profit entities	• 102-13 Membership of associations • 201-1 Direct economic value generated and distributed	137
Company information		
General information		
Description of the policies applied by the group concerning such matters, which will include the due diligence procedures applied for the identification, evaluation, prevention and mitigation of significant risks and impacts, and on their verification and control, as well as the measures that have been adopted	• 103-2 The management approach and its components	81
The results of these policies, which must include relevant non-financial key performance indicators that allow for the monitoring and evaluation of the progress made and that promote the comparability between companies and industries, in accordance with the National, European and International reference frameworks used for each matter	• 103-2 The management approach and its components • 103-3 Evaluation of the management approach	81
The main risks related to these issues linked to the Group's activities, including, among others, when relevant and proportionate, their business relationships, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to detect and evaluate them according to the National, European and International reference frameworks for each matter Information on the impacts that have been detected must be included, offering a breakdown thereof, in particular of the main short-, medium- and long-term risks.	• 102-15 Key impacts, risks, and opportunities	94

Information required by the Spanish Law on Non-Financial Information	Associated reporting criteria (GRI Standard)	Page/Reference
The Company's commitments to sustainable development		
The impact of the company's activity on employment and local development	• 103-2 The management approach and its components • 204-1 Proportion of spending on local suppliers"	81
The impact of the company's activity on local populations and the region	• 204-1 Proportion of spending on local suppliers • 413-1 Operations with local community engagement, impact assessments and development programmes • 413-2 Operations with significant actual and potential negative impacts on local communities	150-151
Relationships maintained with local community stakeholders and the modalities of dialogue therewith	• 102-43 Approach to stakeholder engagement • 413-1 Operations with local community engagement, impact assessments, and development programmes	81
Association or sponsorship actions	103-2 The management approach and its components	81
Subcontracting and suppliers		
The inclusion of social, gender equality and environmental issues in the purchasing policy	• 414-1 New suppliers that were screened using social criteria • 103-2 The management approach and its components"	81
Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	• 102-9 Supply chain • 308-1 New suppliers that were screened using environmental criteria • 414-1 New suppliers that were screened using social criteria	135-136
Supervision and audits systems and the results thereof	• 102-9 Supply chain • 308-2 Negative environmental impacts in the supply chain and actions taken • 414-2 Negative social impacts in the supply chain and the actions taken	153-163
Consumers (not material)		
Measures taken for the health and safety of consumers	• 103-2 The management approach and its components • 416-1 Assessment of the health and safety impacts of product and service categories	81
Complaint systems, complaints received and their resolution	• 103-2 The management approach and its components • 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	81
Tax information		
Profits obtained by country	• 207-4 Country-by-country reporting	140-141
Income tax paid	• 207-4 Country-by-country reporting	140-141
Public subsidies received	• 201-4 Financial assistance received from government	140-142

Stainless steel yacht in Línea de la Concepción, Cádiz (Spain)

Appendix 4 . Principles of the global compact

Relationship with the 10 principles of the Global Compact

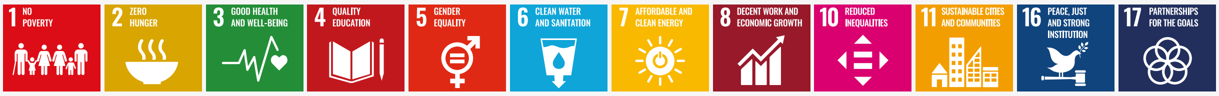
Human Rights

1 «Businesses should support and respect the protection of internationally proclaimed human rights».

2 «Businesses should make sure that they are not complicit in human rights abuses».

- **Point 5.1 Stakeholders and materiality analysis**
- **Point 5.4 Ethics and compliance**
  Protection of Human Rights
- **Appendix 3 -** Statement Of Non-Financial Information Content Table

Relation with SDG:



Working standards

3 «Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining».

4 «Businesses should uphold the elimination of all forms of forced and compulsory labour».

5 «Businesses should uphold the effective abolition of child labour».

6 «Businesses should uphold the elimination of discrimination in respect of employment and occupation».

- **APPENDIX 2**
  GRI CONTENT TABLE
- **Point 5.4 Ethics and compliance**
  - Code of conduct
- **APPENDIX 3**
  Statement Of Non-Financial Information Content Table
- **Point 7.2 Equality, diversity and inclusion**

Relation with SDG:

Environment

7
«Businesses should support a precautionary approach to environmental challenges».

8
«Businesses should undertake initiatives to promote greater environmental responsibility».

9
«Businesses should encourage the development and diffusion of environmentally friendly technologies».

- **Point 1.2**
  About us
- **Point 8**
  Committed to the Environment
- **Point 8.1**
  Circular economy
- **APPENDIX 3** -
  Statement Of Non-Financial Information Content Table

Relation with SDG:

Anti-corruption

10
«Businesses should work against corruption in all its forms, including extortion and bribery».

- **Point 5.4 Ethics and Compliance**
  Fight against corruption and bribery

Relation with SDG:

Appendix 5 . Sustainable development goals

	Sustainable development Goal	Reference
	Goal 1: **No poverty**	• **Point 11** Committed to the community • **Point 11.1** Social action
	Goal 2: **Zero Hunger**	• **Point 11** Committed to the community • **Point 11.1** Social action
	Goal 3: **Good health and well-being**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 2.3** Managing the effects of Covid-19 • **Point 7.1** Social and labour context • **Point 7.3** Health & Safety • **Point 11** Committed to the community • **Point 11.1** Social action
	Goal 4: **Quality education**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 11** Committed to the community • **Point 11.1** Social action Collaborating with educational institutions
	Goal 5: **Gender equality**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 7.1** Social and labour context • **Point 7.2** Equality, diversity and inclusion
	Goal 6: **Clean water and sanitation**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 8**. COMMITTED TO THE ENVIRONMENT • **Point 8.3** Water consumption management
	Goal 7: **Affordable and clean energy**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 8**. COMMITTED TO THE ENVIRONMENT • **Point 8.2.** Climate change and energy
	Goal 8: **Decent work and economic growth**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 11** Committed to the community • **Point 11.1** Social action
	Goal 9: **Industry, innovation and infrastructure**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 9.** COMMITTED TO INNOVATION AND THE DIGITAL TRANSFORMATION • **Point 9.1** Innovation strategy

Sustainable development Goal	Reference
Goal 10: **Reduced inequalities**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 7.1** Social and labour context • **Point 7.2** Equality, diversity and inclusion
Goal 11: **Sustainable cities and communities**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 11** Committed to the community • **Point 11.1** Social action
Goal 12: **Responsible consumption and production**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 8.** COMMITTED TO THE ENVIRONMENT • **Point 8.1** Circular economy • **Point 8.2** Climate change and energy • **Point 8.3** Water consumption management • **Point 11** Committed to the community • **Point 11.1** Social action
Goal 13: **Climate action**	• **APPENDIX 2** - GRI CONTENT TABLEI • **Point 8.** COMMITTED TO THE ENVIRONMENT • **Point 8.1** Circular economy • **Point 8.2** Climate change and energy • **Point 8.3** Water consumption management
Goal 14: **Life below water**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 8.** COMMITTED TO THE ENVIRONMENT • **Point 8.3** Water consumption management • **Point 11** Committed to the community • **Point 11.1** Social action
Goal 15: **Life on land**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 8.** COMMITTED TO THE ENVIRONMENT • **Point 8.1** Circular economy • **Point 8.2** Climate change and energy • **Point 8.3** Water consumption management
Goal 16: **Peace, justice and strong institutions**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 11** Committed to the community • **Point 11.1** Social action
Goal 17: **Partnerships for the goals**	• **APPENDIX 2** - GRI CONTENT TABLE • **Point 11** Committed to the community • **Point 11.1** Social action - Collaborating with educational institutions - Collaborating with associations

Appendix 6. Verification report

KPMG Asesores, S.L.
Pº de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on the Annual Integrated Report of Acerinox, S.A. and subsidiaries for 2021

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Acerinox, S.A.:

We have been engaged by Acerinox, S.A. management to perform a limited assurance review of the accompanying Annual Integrated Report of Acerinox, S.A. (hereinafter, the Parent) and subsidiaries (hereinafter, the Group) for the year ended 31 December 2021, prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in its core option (hereinafter, the Report).

The consolidated Non-Financial Information Statement (hereinafter NFIS) of the Group for the year ended 31 December 2021, included in the Report which forms part of the Group's consolidated Directors' Report for 2021, has been prepared in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "Statement of Non Financial Information Content Table" of the Report.

The Report includes additional information to that required by GRI Standards in its core option and prevailing mercantile legislation concerning non-financial information, which has not been the subject of our assurance work. In this respect, our work was limited exclusively to providing assurance on the information contained in the "Appendix 2. GRI Content" and the "Appendix 3. Statement of Non Financial Information Content Table" of the accompanying Report.

Responsibility of the Parent's Directors and Management

Management of the Parent is responsible for the preparation and presentation of the Report in accordance with the GRI Standards, in its core option, in accordance with each subject area in the "Appendix 2. GRI Content" table of the Report.

The Directors of the Parent are responsible for the content and authorisation for issue of the NFIS included in the Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "Appendix 3. Statement of Non Financial Information Content Table" of the aforementioned Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the Report is free from material misstatement, whether due to fraud or error.

The Directors of the Parent are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the Report was obtained.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our review engagement in accordance with the requirements of the Revised International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines for assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of the Parent's management, as well as of the different units and areas of the Group that participated in the preparation of the Report, reviewing the processes for compiling and validating the information presented in the Report and applying certain analytical procedures and sample review tests, which are described below:

- Meetings with the Group's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the Report based on the materiality analysis performed by the Group and described in the "5.1. Stakeholders and materiality analysis" section, considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the Report for 2021.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the Report for 2021.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

- Corroboration, through sample testing, of the information relative to the content of the Report for 2021 and whether it has been adequately compiled based on data provided by the information sources.
- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

a.) The Annual Integrated Report of Acerinox, S.A. and subsidiaries for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the GRI Standards, in its core option, as described in point 102-54 of the "Appendix 2. GRI Content" of the Report.

b.) The NFIS of Acerinox, S.A. and subsidiaries for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "Appendix 3. Statement of Non Financial Information Content Table" of the Report.

Emphasis of Matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment stipulates the obligation to disclose information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable in relation to climate change mitigation and climate change adaptation. This obligation applies for the first time for the 2021 fiscal year, provided that the Non-Financial Information Statement is published from 1 January 2022 onwards. Consequently, the attached Annual Integrated Report does not contain comparative information on this matter. Additionally, certain information has been included in respect of which the Directors of the Parent have opted to apply the criteria that, in their opinion, best allow them to comply with the new obligation, and which are those defined in section "3.6 EU taxonomy on sustainable finance" in the accompanying Annual Integrated Report. Our conclusion is not modified in respect of this matter.

Other Matters

On 25 February 2021 a different assurance provider issued a favourable independent assurance report on the Consolidated Non-Financial Information Statement of Acerinox, S.A. and subsidiaries for 2020.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Use and Distribution

In accordance with the terms of our engagement letter, this Report has been prepared for Acerinox, S.A. in relation to its Annual Integrated Report and for no other purpose or in any other context.

In relation to the Consolidated NFIS, this report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.

(Signed on original in Spanish)

Ramón Pueyo Viñuales

25 February 2022

ACERINOX, S.A.
and Subsidiaries

Financial Statements
of the Consolidated Group
for the year ended 31 December 2021

Auditor´s Report

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Note 2). In the event of a discrepancy, the Spanish-language version prevails.

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the consolidated annual accounts

To the shareholders of Acerinox, S.A.,

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Acerinox, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the statement of financial position as of 31 December 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as of 31 December 2021, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matter	How our audit addressed the key audit matter
VDM Metals Group goodwill recovery	
As indicated in notes 2.7, 2.11 and 7.1 of the attached consolidated annual report, as of 31 December 2021, there is goodwill that basically includes that arising from the acquisition of 100% of the company VDM Metals Holding, Gmbh for an amount of 49,829 thousand euros. The Group Management has estimated the goodwill recoverable value (note 2.11 of the attached consolidated report). For the recoverable value calculations, Group Management has used cash flow projections based on financial budgets approved by Management that have required relevant judgments and estimates that include, among others, the operating result on sales and discount and growth rates in the long term. The most significant assumptions used by the Group Management and the sensitivity analysis performed are summarized in note 7.1 of the attached consolidated report. Deviations in these Management's variables and estimates can determine important variations in the calculations made and, therefore, in the analysis of the goodwill recovery. This fact, together with the relevance of the financial statements line item, motivates it to be a key audit matter.	First, we have understood the relevant processes and controls related to the goodwill impairment assessment prepared by the Group Management, including those related to the preparation of budgets and the analysis and monitoring of projections, which constitute the basis for the main judgments and estimates made by the Group Management. In relation to the estimated cash flows, we have analyzed the methodology of the calculations made, we have compared the projected annual flows with those actually achieved in fiscal year 2021, and we have contrasted the key assumptions used by the Group Management with historical results, available comparable, relevant industry factors and other external sources. For this we have relied on valuation experts from our firm. Additionally, we have evaluated the reasonableness of the sensitivity disclosed in the accompanying consolidated annual accounts. As a result of the analysis performed, we consider that the conclusions of the Group Management regarding the estimates made and the information disclosed in the accompanying consolidated annual accounts are adequately supported and are consistent with the information currently available.
Bahru Stainless Sdn. Bhd. property, plant and equipment recovery	
As indicated in notes 2.11 and 8.1 of the accompanying consolidated annual report, the Group Management assesses at the end of each fiscal year if there are indications of impairment of assets. In the event of such an indication, the Group Management estimates its recoverable amount. Note 8.1 details the Cash Generating Unit (CGU) that shows signs of impairment, Bahru Stainless Sdn. Bhd.	As a starting point for our procedures, we have understood the relevant processes and controls related to the evaluation of impairments in property, plant and equipment by Group Management.

Key audit matter	How our audit addressed the key audit matter
For the calculation of the recoverable value of this CGU, as mentioned in note 8.1 of the attached consolidated report, the Group Management has relied on an expert to determine the recoverable value based on the fair value less costs of sale in the context of an impairment test analysis from the perspective of a market participant. The most significant assumptions used in the model described above and the sensitivity analyzes performed are summarized in note 8.1 of the attached consolidated annual accounts. Deviations in the variables and estimates of Management can determine important variations in the conclusions reached and, therefore, in the analysis of the recovery of property, plant and equipment. This fact, together with the relevance of this financial statement line item, motivates it to be a key audit matter.	In relation to the valuation exercise carried out on the recovery of the property, plant and equipment of Bahru Stainless Sdn. Bhd., we have analyzed the methodology of the calculations made and we have contrasted the key assumptions used by the Group Management with available comparable, relevant industry factors and other external sources. For this we have relied on valuation experts from our firm. Moreover, we have evaluated the competence, capacity, objectivity and conclusions of the expert hired by the Group Management, as well as the adequacy of their work as audit evidence. Additionally, we have evaluated the reasonableness of the sensitivity analysis disclosed in the accompanying consolidated annual accounts. As a result of the procedures performed, we consider that the conclusions of the Group Management on the estimates made, as well as the information disclosed in the accompanying consolidated annual accounts, are adequately supported and are consistent with the information currently available.
Recognition of deferred tax assets	
As of 31 December 2021, the accompanying consolidated annual accounts reflect an amount of 105,848 thousand euros of deferred tax assets, net of an amount of 41,628 thousand euros of deferred tax liabilities, the recovery of which depends on the generation of positive taxable income bases in the Corporate Tax in future years (notes 2.19, 3.j and 19.3.3 of the attached consolidated report). Likewise, note 19.3.2 of the attached consolidated annual accounts discloses the unrecognized tax credits. The recognition of these deferred tax assets is analyzed by the Group Management by estimating the tax bases for the coming years, based on the business plans of the different Group companies, and on the planning possibilities that allow the tax legislation applicable to each company and to the consolidated tax group headed by the parent company.	First, we have proceeded to understand and evaluate the criteria used by the Group Management to estimate the possibilities of using and recovering deferred tax assets in the following years, related to business plans. Based on the business plans prepared by the Group Management, we have compared the projected annual cash flows with those actually achieved in 2021 and we have contrasted the key assumptions, estimates and calculations made for their preparation, comparing them with the historical, comparable performance available, relevant industry factors and other external sources. As part of the analysis, we have also evaluated the tax adjustments considered for the estimation of tax bases, the applicable tax regulations, as well as the decisions about the possibilities of using the tax benefits corresponding to the different companies of the Group.

Key audit matter	How our audit addressed the key audit matter
Consequently, the conclusion on the recognition of the deferred tax assets shown in the attached consolidated statement of financial position is subject to significant judgments and estimates by the Group Management both with respect to future tax results and to the applicable tax regulations in the different jurisdictions where it operates. Given the relevance of the amount recognized and pending recognition, the significant judgments required and estimates necessary for the calculation of future tax bases, the recognition of deferred tax assets is a key matter of our audit.	The analysis performed have made it possible to verify that the calculations and estimates made by the Group Management, as well as the conclusions reached, in relation to the recognition of deferred tax assets, are consistent with the current situation, with the expectations of future results of the Group and with its tax planning possibilities available in the current legislation.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2021 financial year, the formulation of which is the responsibility of the Parent company´s directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the consolidated statement of non-financial information, certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, have been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2021 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company´s directors are responsible for assessing the Group´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company´s audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company´s directors.

- Conclude on the appropriateness of the Parent company´s directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company´s audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company´s audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company´s audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Acerinox, S.A. and its subsidiaries for the 2021 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Acerinox, S.A. are responsible for presenting the annual financial report for 2021 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the consolidated management report.

Our responsibility is to examine the digital files prepared by the Parent company´s directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the Parent company´s audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated 24 February 2022.

Appointment period

The General Ordinary Shareholders' Meeting held on 15 April 2021 appointed us as auditors of the Group for a period of one year, for the year ended 31 December 2021.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended 31 December 2017.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 21 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Jon Toledano Irigoyen (20518)

25 February 2022

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands of euros at 31 December 2021 and 2020)

ASSETS	Note	2021	2020
Non-current assets			
Goodwill	7	51,064	51,064
Other intangible assets	7	46,578	49,576
Property, plant and equipment	8	1,820,308	1,821,931
Investment property	9	13,215	13,326
Rights of use assets	10	14,400	15,252
Investments accounted for using the equity method	5.3	390	390
Financial assets at fair value through other comprehensive income	12	11,125	8,151
Deferred tax assets	19	105,848	107,273
Other non-current financial assets	12	4,499	2,571
TOTAL NON-CURRENT ASSETS		2,067,427	2,069,534
Current assets			
Inventories	11	1,776,610	1,182,488
Trade and other receivables	12	839,607	507,006
Other current financial assets	12	15,352	22,661
Current income tax assets	19	10,297	34,302
Cash and cash equivalents	13	1,274,929	917,118
TOTAL CURRENT ASSETS		3,916,795	2,663,575
TOTAL ASSETS		5,984,222	4,733,109

The accompanying Notes 1 to 22 are an integral part of these consolidated financial statements.

(Amounts in thousands of euros at 31 December 2021 and 2020)

LIABILITIES	Note	2021	2020
Equity			
Subscribed capital	14	67,637	67,637
Share premium	14	268	258
Reserves	14	1,532,610	1,585,881
Profit/(loss) for the year	14	571,882	49,049
Translation differences	14	-10,154	-131,919
Other equity instruments	14	3,048	2,170
Shares of the Parent	14	-10,251	-1,062
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		2,155,040	1,572,014
Non-controlling interests	14	59,822	42,966
TOTAL EQUITY		2,214,862	1,614,980
Non-current liabilities			
Deferred income	15	18,684	12,911
Issuance of debentures and other marketable securities	12	74,750	74,650
Bank borrowings	12	1,293,494	1,335,039
Long-term provisions	16	196,540	196,761
Deferred tax liabilities	19	200,051	179,044
Other non-current financial liabilities	12	18,275	28,561
TOTAL NON-CURRENT LIABILITIES		1,801,794	1,826,966
Current liabilities			
Issuance of debentures and other marketable securities	12	1,634	1,634
Bank borrowings	12	483,271	278,034
Trade and other payables	12	1,446,680	987,559
Current income tax liabilities	19	23,467	6,142
Other current financial liabilities	12	12,514	17,794
TOTAL CURRENT LIABILITIES		1,967,566	1,291,163
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,984,222	4,733,109

The accompanying Notes 1 to 22 are an integral part of these consolidated financial statements.

2. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Amounts in thousands of euros at 31 December 2021 and 2020)

	Note	2021	2020
Revenue	17	6,705,739	4,668,488
Other operating income	17	44,763	34,698
Work performed by the Group on non-current assets	17	2,187	2,898
Changes in inventories of finished goods and work in progress		441,136	-116,615
Supplies		-4,717,322	-3,051,833
Staff costs	17	-591,425	-507,526
Depreciation and amortisation charge	7,8,9,10	-179,103	-179,090
Other operating expenses	17	-896,268	-646,732
Impairment of assets and goodwill	7.8	0	-41,159
OPERATING INCOME		809,707	163,129
Finance income	18	2,921	7,459
Finance costs	18	-45,280	-45,110
Exchange differences	18	1,610	10,485
Revaluation of financial instruments at fair value	18	-3,229	-4,346
PROFIT FROM ORDINARY ACTIVITIES		765,729	131,617
Income tax	19	-179,710	-87,644
Other taxes	19	-512	-1,335
PROFIT/(LOSS) FOR THE YEAR		585,507	42,638
Attributable to:			
NON-CONTROLLING INTERESTS		13,625	-6,411
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP		571,882	49,049
Basic and diluted earnings per share (in euros)	14.9	2.11	0.18

The accompanying Notes 1 to 22 are an integral part of these consolidated financial statements.

3. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands of euros at 31 December 2021 and 2020)

	Note	2021	2020
A) RESULTS OF THE STATEMENT OF PROFIT OR LOSS		585,507	42,638
B) OTHER COMPREHENSIVE INCOME - ITEMS NOT RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD		10,514	-4,403
1. Arising from valuation of equity instruments at fair value through other comprehensive income	12.2.5	2,908	-2,294
2. Arising from actuarial gains and losses and other adjustments	16.1	12,391	-4,016
3. Tax effect	19	-4,785	1,907
C) OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD		129,263	-218,073
1. Arising from cash flow hedges			
- Valuation gains / (losses)	12.2.6	7,908	-6,569
- Amounts transferred to the statement of profit or loss	12.2.6	3,471	2,814
2. Translation differences			
- Valuation gains / (losses)		121,050	-215,254
- Amounts transferred to the statement of profit or loss			
3. Tax effect	19	-3,166	936
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		725,284	-179,838
a) Attributed to the parent company		711,987	-166,423
b) Attributed to non-controlling interests		13,297	-13,415

The accompanying Notes 1 to 22 are an integral part of these consolidated financial statements.

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands of euros at 31 December 2021 and 2020)

		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	TOTAL	Non-controlling interests	TOTAL EQUITY
	Note													
Equity 31/12/2019		67,637	27,313	1,702,040	5,242	-5,666	-834	173	76,331	1,446	-1,062	1,872,620	56,369	1,928,989
Profit/(loss) for the year 2020				49,049								49,049	-6,411	42,638
Financial assets at fair value through other comprehensive income (net of tax)	12.2.5						-1,719					-1,719		-1,719
Cash flow hedges (net of tax)	12.2.6					-2,819						-2,819		-2,819
Actuarial valuation of employee benefit obligations (net of tax)	16.1							-2,684				-2,684		-2,684
Translation differences	14.4								-208,250			-208,250	-7,004	-215,254
Income and expenses recognised in equity		0	0	0	0	-2,819	-1,719	-2,684	-208,250	0	0	-215,472	-7,004	-222,476
Total comprehensive income		0	0	49,049	0	-2,819	-1,719	-2,684	-208,250	0	0	-166,423	-13,415	-179,838
Dividends paid	14.2		-27,055	-108,218								-135,273		-135,273
Transactions with shareholders		0	-27,055	-108,218	0	0	0	0	0	0	0	-135,273	0	-135,273
Long-term incentive plan for senior executives	16.1.3									724		724	12	736
Hyperinflation adjustments	14.6			140								140		140
Other movements				226								226		226
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)	12.2.5						2,183					2,183		2,183
Cash flow hedges (net of tax)	12.2.6					8,213						8,213		8,213
Actuarial valuation of employee benefit obligations (net of tax)	16.1							8,331				8,331		8,331
Translation differences	14.4								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	140,105	-328	139,777
Total comprehensive income		0	0	571,882	0	8,213	2,183	8,331	121,378	0	0	711,987	13,297	725,284
Dividends paid	14.2			-135,226								-135,226		-135,226
Transactions with shareholders		0	0	-135,226	0	0	0	0	0	0	0	-135,226	0	-135,226
Acquisition of treasury shares	14.1										-9,418	-9,418		-9,418
Acquisition of non-controlling interests	5.2			-3,912					387			-3,525	3,525	
Long-term incentive plan for senior executives	16.1.3			628						878	229	1,735	34	1,769
Hyperinflation adjustments	14.6			342								342		342
Other movements	14.4		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	2,155,040	59,822	2,214,862

The accompanying Notes 1 to 22 are an integral part of these consolidated financial statements.

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of euros at 31 December 2021 and 2020)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Profit (loss) before tax		**765,729**	**131,617**
Adjustments to the result:			
Depreciation of fixed assets	7,8,9,10	179,103	179,090
Impairment losses		-4,019	23,645
Changes in provisions		19,515	11,004
Allocation of subsidies	15	-5,583	-7,144
Gain or loss on disposal of fixed assets	8.9	-2,078	3,790
Gain (loss) on disposal of financial instruments			
Changes in fair value of financial instruments		14,404	-6,709
Finance income	18	-2,921	-7,458
Finance costs	18	45,280	45,111
Equity in income of associates			
Other income and expenses		15,303	-40,151
Variations in working capital:			
(Increase)/decrease in trade and other receivables		-306,348	33,555
(Increase) / decrease in inventories		-560,381	191,431
Increase / (decrease) in trade and other payables		406,943	-2,201
Other cash flows from operating activities			
Interest payments		-42,976	-43,162
Interest income		2,709	7,399
Income tax paid		-136,866	-99,272
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES		387,814	420,545
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		-99,451	-99,704
Acquisition of intangible fixed assets		-2,691	-1,728
Dependent acquisition net of cash acquired	5		-273,563
Acquisition of other financial assets		-1,175	-790
Proceeds from disposal of property, plant and equipment		12,699	3,244
Proceeds from disposal of intangible assets			
Proceeds from disposal of other financial assets		116	4
Dividends received		66	60
Other receivables / (payments) for investments			
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		-90,436	-372,477
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of own equity instruments			
Acquisition of treasury shares		-9,418	
Disposal of treasury shares			
Collection of third-party resources	12.2.3	740,799	839,432
Repayment of interest-bearing liabilities	12.2.3	-585,841	-636,661
Dividends paid	14	-135,226	-108,218
Distribution of share premium	14		-27,055
Contribution of external partners			
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		10,314	67,498
NET INCREASE IN CASH AND CASH EQUIVALENTS		307,692	115,566
Cash and cash equivalents at beginning of year	13	917,118	876,935
Effect of changes in exchange rates		50,119	-75,383
CASH AND CASH EQUIVALENTS AT YEAR-END	13	1,274,929	917,118

The accompanying Notes 1 to 22 are an integral part of these consolidated financial statements.

CONTENTS: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

Name of the Parent: Acerinox, S.A. (hereinafter "the Company").

Incorporation: the Company was incorporated as a public limited liability company for an indefinite period of time on 30 September 1970.

Registered office: calle Santiago de Compostela, no. 100 Madrid - Spain.

Company object and main business activities: The Group's main business activities, which coincide with the Company object, consist of the manufacture, processing and marketing of stainless steel products and special alloys. These activities are performed through its subsidiaries.

Through its stainless steel division, the Acerinox Group is one of the world's main stainless steel manufacturers, with a melting shop production capacity of 3.5 million tonnes. It has six stainless steel factories: two flat product factories, located in Spain and South Africa; one flat and long product factory in the USA; two long product factories in Spain; and one flat product factory in Malaysia, which at the reporting date has cold-rolling production lines. Also, the Group has a network of commercial subsidiaries in Spain and abroad which engage mainly in marketing all of its products.

In the high-performance alloys division, the Acerinox Group is a global leader in specialty alloys through VDM. As of 17 March 2020, Acerinox acquired 100% of the shares in VDM Metals Holding GmbH (VDM), a German- based group of companies with 5 factories in Germany and 2 in the USA, and its own sales network for the distribution of its products.

With this transaction, Acerinox Group is diversifying into higher value-added areas. VDM represents a great opportunity for Acerinox to grow in new markets and sectors such as aerospace, chemical industry, medical, hydrocarbons and renewable energy, water treatment and emissions control.

Note 5.1 includes detailed information on this transaction.

Note 5 details all the companies included in the scope of consolidation of Acerinox and the business activities they each perform.

The Parent's main business activity is that of a holding company, in its condition as the Parent of the Acerinox Group. Also, the Company provides legal, accounting and advisory services to all Group companies and performs financing activities within the Group.

Fiscal year: The fiscal year of Acerinox, S.A. and of all its Group companies covers 12 months. It begins on 1 January and ends on 31 December. Although the fiscal year of the companies that make up the VDM Group began on 1 October and ended on 30 September, the bylaws were amended with effect from 1 January 2021, thus aligning the fiscal and accounting year with the calendar year. With regard to 2020, all balances and transactions of the acquired Group are included, from the date of acquisition, i.e. from March 2020 to 31 December 2020, so that for comparative purposes this may cause distortions, especially in some items of the consolidated statement of profit or loss.

Authorisation for issue of the financial statements: These consolidated financial statements were authorised for issue by the Board of Directors of Acerinox, S.A., on 24 February 2022.

NOTE 2 – ACCOUNTING POLICIES

2.1 Statement of compliance

These consolidated financial statements of the Group were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related interpretations (IFRICs) adopted by the European Union (EU-IFRSs hereinafter) and with the other provisions of the applicable regulatory financial reporting framework.

As a result of the purchase of VDM in 2020, the Group assessed the accounting policies applied by all the companies belonging to the group and ensured that they were standardised in line with the policies established by the Acerinox Group which are detailed in this note.

The financial statements for 2021 were prepared using the same accounting principles (EU-IFRSs) as were used for 2020, except for the amendments adopted by the European Union and mandatorily applicable from 2021 onwards, which were as follows:

- IFRS 9 (Amendment), IAS 39 (Amendment), IFRS 7 (Amendment), IFRS 4 (Amendment) and IFRS 16 (Amendment) - Interest Rate Benchmark Reform: these amendments address interest rate benchmark reform ("IBOR") by providing temporary exemptions from the application of specific hedge accounting requirements so that entities do not have to discontinue hedging relationships solely because of index reform. It also addresses issues arising from the implementation of the reforms, including the replacement of one reference rate with an alternative one. A relationship is considered to be directly impacted only if the reform generates uncertainty about:

  The interest rate benchmark designated as the hedged risk of the hedging relationship.

  The term or the amount of the interest rate flows of the hedged item or hedging instrument.

  No impact on the Group, as it does not have any loans or credit facilities linked to interest rates that will soon disappear. On the other hand, the Group does not have any hedging derivative pegged to such indices, which could jeopardise the "hedge effectiveness".

- IFRS 16 (Amendment) - Covid-19-Related Rent Concessions beyond 30 June 2021: The IASB has extended by one year the application period of the practical option of IFRS 16 "Leases" to assist lessees in accounting for lease concessions related to Covid-19. The standard allows lessees not to assess whether specific Covid-19 related rent reductions are lease modifications. Instead, lessees applying the practical solution would account for such rent reductions as if they were not lease modifications. The amendment is effective for tax years beginning on or after 1 April 2021, although earlier application is permitted. These amendments have not yet been approved for use in the European Union. No impact on the Group as there were no rental concessions in this period.

2.2 Assessment of the main standards, amendments and interpretations that will be mandatorily applicable the coming years.

There are new standards, amendments and interpretations which will be mandatorily applicable in the coming years and have not been applied early.

The standards, interpretations and amendments approved by the European Union and applicable as of 1 January 2022 which have not been early adopted by the Group and which could have an impact, are as follows:

- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16): these amendments prohibit the deduction from the cost of property, plant and equipment of any proceeds from the sale of items produced while an entity is preparing the asset for its intended use. The proceeds from the sale of any such samples, together with the related production costs, must be recognised in profit or loss. The amendments also clarify that an entity is considered to be testing whether an asset functions correctly when it assesses the asset's physical and technical performance. That is to say, the asset's financial performance is not relevant to this assessment. Therefore, an asset could be ready to operate in the manner intended by management and be subject to depreciation before the level of operation expected by management is achieved. Until the reporting date, the Group had always recognised in profit or loss the proceeds from the sale of items produced while the assets were being readied for their intended use; accordingly, the application of these amendments did not have any impact on the Group. With regard to the date on which the items are ready for their intended use, as established in the Group's policies, an asset is considered to be ready for its intended use, and can therefore begin to be depreciated, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37): these amendments explain that the direct cost of fulfilling a contract includes the incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. They also clarify that before recognising a separate provision for an onerous contract, the entity shall recognise any impairment losses on the assets used to fulfil the contract, . The Group does not expect any impact to arise from the application of these amendments, as it does not have contracts of this nature.

- Reference to the Conceptual Framework (Amendments to IFRS 3): IFRS 3 has been updated to refer to the 2018 Conceptual Framework in order to determine what constitutes an asset or a liability in a business combination. Also, a new exception was added in IFRS 3 for liabilities and contingent liabilities. The Group will take the amendments into consideration in future business combinations.

- Annual Improvements to IFRSs. 2018-2020 cycle: these amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual reporting periods beginning on or after 1 January 2022. No impacts are expected at the Group.

  - IFRS 1 "First-time adoption of IFRS": IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. This amendment allows entities that have taken this exemption to also measure cumulative translation differences using the amounts recorded by the parent company, based on the date of transition of the latter to IFRS. No impact on the Group as there are no entities that have adopted IFRS subsequent to the parent company.

- FRS 9 "Financial instruments": The amendment establishes that costs or fees paid to third parties should not be included in the 10% test for derecognition of financial liabilities. No impact on the Group as this type of expense is already being considered.

The standards, interpretations and amendments that have not been adopted by the European Union and which have not been adopted in advance by the Group, but which could have an impact, are detailed below:

- Amendments to IFRS 10 and IAS 28: these amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures. The amendments only apply when an investor sells or contributes assets to its associate or joint venture. The Group does not expect the application of this standard to have any impact as the investments in associates are insignificant and no such contributions have been made to date. Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the close of 2015, the IASB took the decision to postpone the effective date of these without setting a new specific date, as it is planning a broader review that may result in simplifying the accounting for such transactions and other aspects of accounting for associates and joint ventures.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1): these amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The effective date of application of these amendments is 1 January 2022, although their early adoption is allowed. However, in July 2020 there was an amendment to change the effective date thereof to 1 January 2023. The Group does not expect the application of these amendments to have any impact on its consolidated financial statements.

- IAS 1 (Amendment) - Disclosure of accounting policies: IAS 1 has been amended to improve disclosures about accounting policies to provide more useful information to investors and other primary users of financial statements. The effective date of application of these amendments is 1 January 2023. The Group will apply the standard once it becomes mandatory.

- IAS 8 (Amendment) - Definition of accounting estimates: IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policies. The effective date of application of these amendments is 1 January 2023. The Group will apply the standard once it becomes mandatory.

- IAS 12 (Amendment) - Deferred tax related to assets and liabilities arising from a single transaction: In certain circumstances, under IAS 12, companies are exempt from recognising deferred taxes when they first recognise assets or liabilities ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which both an asset and a liability are recognised upon initial recognition. The amendment clarifies that the exemption does not apply and therefore, there is an obligation to recognise deferred taxes on such transactions. The amendment is effective for tax years beginning on or after 1 January 2023, although earlier application is permitted. No relevant impact on the Group.

2.3 Basis of presentation of the consolidated financial statements

These consolidated financial statements of the Group were formally prepared by the Parent's directors to present fairly the Group's consolidated equity and consolidated financial position as at 31 December 2021 and 2020, and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows of the Group for the years then ended.

The figures for 2020 are presented for comparison purposes with the figures for 2021 for each item in the consolidated financial statements. With regard to 2020, as included in **Note 1,** all balances and transactions of the acquired Group (VDM Group) are included, from the date of acquisition, i.e. from March 2020 to 31 December 2020, so that for comparative purposes this may cause changes, especially in some items of the consolidated statement of profit or loss.

These consolidated financial statements were prepared in euros, rounding the figures off to the nearest thousand, and were prepared on a historical cost basis, except for the following assets and liabilities which were measured at fair value: derivative financial instruments, financial assets at fair value through other comprehensive income and the defined benefit plans. Inventories were measured at the lower of cost and net realisable value. For the Group's company in Argentina (Acerinox Argentina, S.A.), the rules relating to hyperinflationary economies are applied, as established in **Note 14.6.**

These consolidated financial statements were prepared on the basis of the separate accounting records of the Parent and of each of the subsidiaries that make up the Acerinox Group. The consolidated financial statements include certain adjustments and reclassifications made to unify the accounting and presentation policies applied by the Group companies with those applied by the Company. The consolidation principles applied are detailed in **note 2.5**.

Preparation of the consolidated financial statements in accordance with EU-IFRSs requires the Parent's directors to make certain judgements, estimates and assumptions that affect the application of the accounting policies and, therefore, the figures presented in the consolidated statement of financial position and consolidated statement of profit or loss. The estimates made are based on historical experience and other factors that are considered reasonable. The Group could revise such estimates if changes were to occur in certain events or circumstances. The areas requiring the greatest degree of judgement in applying EU-IFRSs and those involving estimates that are significant for the consolidated financial statements are disclosed in **Note 3**. Also, **Note 4** provides qualitative and quantitative information on the risks assumed that could affect future years.

The consolidated financial statements for 2020 were approved by the shareholders at the Annual General Meeting held on 22 October 2020. The Group's consolidated financial statements for 2021 have not yet been approved by the shareholders at the Annual General Meeting. The Company's Board of Directors considers that these consolidated financial statements will be approved by the shareholders at the Annual General Meeting without any changes.

2.4 Going concern and accrual bases of accounting

The consolidated financial statements were prepared in accordance with the going concern basis of accounting. Revenue and expenses are recognised on an accrual basis and not on the basis of their dates of collection or payment.

2.5 Basis of consolidation

a) **Subsidiaries**

Subsidiaries are companies over which the Company directly or indirectly exercises control. The Company is deemed to exercise control when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Also, the Company is deemed to have power when it has existing substantive voting rights that give it the current ability to govern the financial and operating activities and policies of the subsidiary.

The financial statements of the subsidiaries are included in the annual consolidated financial statements from the date on which the Group obtains control, and are excluded from consolidation on the date that control ceases to exist.

The Group assesses the date on which control is obtained, also taking into account the possible restrictions established in the contracts that prevent control from being obtained until circumstances that are beyond the Group's control arise, such as approval by an international body or any other condition precedent provided for in the contract.

The Group took into account potential voting rights to assess the degree of control it exercises over the Group companies.

The accounting policies of the subsidiaries were adapted to the Group's accounting policies.

All the subsidiaries that form part of the Acerinox Group and were included in the scope of consolidation at 31 December 2021 and 2020 are listed in **Note 5**. Also, **Note 5.1** includes information on the business combination that occurred in 2021 with the purchase of the VDM Group.

b) **Non-controlling interests**

"Non-Controlling Interests" represents the portion of the Group's profit or loss and net assets attributable to non- controlling interests. The share of non-controlling interests both in the Group's net assets and in comprehensive income for the year are presented separately in consolidated equity, in the consolidated statement of profit or loss and in the consolidated statement of comprehensive income.

Non-controlling interests in the subsidiaries acquired are recognised at the date of acquisition at the proportionate share of the fair value of the net identifiable assets.

The profit or loss and each component of other comprehensive income are allocated to the equity attributable to shareholders of the Parent and to non-controlling interests in proportion to their relative interests, even if this results in the non-controlling interests having a deficit balance.

When the share of equity held by non-controlling interests changes, the Group adjusts the carrying amount of the controlling and non-controlling interests to reflect the changes that have arisen in its relative interests in the subsidiary. The Group recognises directly in equity the difference between the amount by which the non- controlling interests are adjusted and the fair value of the consideration paid or received, and attributes that difference to the owners of the Parent. The profit or loss attributable to the non-controlling shareholder from the date of acquisition is recognised as profit or loss attributable to non-controlling interests.

The Group assesses whether there are any clauses or financial instruments in contracts with non-controlling interests that could oblige the entity to deliver cash or another financial asset, or to settle it as if it were a financial liability, in order to determine its classification and measurement. For this purpose, all the terms and conditions agreed between the members of the Group and the holders of the instrument are considered. To the extent that there is an obligation or settlement provision, the instrument is classified as a financial liability in the consolidated financial statements.

These options are occasionally conditional on the occurrence of an uncertain future event beyond the control of both the issuer and the holder of the instrument. If, in addition, the issuer of such an instrument does not have the unconditional right to avoid delivering cash or another financial asset, it is deemed to be a financial liability of the issuer unless, inter alia, the part of the contingent settlement provision that could require settlement in cash or another financial asset is not genuine, i.e. is extremely exceptional, highly abnormal and very unlikely.

c) **Associates**

Associates are all entities over which the Group exercises significant influence in relation to financial and operating decisions, but over which it does not have control or joint control. In general terms, the Group is considered to exercise significant influence when it holds more than 20% of the voting power.

The financial statements of the associates are included in the consolidated financial statements using the equity method. The Group's share of the post-acquisition profits or losses of its associates is recognised in profit or loss for each year with a credit or charge to "Share of Results of Companies Accounted for Using the Equity Method" in the consolidated statement of profit or loss.

Losses of associates attributable to the Group are limited to the value of the net investment, since the Group has not incurred legal or constructive obligations.

The Group does not have any significant investments in associates.

d) **Business combinations**

The Group applied IFRS 3, "Business Combinations" (revised 2008) to business combinations carried out on or after 1 January 2010.

The Group applies the acquisition method for business combinations.

The acquisition date is that on which the Group obtains control of the acquiree. The Group considers that control is obtained when the investor, due to its involvement with the acquiree, is exposed, or has rights, to variable returns and has the ability to affect those returns through its power over the investee. In an acquisition, the Group is generally deemed to have obtained control when the consideration is legally transferred and the assets and liabilities of the acquiree are acquired and assumed, respectively. However, control may be obtained at a prior date if, by means of a written agreement, a prior date of obtainment of control is envisaged. The Group considers all pertinent facts and circumstances in order to identify the acquisition date.

The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity interests issued and any contingent consideration that depends on future events or the fulfilment of certain conditions in exchange for control of the acquiree.

The consideration transferred excludes any amounts that are not part of the exchange for the acquiree. The costs associated with an acquisition are recognised as expenses on an accrual basis.

The Group recognises at their acquisition-date the fair value of assets acquired, the liabilities assumed and any non- controlling interest in the acquiree. The liabilities assumed also include contingent liabilities to the extent that they represent present obligations that arise from past events and their fair value can be measured reliably. In addition, at the acquisition date the Group recognises the indemnification assets granted by the seller following the same measurement criteria of the indemnification item of the acquired business, considering, where appropriate, the insolvency risk and any contractual limitation on the indemnified amount.

Until they are settled, cancelled or expire, contingent liabilities are measured at the higher of the amount initially recognised less the amounts that should be recognised in profit or loss in accordance with the standard on recognition of revenue from customers and the amount that would be recognised in accordance with the standard on measuring provisions.

The following are exempted from the application of the general measurement criteria: non-current assets and disposal groups classified as held for sale, long- term defined benefit obligation liabilities, share-based payment transactions, deferred tax assets and liabilities and intangible assets arising from the acquisition of previously granted rights, which shall be measured in accordance with their respective accounting policies.

The assets acquired and liabilities assumed are classified and designated for subsequent measurement on the basis of the contractual terms, economic conditions, operating and accounting policies and other pertinent conditions existing at the acquisition date, except in the case of leases in which the business acquired is the lessor, and insurance contracts.

The acquirer's application of the recognition principle and conditions may result in recognising some assets and liabilities that the acquiree had not previously recognised as assets and liabilities in its financial statements.

Any excess of the consideration transferred plus the value assigned to the non-controlling interests over the net amount of the assets acquired and the liabilities assumed is recognised as goodwill.

If the business combination can only be provisionally calculated, the identifiable net assets are initially recognised at their provisional amounts, recognising the valuation adjustments made in the measurement period as if they had been known at the acquisition date and restating, where applicable, the comparative figures for the previous year. In any event, adjustments to provisional amounts only reflect information on facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date. The measurement period will end as soon as the acquirer receives the information it was seeking about facts and circumstances that existed at the date of acquisition or concludes that no further information can be obtained. However, such measurement period shall not exceed one year from the date of acquisition.

After the measurement period ends, the initial accounting for a business combination is revised only to correct an error.

a) **Balances and transactions eliminated on consolidation**

Intra-Group balances and transactions, as well as unrealised gains or losses with third parties arising from such transactions, are eliminated on preparation of the consolidated financial statements.

2.6 Translation differences

a) **Functional and presentation currency**

The items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the company operates (its functional currency). The functional currency of the majority of the Group companies is the local currency, except for Bahru Stainless, NAS Canada and NAS México, the functional currency of which is the US dollar.

The consolidated financial statements are presented in thousands of euros since the euro is the functional and presentation currency of the Parent.

b) **Foreign currency transactions, balances and cash flows**

Foreign currency transactions are translated to the functional currency using the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date at the exchange rates then prevailing. Any exchange differences that arise from such translation are recognised in the consolidated statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies and recognised at historical cost are translated to the functional currency using the exchange rates prevailing at the date of the transaction. The historical cost of non-monetary assets belonging to countries considered to be hyperinflationary is remeasured at the end of each reporting period, applying a price index to express them in terms of the measuring unit current at the end of the reporting period. Section d) includes a detailed description of the measurement of line items corresponding to hyperinflationary economies.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated to the corresponding functional currency by applying the measurement date exchange rate. Exchange differences on non-monetary items measured at fair value are presented as a component of the fair value gain or loss.

In presenting the consolidated statement of cash flows, cash flows arising from transactions in a foreign currency are translated to the functional currency by applying the exchange rates prevailing at the date of the cash flow.

Exchange differences resulting from the settlement of foreign currency transactions and from translation to the functional currency of monetary assets and liabilities denominated in foreign currency are recognised in profit or loss.

c) **Translation of foreign operations**

For the preparation of the Group's consolidated financial statements, the assets and liabilities of the companies whose functional currency is not the euro are translated to euros by applying the exchange rates prevailing at the reporting date; on the other hand, income and expenses are measured at the average exchange rate for the period. Any exchange differences arising from that measurement are recognised as a separate component of equity and of the consolidated statement of comprehensive income ("Translation Differences"). The translation differences are reclassified to profit or loss when the company that generates them ceases to form part of the Group.

The Group applied the exemption for first-time application provided for in IFRS 1 in relation to cumulative translation differences and, accordingly, the translation differences recognised in the consolidated financial statements that were generated prior to 1 January 2004 are shown in retained earnings in reserves.

In presenting the consolidated statement of cash flows, cash flows, including the comparative balances of foreign subsidiaries, are translated to euros by applying the same criteria as those applied for the restatement of the financial statements.

d) **Restatement of financial information concerning hyperinflationary economies**

On 1 July 2018, Argentina was declared to be a hyperinflationary economy, as it met the classification requirements established in IAS 29. The Acerinox Group has an entity in Argentina, as detailed in **Note 5**.

The financial statements of an entity that reports in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the reporting date. Both the comparative figures for the previous year and the information for prior periods are restated only when they are significant for the Group, in terms of the measuring unit current at the end of the reporting period. Since most of the non-monetary items are recognised at historical cost, the restated cost of each item is determined by applying to the historical cost and to the accumulated depreciation and amortisation charge the change in a general price index from the date of acquisition until the end of the reporting period. The Group did not restate the balances for prior years since the impact is not significant.

At the beginning of the first period of application of this standard, the components of owners' equity, except retained earnings and asset revaluation surpluses, shall be restated by applying a general price index to the various items from the dates on which they were contributed or from the date on which they otherwise arose. The restated retained earnings shall arise from the remaining amounts in the consolidated statement of financial position. At the end of the first period and in subsequent periods, all the components of equity shall be restated by applying a general price index from the beginning of the period, or from the contribution date, if later.

All the items in the statement of comprehensive income shall be stated in the monetary unit current at the end of the reporting period. For this purpose, all the amounts shall be restated to reflect the change in the general price index from the date on which the income and expenses were included in the financial statements.

Gains or losses arising from the net currency position shall be included in profit or loss for the year.

Note 14.6 includes the impacts of the measurement of the financial statements of Acerinox Argentina pursuant to this standard both in 2020 and 2021.

2.7 Intangible assets

The Group recognises an intangible asset only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably.

The Group recognises all the intangible assets identified in a business combination separately from goodwill, irrespective of whether the acquiree had recognised the asset prior to the business combination occurring.

Intangible assets are initially recognised at cost. The cost of intangible assets acquired in a business combination is equal to the acquisition-date fair value. The fair value of an intangible asset will reflect the expectations of the market participants at the acquisition date about the probability that the expected future economic benefits embodied in the asset will flow to the entity.

a) **Goodwill**

Business combinations are accounted for using the acquisition method. Goodwill represents the excess of the cost of acquisition of the Group's interest over the fair value of the identifiable net assets of the acquiree at the acquisition date (assets, liabilities and contingent liabilities).

In the case of the Acerinox Group, the goodwill recognised in the consolidated financial statements includes mainly the goodwill that arose in 2020 on acquisition of all the shares of VDM Metals holding, GmbH.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but rather is assessed annually (or more frequently if events indicating a potential impairment loss on the asset are identified) for impairment, pursuant to IAS 36. Accordingly, goodwill is allocated to each of the cash-generating units of the company to which the economic benefits of the business combination synergies are expected to flow. (See **Note 2.11**). If the recoverable amount of the cash-generating unit is lower than the carrying amount of the goodwill, the corresponding impairment loss shall be recognised. The recoverable amount of the cash- generating units to which the Group's goodwill is allocated is determined based on calculations of their value in use. (See **Note 2.11**).

Gains from a bargain purchase arising from a business combination are recognised directly in profit or loss, once the assets, liabilities and contingent liabilities of the acquiree have been remeasured, as established in the standard.

Internally generated goodwill is not recognised as an asset.

b) **Internally generated intangible assets**

Research expenditure aimed at acquiring new scientific or technical knowledge is recognised as an expense in the consolidated statement of profit or loss when incurred.

Development expenditure relating to research findings applied to produce new products and processes, or to significantly improve existing products and processes, is capitalised if the product or process is considered technically and commercially feasible, if the Group has the resources required to complete the development programme and if it is considered that it will generate future cash flows that will enable its recovery.

Development expenditure is capitalised by crediting “In-house Work on Non-Current Assets” in the consolidated statement of profit or loss. The capitalised costs include the cost of materials, direct labour and directly attributable general expenses.

The Group does not capitalise development expenditure in cases in which, following the start-up of the project, the future cash flows of the projects obtained through research and development activities are not monitored.

The costs incurred in performing activities for which the costs attributable to the research phase cannot be clearly distinguished from those corresponding to the intangible asset development phase are recognised in the consolidated statement of profit or loss.

Capitalised development expenditure is not amortised when the project is under way. Once these projects have been successfully concluded, the expenditure is amortised systematically over their estimated useful lives. In the event that the circumstances that permitted capitalisation of the project expenditure change, the portion not yet amortised is taken to profit or loss in the year of the change in circumstances.

The findings of the R&D+i activities are patented in many cases, especially in the Group's new division dedicated to the manufacture of special alloys.

As a result of the business combination carried out last year, the Group recognised an asset for the fair value of some of the special alloy patents held by the VDM Group at the acquisition date and which were expected to generate economic benefits in the coming years. The fair value was estimated using the relief from royalty (RFR) method.

c) **Customer portfolio**

As a consequence of the business combination which occurred in 2020, the Group recognised an intangible asset arising from the customer portfolio of the acquired company.

The Group considers that the relationship with customers arising from a business combination is an identifiable asset provided that it arises from contractual or other legal rights, the rights are separable and they are expected to generate future economic benefits. It is an asset with a finite useful life.

VDM has a long history of enduring relationships with customers, which are formalised through agreements.

The multi-period excess earnings method was used to measure this group of intangible assets.

d) **Computer software**

Acquired licenses for computer software are capitalised based on the costs incurred to acquire them and prepare them for use of the specific software.

Computer software development and maintenance costs are recognised as such on an accrual basis.

Costs directly related to the production of unique and identifiable computer software by the Group, provided that they are likely to generate economic benefits exceeding those costs over more than one year, are recognised as intangible assets. The capitalised costs include direct labour and directly attributable general expenses.

e) **Depreciation and amortisation**

Intangible assets with finite useful lives are amortised systematically over the years of their useful life. Intangible assets are amortised from the date on which they become ready for use.

The estimated useful lives are as follows:

- Intellectual property: 5 years
- Patents: 14 years
- Customer portfolio: 15 years
- Computer software: 2-5 years

The Group does not have any intangible assets with an indefinite useful life.

The residual value, the depreciation method and the useful life of the assets are reviewed, and adjusted if necessary, at each reporting date. Changes in the criteria initially established are accounted for as a change in estimate.

2.8 Property, plant and equipment

a) **Owned assets**

Property, plant and equipment are stated at cost or deemed cost less any accumulated depreciation and any recognised impairment losses. Property, plant and equipment acquired in business combinations are recognised at acquisition-date fair value.

In the event that an item of property, plant and equipment requires a period of time to get ready for its intended use, it is classified as property, plant and equipment in the course of construction. An asset is considered to be ready for its intended use when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Once in use, it is reclassified to the corresponding category of property, plant and equipment, depending on its nature.

The cost of the property, plant and equipment constructed by the Group is determined by following the same principles that would be used had it been acquired, also taking into account the criteria established for the production cost of inventories. The production cost is capitalised by crediting the costs attributable to the asset to accounts under “In-house Work on Non-Current Assets” in the consolidated statement of profit or loss.

Borrowing costs arising from loans directly related to financing the construction of items of property, plant and equipment are capitalised as a portion of the cost until the start-up of the asset. Also, the Group capitalises certain borrowing costs corresponding to loans that are not directly earmarked for the financing of investments, applying a capitalisation rate to the amounts used to finance these assets. This capitalisation rate is calculated based on the weighted average of the borrowing costs applicable to loans received by the entity which differ from those specifically designated to finance the asset. The amount of the capitalised costs does not in any case exceed the total amount of borrowing costs incurred in the period.

The cost of property, plant and equipment includes the costs related to major repairs, which are capitalised and depreciated over the estimated period until the next major repair.

After initial recognition of the asset and once it is ready for use, only the costs incurred for improvements that it is probable will give rise to future economic benefits and that can be measured reliably are capitalised. In this connection, the costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as they are incurred.

The Group classifies spare parts as inventories, unless they are expected to be used for more than one year, in which case they are classified as property, plant and equipment and are depreciated over their useful life. Once a spare part has been used to replace a damaged part, it is written off at its carrying amount. Property, plant and equipment spare parts are classified under "Plant and Machinery" in the breakdown of property, plant and equipment in **Note 8**.

Gains or losses on the sale or disposal of property, plant and equipment are recognised in profit or loss as operating income or expenses.

b) **Depreciation and amortisation**

Items of property, plant and equipment are depreciated systematically on a straight-line basis over the years of their useful life. For these purposes, depreciable amount is understood to be acquisition or deemed cost less residual value. The Group calculates the depreciation charge separately for each part of an item of property, plant and equipment whose cost is significant in relation to the total cost of the item.

The residual value, the depreciation method and the useful life of the assets are reviewed, and adjusted if necessary, at each reporting date. Changes in the criteria initially established are accounted for as a change in estimate.

Land is not depreciated, unless it is acquired in usufruct for a certain number of years, in which case it is depreciated over the term of the usufruct.

Property, plant and equipment are depreciated over the following years of useful life:

- Buildings: 10-50
- Plant and machinery: 3-30
- Other items of property, plant and equipment: 2-10

2.9 Investment property

Investment property is considered to consist of the buildings owned by the Group that are not occupied by it and are held to earn returns, either through rental or for capital appreciation.

The Group only transfers items between "Property, Plant and Equipment" and "Investment Property" when a change in the use of the property occurs.

Investment property is initially recognised at cost, including transaction costs. After initial recognition, the Company applies the same requirements established for property, plant and equipment.

Lease income is recognised as indicated in **Note 2.20-b**.

2.10 Right-of-use assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration.

When the Group acts as lessee, it recognises in the consolidated statement of financial position the assets and liabilities arising from the lease (except in the case of short-term leases and leases for which the underlying asset is of low value). The Group measures the right-of-use asset at cost, corresponding to the present value of the lease payments expected to be made over the lease term.

In order to determine the lease payments, the Group takes into account:

a) fixed payments, less any lease incentives receivable;

b) variable lease payments that depend on an index or a rate;

c) the amounts expected to be payable by the lessee under residual value guarantees;

d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Group measures lease liabilities at the present value of the total remaining lease payments, discounted using either the interest rate implicit in the lease, if that rate can be readily determined, or the lessee's incremental borrowing rate, for cases in which the rate is not established in the lease.

The Group considers the lease term to be the non-revocable period of a lease, plus the periods covered by the option to extend the lease, if the lessee is reasonably certain to exercise that option.

In determining the term of the lease and assessing the length of the non-revocable period of a lease, an entity applies the definition of a contract and determines the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party.

After the commencement date, the Group measures the asset at its initial cost less accumulated depreciation and any accumulated impairment losses, adjusted to reflect any remeasurement of the lease liability.

Also, after the commencement date the Group measures the lease liability at amortised cost using the effective interest method. Whenever there are changes in contracts, the lessee shall remeasure the lease liability in order to reflect the new lease payments. The amount of the remeasurement of the lease liability shall be recognised as an adjustment to the right-of-use asset.

The Group took into account the amendment to IFRS 16 issued by the International Accounting Standards Committee when assessing the modifications to the leases and the incentives granted to the Group as a result of the Covid-19 pandemic, in cases in which it acts as lessee. This amendment provides a practical expedient whereby the lessee can choose not to assess whether the Covid-19-related concessions represent a lease modification.

In the case of short-term leases and leases for which the underlying asset is of low value, the Group recognises the lease payments as expenses on a straight-line basis over the lease term.

Note 10 includes detailed information on the right-of-use assets and lease liabilities recognised by the Group.

2.11 Impairment of non-financial assets

The carrying amount of the Group's non-financial assets other than inventories and deferred tax assets is reviewed at the end of each reporting period in order to assess whether any indication of impairment thereof exists. If such an indication exists, the Company estimates the recoverable amount of the asset.

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, the assessment of the existence of indications of impairment takes into account both external sources of information (technological changes, significant variations in market interest rates, market values of assets, etc.) and internal sources (evidence of obsolescence, etc.).

As established in **Note 2.7**, the recoverable amount of goodwill, which is not amortised, and of intangible assets not yet available for use is estimated at the end of each reporting period, unless prior to this date indications of a possible loss of value had been identified, in which case the assets would be tested for impairment.

Impairment losses on an asset are recognised whenever the carrying amount of the asset, or of the corresponding cash-generating unit, exceeds its recoverable amount. Impairment losses on an asset are recognised as an expense in the consolidated statement of profit or loss.

The recoverable amount of an asset is the higher of fair value less costs of disposal and value in use.

In order to determine the fair value, the Group may hire an independent expert.

Value in use is the present value of estimated cash flows, applying a discount rate that reflects the present market valuation of the time value of money and the specific risks of the asset in question. For assets that do not generate cash inflows themselves, the recoverable amount is calculated based on the cash-generating unit to which the asset belongs, considered as the smallest identifiable group of assets capable of generating cash inflows for the entity that are largely independent of the cash inflows from other assets or groups of assets.

In estimating the value in use of an asset, the Group takes into account the estimated future cash flows that the entity expects to obtain from the asset, expectations regarding possible variations in the amount or timing of those future cash flows, the time value of money and the risks inherent in the asset in question and any other factors that any other market participant would reflect in pricing the future cash flows derived from the asset.

The effects of uncertainties in estimating the asset's value in use may be reflected as adjustments to future cash flows or as adjustments to the discount rate, with the result being a weighted average of all possible outcomes.

In determining value in use, the Group bases its cash flow projections on reasonable and well-founded assumptions that represent management's best estimates of the set of economic conditions that will prevail over the remaining life of the asset, giving greater weight to external evidence. Also, these cash flow projections are based on the budgets most recently approved by management. These projections generally cover a maximum period of five years, unless a longer time period can be justified.

The Group estimates cash flow projections beyond the period covered by the budgets, extrapolating such projections using a constant growth rate which does not exceed the average long-term growth rate of the stainless steel industry, or the rate of the country or countries in which the entity operates.

Management assesses the reasonableness of the assumptions on which its current cash flow projections are based by examining the causes of differences between past and current cash flow projections, ensuring that the assumptions on which its current cash flow projections are based are consistent with actual past performance, and considering that the effects of subsequent events or circumstances that did not exist when those actual cash flows were generated justify those differences.

Notes 7.1 and **8.1** detail the variables and assumptions used by the Group to calculate recoverable amounts and identify the cash-generating units.

Except in the case of goodwill, impairment losses on an asset which were recognised in prior years are reversed through profit or loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the most recent impairment loss was recognised. However, the new carrying amount may not exceed the carrying amount (net of depreciation and amortisation) that would have been determined had no impairment loss been recognised.

2.12 Financial instruments

The Group recognises a financial asset or financial liability in its consolidated statement of financial position when, and only when, it becomes a party to the contractual terms and conditions of the instrument in question.

2.12.1 Classification

The Group classifies financial assets on the basis of their measurement either at amortised cost or at fair value through profit or loss or other comprehensive income. The basis for classification depends on the entity's business model and the characteristics of the financial asset's contractual cash flows.

Financial liabilities are classified on the basis of their measurement. In general terms, they are classified as being measured at amortised cost, except for financial liabilities measured at fair value through profit or loss or other comprehensive income.

The Group does not generally reclassify any financial assets or liabilities, unless the business model changes.

2.12.2 Financial assets

A financial asset is any contractual right to receive cash or another financial asset.

Financial assets are initially recognised at fair value plus the transaction costs that are directly attributable to their acquisition or issue.

They are subsequently measured on the basis of each of the categories in which they have been classified:

a) **Financial assets at fair value through profit or loss**

The Group includes derivative financial instruments in this category, unless they are designated as hedge accounting instruments and meet the effectiveness conditions to be accounted for as such.

The derivative financial instruments included in this category are classified as current assets and are measured at fair value. Transaction costs that are directly attributable to the acquisition are recognised as an expense in profit or loss.

The changes in fair value are recognised in profit or loss. The changes in fair value of financial instruments used to hedge items classified in financial profit or loss are recognised under "Remeasurement of Financial Instruments at Fair Value". However, for derivatives used to hedge the prices of raw materials used by the Company in the production cycle or earmarked for sale and which are not designated as hedges for accounting purposes, such changes are recognised under "Other Operating Income" or "Other Operating Expenses", depending on whether the measurement gives rise to a gain or a loss.

b) **Financial assets at amortised cost**

This category includes non-derivative financial assets with fixed or determinable payments which are not traded in an active market. Specifically, it includes loans granted and accounts receivable. They are classified as non-current only when they mature after more than 12 months from the reporting date. They are initially recognised at fair value which, in the absence of evidence to the contrary, is the transaction price plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method, except for accounts receivable measured at their transaction price as they do not have a significant financial component, they are expected to be received in the short-term and the effect of not discounting the related cash flows is not significant.

The Group makes the required valuation adjustments in accordance with the expected credit loss model, which takes into account historical claims incurred and other external factors. The impairment losses are calculated as the difference between the carrying amount of the aforementioned assets and the present value of the estimated future cash flows that they are expected to generate, discounted at the effective interest rate calculated upon initial recognition. These losses are recognised as an expense in the consolidated statement of profit or loss and are reversed with the recognition of income in profit or loss when the causes of their original recognition cease to exist.

The impairment loss model used by the Group is based on a historical analysis of the average credit losses at each of the subsidiaries and on the claims incurred under the credit insurance policies taken out, taking into account any non-recoverable amount (maximum coverage of 85%-95% and deductibles), and any post-claim recoveries, whether from the insurance company or the customers themselves. These estimates are reviewed within the Group's credit risk control system (Commercial, Financial and Commercial Risk Departments, the Risk Committee and the Corporate Risk Management Department), which continuously monitors the particular markets of each subsidiary, receives the input of specialists from insurance companies and reviews future estimates from international organisations of renowned prestige (IMF, OECD, etc.), also taking into account the macroeconomic estimates of each country. The Group takes into account and monitors significant changes in credit risk that may arise during the terms of the loans.

Amounts relating to discounted notes and bills and factoring of trade receivables are classified until maturity as trade receivables and, simultaneously, as current bank borrowings, unless substantially all the risks and rewards associated with those assets have been transferred, in which case they are derecognised.

The Group considers that it has transferred a financial asset when it has transferred the rights to receive the cash flows from the asset, or when it has retained the rights but has assumed the contractual obligation to pay those assets to another entity. In this case, the Group also considers the various additional conditions established in the standard (it has no obligation to pay any amount to another entity, unless it receives the cash flows derived from the financial asset; it cannot sell or offer the transferred financial assets as collateral; and it has an obligation to pay the cash flows received without significant delay). Also, if the Group does not retain the risks and rewards associated with those assets, it derecognises them.

Most of the factoring arrangements entered into by the Group meet this definition and, therefore, are derecognised from the consolidated statement of financial position.

c) **Financial assets at fair value through other comprehensive income**

This category includes the Group's ownership interests in the share capital of other companies over which it does not have control or exercise significant influence, and which it does not hold for trading.

These assets are generally classified as assets measured at fair value through profit or loss; however, the Group availed itself of the irrevocable option permitted by the standard to choose, on initial recognition, to present subsequent changes in fair value in other comprehensive income, since these assets are not held for trading.

They are initially recognised at fair value which, unless there is evidence to the contrary, is the transaction price plus any directly attributable transaction costs.

These assets are subsequently measured at fair value, provided that this can be measured reliably, recognising the gain or loss in other comprehensive income.

The fair value of listed securities is determined by reference to the share price. The fair value of financial assets not listed on an organised market is calculated by discounting future cash flows.

Ownership interests in the share capital of companies included in this category and whose market value cannot be measured reliably are measured at acquisition cost less any impairment losses.

Acquisitions and disposals of investments are recognised at the date on which the Group undertakes to acquire or sell the asset. Investments are derecognised when the rights to the cash flows from the investments expire or have been transferred and the Group has transferred substantially all the risks and rewards of their ownership.

The difference between the selling price and the fair value of available-for-sale financial assets is recognised in other comprehensive income.

2.12.3 Financial liabilities

For measurement purposes, the Group's financial liabilities are classified under the following categories:

a) **Financial liabilities at amortised cost**

This category includes the accounts payable and bonds issued by the Group.

It includes non-derivative financial liabilities with fixed or determinable payments. They are initially recognised at cost, which matches their fair value, less any transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Any difference between the amount paid (net of transaction costs) and the repayment value is recognised in profit or loss. However, trade payables maturing within one year which do not have a contractual interest rate and are expected to be paid at short-term are stated at their nominal value.

The Group derecognises a financial liability when the obligation specified in the contract is either discharged or cancelled or expires.

When debt is refinanced, the Company assesses the significance of the modifications made to determine whether they are substantially different and, therefore, recognises the effects of the new agreement as if it were an extinguishment and, simultaneously, the recognition of a new loan. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, qualitative factors will be taken into account in the evaluation, such as the change in the interest rate from variable to fixed or the change in currency. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Also, the Group has entered into reverse factoring arrangements with various banks in order to manage payments to suppliers. Trade payables payment of which is managed by the banks are recognised under "Trade and Other Payables" until the related obligation is discharged or cancelled or expires.

b) **Financial liabilities at fair value through profit or loss**

The Group includes derivative financial instruments in this category, provided that they are not financial guarantee contracts or designated as hedging instruments.

They are measured at fair value. The amount of the change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income. The remaining amount of the change in the fair value of the liability shall be presented in profit or loss, unless such treatment would create an accounting mismatch in profit or loss, in which case the entire fair value change shall be recognised in profit or loss.

The fair value of financial instruments used to hedge items classified in financial profit or loss (exchange differences and interest) is recognised under "Remeasurement of Financial Instruments at Fair Value". However, for derivatives used to hedge the prices of raw materials used by the Company in the production cycle or earmarked for sale and which are not designated as hedges for accounting purposes, such changes are recognised under "Other Operating Income" or "Other Operating Expenses", depending on whether the measurement gives rise to a gain or a loss.

At the Acerinox Group, derivative financial instruments are generally used on a short-term basis and, therefore, the change attributable to the credit risk is not significant.

2.12.4 Hedge accounting

The aim of hedge accounting is to represent in the financial statements the effect of the Group's risk management activities in which derivative financial instruments are used to hedge exposure to certain risks that might affect the statement of profit or loss. A hedging relationship qualifies for hedge accounting under IFRS 9 only if the following criteria are met:

(a) The hedging relationship consists only of eligible hedging instruments and eligible hedged items.

(b) At the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.

(c) The hedging relationship meets the following hedge effectiveness requirements:

i. There is an economic relationship between the hedged item and the hedging instrument.

ii. The credit risk does not dominate the value changes resulting from that economic relationship.

iii. The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

At the inception of the hedge, the Group designates and formally documents the hedging relationship and the objective and strategy for undertaking the hedge.

Derivative financial instruments are initially recognised at acquisition cost, which matches fair value, and are subsequently measured at fair value.

Derivative financial instruments that do not qualify for hedge accounting are classified and measured as financial assets or liabilities at fair value through profit or loss. Derivative financial instruments that qualify for cash flow hedge accounting are treated as cash flow hedges and, therefore, the unrealised gain or loss arising from them is accounted for based on the type of item covered. Also, the effective portion of the realised gain or loss on the derivative financial instrument is initially recognised in the consolidated statement of comprehensive income and is subsequently recognised in profit or loss in the year or years in which the hedged transaction affects profit or loss.

The Group prospectively discontinues hedge accounting when the hedging instrument expires, is sold or the hedge no longer meets the criteria for hedge accounting. In such cases, the cumulative gain or loss recognised in equity is recognised in profit or loss.

The Group only undertakes cash flow hedges.

2.12.5 Fair value measurement

Financial instruments recognised at fair value are classified, based on the valuation inputs, in the following hierarchies:

LEVEL 1: includes financial instruments the fair value of which is determined by reference to quoted prices in active markets.

LEVEL 2: includes financial instruments the fair value of which is determined by reference to variables, other than quoted prices, observable in the market.

LEVEL 3: includes financial instruments the value of which is determined by reference to variables that are not observable in the market.

2.13 Inventories

Inventories are initially recognised at acquisition or production cost. Subsequently, when the net realisable value of inventories is lower than their acquisition or production cost, the appropriate write-downs are made, with the related effect recognised in profit or loss.

The Group uses the same cost formula for all inventories that have the same nature and a similar use within the Group. They are measured using the weighted average cost formula.

Finished goods and work in progress are measured at the weighted average cost of raw and other materials consumed, incorporating the attributable portion of direct and indirect labour and general manufacturing costs based on the higher of normal production capacity or actual production. The Group does not include the cost of underutilisation of production capacity in the value of finished goods and work in progress.

Net realisable value is the expected selling price of those goods less costs to sell. In the case of work in progress, the estimated costs of completion are also deducted from this price.

The Group does not write down raw materials if the finished products in which they will be incorporated are expected to be disposed of at or above production cost.

Any write-downs that reduce inventories to their net realisable value are reversed, up to the cost of the inventories, if the circumstances that gave rise to the write-downs cease to exist.

2.13.1 Emission allowances

The Group recognises CO_2 emission allowances as inventories.

CO_2 emission allowances are measured at acquisition cost. Freely allocated emission allowances are initially recognised at their market value on surrender. Simultaneously, a balancing entry for a grant is recognised for the same amount under “Deferred Income”.

Emission allowances remain classified as inventories until surrendered.

At the end of each reporting period the Group assesses whether the market value of the allowances is lower than their carrying amount in order to determine whether there are any indications of impairment. If such indications exist, the Group determines whether the allowances will be used in the production process or earmarked for sale, and only in the second case shall the appropriate write-downs be recognised. These write-downs are reversed when the causes that gave rise to the write-down of the emission allowances cease to exist.

A provision for contingencies and charges is recognised for expenses relating to greenhouse gas emissions. This provision is maintained until the Group is required to discharge this obligation by surrendering the corresponding emission allowances. These expenses are incurred as the greenhouse gases are emitted.

In the case of freely allocated emission allowances, at the same time as the expense is recognised, the corresponding part of the deferred income account is cancelled, using an operating income account as the balancing entry.

In the case of exchanges of emission allowances, and since the Group’s allowances were all freely acquired, the accounting treatment adopted by the Group is that applied to exchanges that lack commercial substance. The Group derecognises allowances surrendered at their carrying amount, and the amount received is recognised at fair value on surrender. The difference between the two values is recognised under “Deferred Income”.

Note 11, Inventories, includes detailed information on the emission allowances allocated and used in 2021 and 2020.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits at banks and other short-term, highly liquid investments, provided that they are readily convertible to cash and are subject to an insignificant risk of changes in value.

In the consolidated statement of cash flows, the Group classifies interest received and paid as cash flows from operating activities, dividends received as cash flows from investing activities and dividends paid as cash flows from financing activities.

2.15 Grants

2.15.1 Grants related to assets

Grants related to assets are grants received by the Group for the acquisition of property, plant and equipment and intangible assets. They are recognised under "Deferred Income" in the consolidated statement of financial position. They are initially recognised at the original amount awarded, provided that there is reasonable assurance that the grants will be received and the Group fulfils all the conditions attaching to them. They are subsequently taken to profit or loss on a straight-line basis over the useful lives of the related assets financed by the grants.

2.15.2 Grants related to income

Grants related to income are grants received to finance specific expenses. They are recognised as income as the expenses are incurred. Grants relating to the free allocation of CO_2 emission allowances are credited to profit or loss when the related greenhouse gas emission expense is recognised.

In 2021, as a result of the pandemic, numerous countries introduced aid packages in an attempt to alleviate the effects of the crisis on production activity and protect workers. In many cases, the measures implemented included social security payment exemptions. Any state aid resulting from the pandemic, whether in the form of direct payments, subsidies or temporary reductions in social security or other tax payments, was recognised in the year as income from grants.

2.16 Employee benefits

Employee compensation includes the following:

- Short-term compensation: that which is expected to be paid in full within twelve months from the end of the reporting period in which the employees rendered their services. They are recognised as expenses in the year in which the service is rendered. They include wages and salaries, social security contributions, paid annual leave and sick leave, profit sharing and incentive or non-monetary compensation.
- Post-employment benefits, such as retirement benefits or any other form of compensation to employees upon termination of their employment.
- Other long-term employee benefits such as length of service awards
- Severance indemnities

Certain Group companies have the following long-term obligations to their employees:

a) **Defined contribution plans**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to the services rendered in the current and prior periods.

Certain Group companies make mandatory, voluntary or contractual pension plan and life insurance policy contributions. Once the contributions have been paid, the Group does not have additional payment obligations. The contributions are classified as employee benefits and are recognised in profit or loss on an accrual basis. The benefits paid in advance are recognised as an asset to the extent that they may give rise to a cash refund or a reduction in future payments. No provisions are recognised for the defined contribution plans, since they do not give rise to future obligations for the Group.

b) **Defined benefit plans and other obligations**

A defined benefit plan is an obligation acquired by the Company to its employees to remunerate services rendered. These obligations are established in accordance with the local legislation in certain countries or contracts signed to that effect, or are included in collective bargaining agreements prevailing at certain Group companies.

Accrued obligations are calculated as the present value of the accumulated benefits accrued by the employees until the reporting date, using actuarial assumptions. The calculations are made by independent experts. The Group companies recognise any corresponding provisions to cover these obligations.

The existing obligations may be classified as follows:

- Pension plans: certain Group companies have acquired obligations to certain of their employees when they reach retirement age.
- Early retirement benefits: certain Group companies are required to pay benefits to some of their employees if they opt to take early retirement.
- Supplements: these plans relate to obligations agreed upon with certain Group employees to supplement their remuneration on retirement.
- Other post-employment obligations: certain Group companies offer medical care to their retired former employees. The right to benefits of this nature is usually conditional upon the employee remaining at the Group until retirement and for a specified minimum number of years. The expected expenditure relating to these benefits is accrued over the employees' working lives.

The Group meets the obligations relating to the outsourcing of these commitments in the countries where this is applicable.

The defined benefit liability recognised in the consolidated statement of financial position corresponds to the present value of the defined benefit obligations existing at the reporting date less the fair value of the plan assets at that date. The Group recognises changes in the actuarial valuation of the obligations in other comprehensive income.

Where plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of the insurance policies is considered equal to the present value of the related payment obligations and, accordingly, the Group nets the two positions in the consolidated statement of financial position.

The actuarial value of both the post-employment obligations and the pension benefits that have not been outsourced is calculated by an independent expert. The measurement is performed using the projected unit credit method, taking into account mortality tables, interest rates, discount rates, expected future salary increases and growth rates. In the case of post-employment obligations, estimates of future increases in healthcare expenses are also taken into account.

The Group recognises as an expense for the year the cost of services rendered, which corresponds to the increase in the present value of the defined benefit obligation resulting from the provision of services by the employee in the current year.

In addition, the Group recognises as an expense the net interest on the defined benefit obligation, which corresponds to the change during the year in the defined benefit obligation resulting from the passage of time.

c) **Termination benefits**

Termination benefits are recognised as staff costs only when the Group is demonstrably committed to severing its link to an employee or group of employees prior to the normal retirement date.

d) **Share-based payment transactions**

The Group applies IFRS 2, Share-based Payment, to equity-settled transactions in which the entity receives goods or services in exchange for shares of the Parent.

In accordance with the terms of the share-based payment plans approved by the Group, the equity instruments granted do not vest immediately, and do so when a certain service period is completed, so the Group recognises the services received on a straight-line basis over the period in which the rights to receive such shares vest, recognising at the same time the corresponding increase in equity.

The Group measures the goods or services received, as well as the corresponding increase in equity, at the fair value of the equity instruments granted, at the grant date. Fair value is determined by the market price of the entity's shares adjusted to take into account the terms and conditions on which those shares were granted (except for vesting conditions, other than market conditions, which are excluded from the determination of fair value). The Group uses the appraisal of an independent expert, who uses the Monte Carlo method for this valuation.

When the obligation to deliver its own equity instruments is to the employees of a subsidiary, the events must be qualified as a "contribution", in which case the Parent shall recognise an increase in the value of its interest in the subsidiary, with a credit to its own equity instruments, and measure it at the fair value of the equity instruments transferred at the grant date.

Upon delivery of the shares, the accounting difference between the equity item cancelled and the treasury shares delivered is recognised with a charge to the Parent's reserves.

2.17 Provisions

The Group recognises a provision when:

(i) it has a present obligation, whether legal or constructive, as a result of past events;

(ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and

(iii) the amount can be estimated reliably.

The amounts recognised in the consolidated statement of financial position correspond to the best estimate at the reporting date of the disbursements required to discharge the present obligation, after taking into account the risks and uncertainties relating to the provision and, where significant, the interest cost arising from discounting, provided that the disbursements that are to be made in each period can be reliably estimated. If discount rates are used, the increase in the provision as a result of the time elapsed is recognised as financial expense for the year.

2.18 Current/Non-current classification

In the consolidated statement of financial position the Group classifies assets and liabilities as current and non-current items. For such purpose, assets and liabilities are considered to be current when they are expected to be realised or settled within 12 months after the reporting date, or when they are cash or cash equivalents.

2.19 Income tax

The income tax expense comprises current tax and deferred tax.

Current tax is the tax expected to be paid in respect of the consolidated taxable profit or tax loss for the year, using tax rates enacted at the consolidated statement of financial position date and applicable to the current year. Current tax also includes any adjustment to the tax payable or receivable for prior years.

Deferred taxes are calculated using the balance sheet liability method based on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxes are determined by applying the tax rates (and laws) enacted, or substantively enacted, at the consolidated statement of financial position date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The effect of a change in the tax rate on the deferred tax assets and liabilities is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to the consolidated statement of comprehensive income.

Deferred tax liabilities are always recognised. Deferred tax assets are recognised to the extent that it is considered probable that taxable profits or deferred tax liabilities will arise in the future against which the temporary differences can be offset.

The Group recognises in the consolidated statement of financial position the deferred tax assets arising from tax loss or tax credit carryforwards, provided that they are recoverable in a reasonable period of time, also taking into account the legally established limits for their use. The Group considered a period of ten years to be reasonable if permitted by tax legislation. For this purpose, the Group performs future earnings projections approved by management, which take into account present macroeconomic and market circumstances, and adjusts these projections based on current tax legislation in order to determine the taxable profit or tax loss.

Deferred tax assets are reduced when it is no longer considered probable that sufficient future taxable income will be generated or there are no deferred tax liabilities against which the assets can be offset. Reductions are reversed if there is renewed expectation that sufficient taxable income will be available against which the derecognised balance can be utilised. Both the deferred tax asset reduction and its subsequent reversal are recognised as an increase or decrease in the tax expense, respectively, in profit or loss in the year in which they arise.

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right to do so, the assets and liabilities correspond to the same tax authority and the Group plans to realise current tax assets or settle current tax liabilities on a net basis.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or non-current liabilities, irrespective of the expected date of realisation or settlement.

When tax audits result in a tax deficiency to be settled, the Group generally recognises such amounts as a current expense for the amount payable, and a deferred tax expense for the change in assets or liabilities arising from temporary differences resulting from the related tax assessment. If the amount payable is contested and the Group decides to file an appeal against the tax assessment, and furthermore considers that a favourable outcome for the Group is highly probable, it recognises an asset for the amounts previously paid and which it estimates will be recovered.

Certain companies forming part of the consolidated Group have reserves which could be taxable if distributed, since certain legislation envisages withholdings at source that affect the payment of dividends. In addition, in 2020, in Spain, where the Parent of the Acerinox Group has its registered office, an amendment was approved, effective for tax periods beginning on or after 1 January 2021, which affects the tax exemption applicable to dividends received from Group companies, provided that certain conditions are met. This amendment reduces to 95% the aforementioned exemption for dividends from qualifying ownership interests, whereby companies shall be taxed on 5% of such gains, treated as non-deductible expenses relating to management of the ownership interest. The Group recognises the tax effect in this connection whenever it considers that the reserves will have to be distributed in the foreseeable future, which will give rise to the reversal of the temporary difference. That is to say, the Parent shall not recognise a deferred tax liability when it considers that such reserves will not be distributed in the foreseeable future. The Group shall also reverse the temporary difference, against profit or loss for the year, when legislative changes eliminate or reduce the tax liability relating to those reserves.

The Company has been taxed under the consolidated tax regime since 1998. As agreed by the shareholders at the Annual General Meeting held on 28 May 2003, Acerinox, S.A. and certain of the subsidiaries with registered office in Spain form part of a consolidated tax group on an indefinite basis, with the exception of Metalinox Bilbao, S.A.U. and Inoxidables de Euskadi, S.A.U., which file tax returns separately. At 31 December 2021 and 2020, the consolidated tax group was made up of: Acerinox, S.A., Acerinox Europa, S.A.U., Roldan, S.A., Inoxfil, S.A., Inoxcenter, S.L.U. and Inoxcenter Canarias, S.A.U. As a result of the consolidated tax regime, reciprocal receivables and payables between Group companies arise, due to the offset of tax bases between them.

2.20 Revenue recognition

Revenue is an increase in economic benefits during the year in the form of additions or increases in the value of assets or decreases in liabilities that result in an increase in equity and are not related to owners' contributions.

Revenue depicts the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of the good or service sold, i.e. when the customer has the ability to direct the use of, and obtain substantially all of the benefits from the good or service.

The Group takes into consideration the five-step model to determine when, and for what amounts, revenue should be recognised.

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

A contract is an agreement between two or more parties that creates enforceable rights and obligations. A contract does not exist if each party to the contract has the unilateral enforceable right to terminate an unperformed contract without compensating the other party (or parties).

The main types of the Group's revenue and other income are as follows:

a) **Sales and services**

Revenue from the sale of goods is recognised in the consolidated statement of profit or loss when control of the goods is transferred to the buyer. No revenue is recognised if significant doubts exist in relation to the recovery of the amount owed or the possible return of the goods. Sales revenue is recognised at the transaction price, which is the amount of consideration to which the entity expects to be entitled in exchange for transferring the goods or services promised to a customer, excluding amounts collected on behalf of third parties.

A contract is an agreement between two or more parties that creates enforceable rights and obligations. A contract does not exist if each party to the contract has the unilateral enforceable right to terminate a contract without compensating the other party (or parties). The stainless steel sales process is performed through sales orders. From this perspective, the orders arranged by the Group with customers do not give rise to a right or obligation enforceable in advance, since the parties are entitled to unilaterally terminate an unperformed contract without compensating the other party until such time as the goods are delivered. Therefore, no obligation arises until the goods are delivered.

Depending on the commercial terms and conditions of sale, the control and risk of the goods may be transferred when the materials are shipped from the Group's facilities or when they are delivered to the customer. The Group takes into account these terms and conditions of sale to determine the timing of revenue recognition. Revenue from the sale of goods is recognised in profit or loss when control over the goods is transferred to the buyer.

The Group considers all of the following factors when determining the transaction price:

(a) variable consideration;

(b) constraining estimates of variable consideration;

(c) the existence of a significant financing component in the contract;

(d) non-cash consideration; and

(e) consideration payable to the customer.

Revenue is recognised net of taxes, returns and discounts that the Group considers probable at the date the revenue is recognised, and after the elimination of intra-Group sales.

b) **Lease income**

Lease income is recognised in profit or loss on a straight-line basis over the term of the lease.

c) **Dividend income**

Dividend income is recognised when the right to receive it is established.

2.21 Environment

The Group carries out actions the main objective of which is to prevent, reduce or repair the damage that might be caused to the environment as a result of its business activities.

Expenses arising from environmental activities are recognised as expenses in the year in which they are incurred. However, the Group recognises environmental provisions, where necessary, by applying the general criteria detailed in **Note 2.17**.

The items of property, plant and equipment acquired to be used on a lasting basis in the Group's operations and the ultimate purpose of which is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of pollution, are recognised as assets using measurement, presentation and disclosure criteria consistent with those discussed in **Note 2.8**.

2.22 Changes in accounting estimates and policies and correction of errors

The Group applies IAS 8 to recognise changes in accounting estimates, changes in accounting policies and the correction of errors. In this regard, the Group recognises changes in accounting estimates in the year in which they occur. Accounting errors are corrected in the year in which they occurred, restating the comparative information presented in the consolidated financial statements, where the errors are material. Changes in policies are recognised retrospectively, adjusting the opening balances of each affected equity component, from the previous year presented, unless a specific transitional provision exists for the initial application of a standard or interpretation.

NOTE 3 – ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

The Group makes estimates and judgements regarding the future. The resulting accounting estimates may differ from the corresponding actual results. 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.

The main estimates made by the Group are as follows:

a) Impairment losses on goodwill and other non-financial assets

Once a year, the Group tests goodwill for impairment, in accordance with the accounting policy detailed in **Note 2.11**.

At each reporting date the Group reviews whether there is any indication that its property, plant and equipment has become impaired, taking into account the criteria established in the policy. If any such indications exist, the entity estimates the recoverable amount of the asset in question.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use.

The recoverable amounts of the cash-generating units were determined, in certain cases, on the basis of the calculation of their value in use and, in other cases, on the basis of the fair value less costs of disposal. In the event of the use of fair value estimates, these shall be carried out by an independent valuer.

The calculations of value in use are made using reasonable assumptions based on past returns and future market production and development expectations. Some of these assumptions relate to sales, margins, discount rates and perpetuity growth rates, which involve a high degree of judgement. **Notes 7.1 and 8.1** detail the analyses conducted by the Group in 2021 and 2020.

b) **Business combinations**

As explained in the accounting policy relating to business combinations (**Note 2.5**), the Group measures business combinations in accordance with IFRS 3.

The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity interests issued and any contingent consideration that depends on future events or the fulfilment of certain conditions in exchange for control of the acquiree.

The Group engaged an independent expert (KPMG Asesores, S.L.) to perform the fair value estimates and subsequently determine the amount of goodwill resulting from the acquisition of the VDM Metals Group in 2020, as explained in **Note 5.1.**

c) **Useful lives of plant and equipment**

Group management determines the estimated useful lives and related depreciation charges of its plant and equipment based on valuations performed by experts. These could alter significantly as a result of technical innovations, variations in plant activity levels, regulatory changes, etc. Management regularly reviews the depreciation charge and adjusts it when estimated useful lives are different from those previously applied, depreciating or derecognising technically obsolete and non-strategic assets that have been discontinued or sold.

The Group company Columbus Stainless (Pty) Ltd. re-estimated the useful lives of certain equipment in both 2021 and 2020, as explained in **Note 8**.

d) **Fair value of derivatives and other financial instruments**

The Group acquires derivative financial instruments to hedge its exposure to exchange rate and interest rate fluctuations, as well as to fluctuations in certain raw material prices. The fair value of financial instruments not traded in active markets is determined using valuation techniques based mainly on market conditions existing at each reporting date, and provided that financial information is available to carry out this valuation. **Note 12.2.4** provides further information on the financial instruments measured on the basis of these assumptions.

e) **Provisions**

As indicated in **Note 2.17**, the provisions recognised in the consolidated statement of financial position reflect the best estimate at the reporting date of the amount expected to be required to settle the obligation, provided that the materialisation of this outflow of resources is considered probable. Changes in envisaged circumstances could cause these estimates to vary, and they would be revised if necessary.

In the case of provisions arising from litigation in respect of which there are legal proceedings under way, the lawyers or independent experts determine the likelihood of occurrence of the events giving rise to the need to recognise a provision. In cases in which it is considered possible, although not probable, that an outflow of resources will occur or it is difficult to reliably determine the amount of the provision, the Group shall consider the provision to be a contingent liability and disclose the information in the notes **(Note 16**)

f) **Net realisable value**

As mentioned in **Note 2.13**, the Group estimates the net realisable values of its inventories in order to recognise the appropriate valuation adjustments. The expected selling prices of the inventories less costs to sell are taken into account when determining the net realisable value.

g)**Determination of credit losses using the expected credit loss model**

As mentioned in **Note 2.12.2**, the Group has defined a new impairment loss model based on a historical analysis of the average credit losses at each of the subsidiaries and on the claims incurred under the credit insurance policies taken out, taking into account any non-recoverable amount (maximum coverage of 85%-95% and deductibles) and any post-claim recoveries, whether from the insurance company or the customers themselves. These estimates are reviewed as part of the internal credit risk control system, which constantly monitors the respective markets of the individual subsidiaries through the Risk Committee, receives inputs from specialised experts at the insurance companies and reviews forward-looking estimates of prestigious international organisations (IMF, OECD, etc.), also taking into account the macroeconomic estimates of the individual countries. The Group takes into account and monitors significant changes in credit risk that may arise during the terms of the loans.

h) **Determination of employee benefit obligations**

Pension and similar obligations are determined on the basis of actuarial valuations which take into account statistical rates published by official bodies relating to future valuations such as expectations of salary increases, growth rates, mortality rates, discount rates, etc. These rates may vary significantly depending on economic and market conditions, which would cause variations in the obligations recognised in the consolidated financial statements.

The Group recognises in the consolidated statement of financial position the amounts arising from its employee benefit obligations, based on the actuarial valuations performed by independent experts.

Note 16.1 includes detailed information on the assumptions used in 2021 to perform the valuations.

i) Hyperinflation adjustments

On 1 July 2018, Argentina was declared to be a hyperinflationary economy, as it met the classification requirements established in IAS 29. The Acerinox Group has an entity in Argentina, as detailed in **Note 5**.

The financial statements of Acerinox Argentina were stated in terms of the measuring unit current at the end of the reporting period. The restated cost of each non-monetary item in the financial statements was determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the end of the reporting period.

In 2021 the components of the owners' equity, except retained earnings and any revaluation surplus, were restated by applying a general price index to the various items from the date on which the components were contributed or otherwise arose. Restated retained earnings are the result of applying these indices to the other amounts in the consolidated statement of financial position.

All the items in the consolidated statement of comprehensive income were also restated in the monetary unit current at the end of the reporting period. For this purpose, all the amounts were restated by applying an index calculated on the basis of the change in the general price index from the date on which the income and expenses were recognised in the financial statements.

The gain or loss arising from the net currency position was included in profit or loss.

Note 14.6 includes the impacts of the measurement in accordance with this standard, which in any case were immaterial to the Group.

j) Recoverability of tax loss and tax credit carryforwards

Separately from tax legislation, which in many cases allows the recovery of tax losses without limitation, as established in the related accounting policy (**Note 2.19**), the Group recognises in the consolidated statement of financial position the deferred tax assets arising from tax loss and tax credit carryforwards, provided that they are recoverable over a reasonable period of time, which the Group has set at ten years. The Group regularly assesses the recoverability of available tax assets through earnings projections approved by management, to conclude as to whether they will be recoverable in the aforementioned reasonable period.

The Group also takes into account the limitations on the offset of tax losses stipulated under certain legislation. **Note 19.3** details the Group's existing tax assets and the bases used to determine the recoverability of recognised tax assets.

Due to the recovery of the economy post-Covid and favourable market expectations, the Group has reversed part of the impairment made last year on its tax credits based on future result forecasts. This has allowed EUR 5,493 thousand in such credits to be recovered. Last year, however, certain capitalised tax credits proved not to be recoverable within a reasonable period of time, with the Group writing them off against income. Both impacts are explained in **Note 19.3.3.**

k) Recognition of a deferred tax liability arising from investments in subsidiaries

As established in the accounting policies (**Note 2.19**), certain companies forming part of the consolidated Group have reserves which could be taxable if distributed, since certain legislation envisages withholdings at source that affect the payment of dividends, as well as limitations on the deductibility of gains from other countries distributed in the form of dividends. The Group recognises the tax effect in this connection provided that it considers that such reserves will have to be distributed in the foreseeable future. At the same time, the Group shall also reverse this temporary difference against profit or loss when new legislative changes eliminate or reduce the tax liability of these reserves.

As a result of the entry into force in Spain, as of 2021, of the amendment to income tax affecting the tax exemption for dividends received from Group companies, the aforementioned tax exemption for dividends received from qualifying ownership interests applicable to the Parent of the Acerinox Group will be reduced to 95%, whereby it shall be taxed on 5% of the dividends it receives from its subsidiaries, which shall be treated as non-deductible expenses relating to management of the ownership interest. This amendment means that the Group must recognise the tax effect in this connection provided that it considers that reserves of subsidiaries will have to be distributed in the foreseeable future.

Each year the Group analyses whether these retained cumulative earnings held by the Group companies will be distributed to the Parent. The repatriation of dividends made in recent years guarantees the equity position of the parent company, meaning that management does not deem it necessary to distribute the reserves of its subsidiaries. Future repatriations of dividends are expected to be made on the basis of the results obtained year by year. The Group does not therefore consider it necessary to recognise a deferred tax liability associated with such retained earnings.

l) **Determination of lease terms**

The new IFRS 16 standard requires the recognition of assets and liabilities arising from leases in the statement of financial position. For this purpose, at inception of a contract the Group will have to assess whether the contract is, or contains, a lease.

Also, the Group measures the right-of-use asset at cost, corresponding to the present value of the lease payments expected to be made over the lease term. Accordingly, the Group is required to analyse both the amount of the payments it expects to make (both fixed and variable payments or penalties) and the lease term, for which purpose it must take into account the options for extending the lease.

Note 10 includes detailed information on leases and their recognition and measurement in the Group's consolidated financial statements.

NOTE 4 – FINANCIAL RISK MANAGEMENT

The Group's activities, in both its stainless steel and special alloy divisions, 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. **Note 12.2.6** includes a detailed analysis of the Group's derivative financial instruments at year-end.

The Group does not arrange financial instruments for speculative purposes.

4.1 Market risk

Market risk arises from changes in market prices due to exchange rate or interest rate fluctuations or changes in prices of raw and other materials or expenses, which can affect the Company's earnings, its equity and the measurement of its assets and liabilities.

4.1.1 Foreign currency risk

The Group operates internationally and in various currencies, particularly in the US dollar, and is therefore exposed to foreign currency risk. Foreign currency risk arises from commercial transactions and from financing and investment operations, and from the translation of financial statements the functional currencies of which differ from the consolidated Group's presentation currency (the euro).

Monetary assets and liabilities denominated in foreign currencies are translated to the Group's functional currency at the reporting date at the exchange rates then prevailing. Any exchange differences that arise from such translation are recognised in the consolidated statement of profit or loss. To avoid fluctuations in the consolidated statement of profit or loss due to changes in exchange rates, and to ensure the expected cash flows, the Group uses derivative financial instruments to hedge most of its commercial and financial transactions performed in currencies other than the functional currency of each country. To this end, at the beginning of each month and subject to fortnightly review, each company considers its loans in non-local currency, the balances of its trade receivables and payables to suppliers in foreign currency, the sales and purchases in foreign currency forecast for that period and the currency forwards arranged. The Group may take commercial or financial transactions as a whole into account to evaluate its total exposure when hedging foreign currency transactions. The Group hedges balances with third parties and between Group companies.

The Company's business model is to hedge foreign currency risk through the use of derivative financial instruments and there is an economic relationship between the hedged item and the hedging instrument. The Group hedges cash flow risks for transactions performed in foreign currencies that are recognised in the consolidated statement of financial position; accordingly, any change in the derivative valuation is recognised in the consolidated statement of profit or loss and is offset by any changes that occur at each reporting date in the monetary items recognised in foreign currencies. The designation of these instruments as hedging instruments does not give rise to any accounting differences in the Group's consolidated statement of profit or loss. Consequently, in general, financial instruments designated to hedge foreign currency risk exposure arising from commercial transactions or transactions between Group companies are not treated for accounting purposes as hedging instruments. Instead, the Group categorises these instruments at fair value through profit or loss.

The derivative financial instruments used by the Group to hedge this risk consist of foreign currency purchase and sale forward contracts negotiated by the Group's Treasury Department in accordance with the policies approved by management.

Where necessary, the Group uses other types of financial derivatives such as cross-currency swaps to control foreign currency risk in financial transactions. At 2021 year-end, no derivatives of this nature had been arranged, as no financing had been arranged in currencies other than the functional currency.

VDM, which constitutes the special alloys division, is also exposed to exchange rate volatility risk, particularly in relation to the US dollar. VDM hedges its exposure to currencies other than EUR from the time of order. In terms of USD, due to the ability to net the expected cash inflows and outflows in this currency, it only covers the net position. For these hedges, currency forwards are used.

The fair value of foreign currency forward contracts is equal to their market value at the reporting date, i.e. the present value of the difference between the current forward rate and the contract rate.

Note 12.2.6 details the financial instruments arranged by the Group to hedge this type of risk at 31 December 2021 and 2020.

Lastly, the Group is exposed to foreign currency risk as a result of the translation of the separate financial statements the functional currency of which differs from the Group's presentation currency, particularly the US dollar and the South African rand. The USD/EUR exchange rate at 2021 year-end was 1.1326, while at 2020 year-end it stood at 1.2271 (USD appreciation of 8% for the year). The exchange rate of the South African rand to the euro at 2021 year-end was 18.0625, while at 2020 year-end it was 18.0219 (rand depreciation of 0.2%).

The Group does not use financial instruments to hedge foreign investments in currencies other than the euro, since these are strategic long-term investments that the Group does not intend to sell or settle. **Note 14.4** includes a breakdown of the changes in translation difference items in the year.

Sensitivity to changes in these currencies with respect to the euro, with other variables remaining constant and based on the translation rates at the end of 2021 and 2020, respectively, was as follows:

(Amounts in thousands of euros)

	Profit or loss		Equity	
	10% appreciation	10% depreciation	10% appreciation	10% depreciation
31 December 2021				
USD	53,198	-43,525	231,478	-189,391
ZAR	4,789	-3,918	25,975	-21,253
31 December 2020				
USD	16,916	-13,841	131,520	-107,607
ZAR	-1,643	1,344	19,891	-16,274

4.1.2 Interest rate risk

The Group's financing comes from various countries and is provided in various currencies (mainly in the euro and the South African rand), with a range of maturity dates and with loans mostly tied to variable interest rates.

The Group's financial liabilities and financial assets are exposed to fluctuations in interest rates. To manage this risk, interest rate curves are analysed regularly and derivatives are occasionally used. These derivatives take the form of interest rate swaps which qualify for recognition for accounting purposes as cash flow hedging instruments. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account interest rates at that date and the credit risk associated with the swap counterparties.

In addition the Group takes out fixed-rate loans to reduce its exposure to interest rate fluctuations. In 2021, the Group has contracted a sustainable fixed-rate loan with BBVA for EUR 50 million, which added to the existing fixed-rate loans, amounting to EUR 681 thousand. In addition, VDM Metals has signed a EUR 30 million fixed-rate loan in Germany with Intesa SanPaolo.

In 2021, as in 2020, the Group continued to reduce the cost of its long-term loans by renegotiating the fixed interest rate or margin and extending the maturity. **Note 4.3** explains all new loan negotiations undertaken throughout the year. Of the six renegotiated loans, four have been contracted at fixed interest rates.

No new interest rate swaps were contracted during the year.

During 2020, the Group took out five long-term loans for the acquisition of VDM Metals. In order to reduce the risk of interest rate fluctuations, interest rate hedges were arranged amounting to EUR 160 million, equal to the amount of the new loans arranged with CaixaBank and the Spanish Official Credit Institute ("ICO"). In addition, three new fixed-rate loan agreements were signed for EUR 190 million with BBVA, Sabadell and Liberbank, two fixed-rate financings under the ICO guarantee with Banco Santander and Bankinter for EUR 110 million, and the renegotiation of two financings, also at a fixed rate, with Banco Sabadell and Banco Cooperativo Español for EUR 145 million.

Note 12.2.6 details the financial instruments arranged by the Group to hedge this type of risk at 31 December 2021 and 2020.

In relation to the Group's interest rate sensitivity, had interest rates on its outstanding debt at year-end been 100 basis points higher, with all other variables remaining constant, the consolidated profit after tax would have been EUR 5.4 million lower (EUR 1.9 million lower in 2020) due to higher borrowing costs on floating-rate debt. The effect on the Group's equity of such an increase in interest rates across the entire interest rate curve would have been an increase of EUR 8.4 million (2020: an increase of EUR 17.8 million), since the higher borrowing costs would have been comfortably offset by increases in the values of its interest rate hedging derivatives held at the reporting date.

4.1.3 Price risk

The Group is exposed to several types of price risk:

1. Risk arising from changes in the price of securities held in listed companies

The risk arising from changes in the price of securities held in listed companies relates to the portfolio of shares currently held by the Group in Nippon Steel & Sumitomo Metal Corporation (Nippon). The Group does not hedge this risk with derivative financial instruments. Upon adoption of the new standard for measuring financial instruments (IFRS 9), the Group categorised these instruments as financial assets at fair value through other comprehensive income and, accordingly, recognises any changes in equity. The impact of the fluctuations in listed securities in 2021 is explained in **Note 12.2.5**.

2. Risk due to supply price fluctuation.

Throughout the year, the Group had to face sharp increases in the price of supplies, principally gas and electricity. 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. The prices of these supplies increased 5-fold and 3-fold respectively over the previous year. The strong revaluation of natural gas on international markets and the rise in CO_2 emission rights are among the causes that led to increases in energy prices. Even so, the healthy demand for stainless steel and the recovery in prices enabled the Group to cover these high costs. The increase in gas and energy prices at the Palmones plant alone, which has been the most affected, meant an EUR 81 million increase in costs with respect to last year's prices. The Group is seeking to mitigate these effects by improving energy efficiency. Due to its electro-intensive nature, this is a strategic area for the Group and a constant element in its 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.

In the rest of the Group's factories there were no significant variations in the price of electricity, with gas price fluctuations not having as significant an impact as in Spain. Energy costs in Spain are much higher than in the other countries where the Group has production plants.

Emission allowances have also undergone a very significant price increase from an average price of EUR 25/allowance in 2020 to EUR 80 at the close of 2021. However, this increase had little impact on the Group as Spanish plants have sufficient allocated rights to cover their needs. As described in the accounting policy in Note 2.13.1 when these rights are consumed, at the same time as the expense is recognised, the corresponding part of the deferred income account is cancelled, using an operating income account as the balancing entry. Therefore, any increase in the price of rights allocated free of charge will be offset by income, thus not affecting the Group's income statement.

In the case of the high-performance alloys division, the free allocations obtained are lower than plant needs, meaning that rights have to be acquired on the market. In view of the significant price increase and future forecasts, the Group decided to introduce a long-term purchase plan by acquiring 100% of the rights that it expects to use until 2023, thus hedging against price fluctuations. This purchase was made at very competitive prices, well below current quotations

3. Risk of changes in raw material prices

When explaining the Group's exposure to this risk, a distinction must be made between the stainless steel division and the high-performance alloys division since, although both of the Group's divisions use metals listed on the London Metal Exchange as raw materials, the performance of demand and the way in which raw material price changes affect the markets are substantially different in each division.

3.1 Raw materials used for the stainless steel division

Stainless steel is an iron alloy with a minimum chromium content of 10.5%, which also contains other metals such as nickel or molybdenum to give it specific properties. Due to fluctuations in the prices of raw materials used in the manufacturing process, as both nickel and molybdenum are listed on the London Metal Exchange, stainless steel prices can be very volatile, since these fluctuations in raw material prices are reflected, to the extent possible, in the selling price by means of the "alloy surcharge".

The cost of raw materials accounts for approximately 65-70% of the total product cost, of which the cost of nickel represents approximately 40-50%. Nickel price volatility has a direct and significant effect on the cost of stainless steel. Therefore, the strategy in relation to setting selling prices and the repercussion of such fluctuations is one of the most critical functions and requires significant market knowledge. In Europe, South Africa and the United States, selling prices usually comprise a base price and a variable component known as the alloy surcharge. The alloy surcharge is a mathematical formula, calculated on a monthly basis by each of the market's stainless steel producers, that takes into account changes in the prices of certain raw materials (particularly nickel, chromium and molybdenum) and fluctuations in the EUR/USD exchange rate. The application of this alloy surcharge allows nickel price fluctuations on the London Metal Exchange to be passed on to customers during the order manufacturing phase, as well as fluctuations in the prices of other raw materials and in the EUR/USD exchange rate. This natural hedge is applied to most of the Group's sales (a portion of the sales in Europe, America and South Africa).

The manufacturing process is planned on the basis of the existing customer backlog. The Group's manufacturing period is 15 days, allowing it to link the cost of raw materials with the selling price to the customer through the aforementioned alloy surcharge. Strict control over inventories and the adaptation of the production process to market circumstances help to mitigate the risk of raw material price fluctuations.

In 2020, the pandemic caused distortions in the markets and the mitigating effect of the alloy surcharge on the risk of price changes performed differently in the United States and in Europe. On the North American market, the alloy surcharge was respected by the market and provided a price stability factor, while in Europe, the traditional base price plus alloy surcharge scheme was partially replaced by an effective pricing system.

The price trend was not determined by fluctuations in raw material prices but rather by the double adverse impact of Covid-19 on consumption and due to the consequences of the tariff barriers in the various markets. These barriers affected import flows into Europe, and neither the provisional safeguard measures established by the European Commission in July 2018 nor the definitive measures that entered into force in February 2019 had the envisaged effect in a bear market.

In 2021, increased confidence in the economy and improved activity boosted stainless steel demand and consumption. The rapid recovery of the main consuming countries coupled with the global logistics crisis and high transportation prices has contributed to limiting imports worldwide, which has favoured the recovery of prices.

The elimination of export subsidies in China, together with the control of CO_2 emissions exercised by Beijing (as part of an effort to reduce emissions and energy consumption within the Green Agenda), made it possible to correct the oversupply that has characterised the market in recent years. China recorded minimal growth in production over the year, which, together with a reduction in exports as a result of responding to domestic market needs, stabilised the market in the Asian region.

In Europe, the increase in apparent consumption stood at 10% of the flat product market, correcting the fall-off in 2020 and reaching pre-Covid 2019 levels. In July, the European Commission extended the safeguard measures for a period of three years, maintaining quotas for all products while imposing provisional anti-dumping measures on cold-rolled flat materials from India and Indonesia The effects of these steps were felt considerably, allowing the European market to gradually return to the system of base prices and alloy surcharges, thus reducing the risk of variations in raw material prices by allowing them to be passed on to the customer.

3.2 Raw materials used for the high-performance alloys division

The high-performance alloys division involves alloys whose content of listed metals such as nickel is much higher than that of stainless steel. In its production process, VDM also uses other listed metals such as copper, cobalt, aluminium and molybdenum. Metal content represents two thirds of the total product cost and the selling price of those products is ten times higher than that of stainless steel. The manufacturing period lasts around three to four months and, accordingly, the Group must purchase metals several months before they are sold. Due to the proportion of the total product cost represented by the metals, customers always demand set prices and VDM guarantees a set price for the customer on receiving the orders, thus assuming the full raw material price volatility risk. To this end, VDM has a metal trading department which is responsible for managing this risk by arranging derivatives on the LME (London Metal Exchange). These derivatives hedge the risks relating to the metal content of the manufactured products. In the case of metals not listed on the LME, VDM undertakes natural hedges through its physical stock.

To avoid the volatility caused by the measurement of these derivatives with respect to the Group's profit or loss, and following VDM's inclusion in the Group, an analysis was conducted of the economic model and the hedging relationships to evaluate the possible application of hedge accounting to these derivatives. At 1 January 2021, hedging relationships for new derivatives entered into from that date have been documented and a model to ensure hedge effectiveness has been implemented, so the Group has started to apply hedge accounting for the recognition of a large number of these financial instruments. Those financial instruments that were entered into before 1 January and are not yet matured are still recognised in the income statement for the year. At 31 December 2020,financial instruments of these characteristics arranged by the Group did not qualify for hedge accounting and, therefore, any changes in the measurement of such derivatives at the reporting date were recognised in profit or loss under "Other Operating Income" or "Other Operating Expenses". **Note 12.2.6** includes detailed information on these instruments.

With the Group currently implementing hedge accounting for the recording of derivatives used in the economic hedging of this risk, the Group's sensitivity to a variation in commodity prices changed substantially with respect to the previous year. A 20% increase in the price of listed metals, which the Group hedges through forward purchases and sales, would currently have an impact on the valuation of derivatives of EUR 17 million, with EUR 16.4 million of this total having a direct impact on other comprehensive income (equity) and EUR 0.6 million impacting on profit for the year. On the other hand, a 20% drop in the price of these metals would have a negative impact of EUR -16.4 million on the Group's equity and EUR -0.6 million in terms of income.

4. Risk of price distortion due to the accumulation of stock in the market

The stainless steel market is characterised by robust demand, which has grown at an annual rate of approximately 6% for over 50 years. The demand for stainless steel for all industrial applications and its presence in all industries guarantee that this growth rate will be sustained in the coming years. Although end consumption continues to grow steadily, the fact that this market is largely controlled by independent wholesalers leads to volatility in apparent consumption, based on their expectations regarding nickel price trends on the London Metal Exchange (LME) and their resulting stockpiling or inventory realisation strategies.

Fluctuations in the price of nickel also affect consumer demand. Reductions in the price of nickel tend to go hand in hand with short-term drops in demand. Conversely, a rise in nickel prices tends to go hand in hand with higher demand. To reduce the risk arising from the fact that independent wholesalers control the majority of the market, the Acerinox Group has developed a sales network that enables it to supply end customers on a continuous basis, by means of warehouses and service centres through which the Group's production is channelled. This policy has enabled the Group to obtain a significant market share among end customers, enabling it to stabilise its sales and, therefore, reduce this risk.

5. Risk of overvaluation of inventories

The convenience of maintaining sufficient inventory levels at the Group's warehouses entails the risk that these inventories might be overvalued with respect to their market price. The Group mitigates this risk by keeping strict control of its inventory levels.

The valuation of raw materials, work in progress and finished goods at average cost also helps to reduce the volatility of costs and, therefore, the impact of nickel price fluctuations on margins.

In conclusion, the aforementioned factors (own sales network, controlled inventory levels, alloy surcharges, average cost valuation, shortening of the production cycle and a policy of accepting short-term orders) help to reduce exposure to the main risk, namely the cyclical nature of apparent consumption due to the volatility of raw material prices. As this is, in any case, a factor beyond the Group's control, effective management of this risk is not always sufficient to eliminate its impact.

4.1.4 Impact of the Covid-19 pandemic

2021

Increased confidence in the economy and improved activity, largely on the back of hopes regarding the impact that vaccines will have, significantly boosted stainless steel demand and consumption.

Although with various moments of instability resulting from the various Covid-19 outbreaks and emergence of variants, 2021 saw growth in the main producing regions in which very low inventories were also maintained throughout the supply chain.

The recovery that began in the second half of 2020 continued during the year. All sectors performed favourably apart from the automotive sector, which was affected by the shortage of semiconductors.

At all times the Acerinox Group maintained the maximum level of precautionary measures as set out in the Company's Covid Play Book protocol, a document in which the measures to be adopted in each situation were stipulated.

The Group's global presence means that it has the necessary know-how to stay ahead of the different waves, facilitating the implementation of Covid-19 measures at its facilities.

Despite the various waves that we saw last year, the Group only saw limited activity at its Malaysian plant, which was forced to shut down production for two months during the summer due to the closure of all non-essential services in the country. Once activity recovered, the market response was very positive, following the trend we have seen in other markets.

The steel market was characterised by an overall rise in apparent consumption, correcting the decrease experienced in 2020 and surpassing the 2019 pre-Covid levels.

2021 was a record year for Acerinox, both in terms of production and results. Base prices exceeded pre-Covid levels, which allowed the Group to recover margins and achieve the best result in its history, despite adverse factors such as the higher energy, gas and transportation prices.

In the case of high-performance alloys, recovery was somewhat later and slower and it was not until June that pre-Covid volumes were reached. Market recovery stood at 5% after the dramatic fall-off in 2020. According to the latest market studies, all nickel alloy end-user markets recovered in 2021, with the exception of aerospace, marine applications and the process industry. However, the outlook for demand in 2022 remains positive across all sectors.

2020

One of the factors which undoubtedly had the greatest influence in 2020 was the Covid-19 pandemic, which significantly affected levels of industrial activity, the growth of the world economy and the consumption of stainless steel and high-performance alloys, with unprecedented economic consequences at global level.

A Covid Emergency Response Team was immediately created to coordinate the measures. Employee safety has been paramount for the Group at all times. Protocols and action plans were established and trips and meetings were cancelled, while teleworking was encouraged where possible and working shifts were organised to reduce contact and ensure business continuity at all times. Some of these measures have continued throughout the year.

Acerinox became the first steel manufacturer to achieve AENOR certification for protocols against Covid-19 after assessing various matters concerning management of coronavirus-related risks at the Acerinox Europa plant. This seal certifies that the safety measures deployed by Acerinox meet the criteria and recommendations of the health authorities and provide safe work spaces for employees, customers and suppliers at its plant

In the case of the stainless steel division, manufacturing activity was affected differently depending on the country in question: the Acerinox factories in Spain had to halt production for four days in March, while in the US, although activity decreased, it continued throughout the year. The factory in South Africa halted production for the entire month of April and in Malaysia activity was halted from mid-March until the end of April.

In Europe, estimates of apparent consumption of flat products envisaged a decrease of 14% in 2020. As the safeguards were not designed for a bear market, they did not curb imports, which maintained a penetration level of around 25% in the case of flat products and continued to exert huge pressure on prices.

Apparent consumption in the American market also fell by 10%, according to estimates.

The impact of Covid-19 in the Asian markets caused a reduction in consumption and in prices, but less so in production. Inventories at the Wuxi and Foshan warehouses decreased in the second quarter, although they remained at high levels.

With regard to the high-performance alloys market, according to data from SMR the decreases in apparent consumption were sharper than in the stainless steel industry, particularly from the beginning of the second half of the year onwards, at a global level of around 20%. By market, noteworthy decreases occurred in Europe (17%), America (30%) and China (2%).

In terms of sectors, a considerable number of industries that are key to the high-performance alloys market were seriously affected by the pandemic. One of the most significant was the aerospace industry, with decreases of 45%, followed by the oil and gas industry (26%) and the automotive industry (25%). Other industries such as the chemical industry and the electronic components industry were less affected, but they nevertheless suffered falls of 8% and 12%, respectively.

The Group stepped up its efforts in this period to reduce costs across all its units. Furthermore, the investments to be made in the year were reviewed, postponing those that were not strictly necessary and optimising working capital needs.

At Acerinox Europa, an agreement was reached with the workers' committee of the Campo de Gibraltar (Cádiz) factory, whereby a furlough-type arrangement (Spanish ERTE) due to production-related circumstances was approved, and this agreement was backed by the four trade unions represented on the committee. The agreement envisaged a duration of one year from 5 May 2020, included the entire workforce and allowed for the adaptation of staff to the production needs prevailing at any given time, thus providing considerable flexibility for management purposes. This agreement created an environment of safety and certainty beneficial to all parties by helping to maintain jobs and making it possible for the workforce to be adapted to the backlog.

All of the Group's factories have generally adopted various measures to alleviate the effects of Covid-19, such as furlough-type arrangements, reduced working hours and mandatory holidays.

Despite the exceptional circumstances caused by the global pandemic, the Group showed its financial strength and the effectiveness of being a global producer with factories in four continents, which enabled it to make the most of the favourable situation of certain markets with respect to others.

Despite the exceptional circumstances, effective risk management enabled the Group to avoid being as seriously affected as players in other industries.

With regard to credit risk, non-payment and delays in payment were no higher than in any year prior to the Covid-19 situation.

4.2 Credit risk

Credit risk is defined as the possible loss that could be incurred through failure of a customer or debtor to meet contractual obligations.

The Group's exposure to credit risk is determined by the individual characteristics of each customer and, where applicable, by the risk inherent to the country in which the customer operates. Due to the diversity of its customers and the countries in which the Group operates, credit risk is not concentrated in any individual customer, sector or geographical region. None of the Group's customers, whether in the stainless steel or the high-performance alloys division, account for more than 10% of the Group's total sales.

The Group hedges its commercial and political risks either through credit insurance companies, or through letters of credit and bank guarantees extended by banks of recognised solvency located in countries with low financial risk. Credit insurance hedges between 85% and 95% of declared commercial risks, depending on the country in which the customer is located and the insurance company, and between 90% and 95% of political risks. The Group's main credit insurer has an A2 credit rating from Moody's and an A (excellent) rating from A.M Best.

In 2021 payouts of EUR 136 thousand were collected under the credit insurance policy (2020: EUR 1,858 thousand).

A Risk Committee is responsible for monitoring the Group's credit risk policy. New customers are analysed in conjunction with the insurance company, which assigns a covered amount, enabling the Group to offer its general payment terms to those that fulfil the required credit conditions. Where required, the Risk Committee also performs a case-by-case analysis of customers' creditworthiness, setting credit limits and payment terms. Otherwise, payment in cash is required.

The Risk Committee consists of representatives from the sales, financial and legal departments. The risks of the companies that make up the Acerinox Group are analysed and information is, in turn, received from the Delegated Risk Committees of Bahru Stainless, Columbus, North American Stainless and Grupinox (the latter of which represents the sales network in Spain). This year the Delegated Risk Committee of VDM Metals was set up.

Among other duties, the Risk Committee reviews the status of past-due debts, monitors sales with excessive exposure and authorises the transfer of internal risk or, depending on the amount, requests approval from the Management Committee.

The Group has long-standing commercial relationships with many of its customers. Delays in payment result in specific monitoring of future deliveries, payment terms and the review of credit limits.

Where permitted under local legislation in the country in which the customer operates, retention of title clauses may exist, to secure recovery of goods in the event of default.

The Group occasionally uses other financial instruments to reduce credit risk, such as factoring operations. The Group derecognises factored financial assets when the risks and rewards of these assets have been substantially transferred.

The Group makes the valuation adjustments to trade receivables it deems necessary based on an expected credit loss model which analyses the average credit losses at each of the subsidiaries and the claims incurred on the credit insurance policies taken out, as detailed in **Note 2.12.2**.

Note 12.2.1 details the changes in valuation adjustments to trade receivables.

The consolidated balance of trade receivables at 31 December 2021 was EUR772,681 thousand (2020: EUR 463,796 thousand), and revenue in 2021 amounted to EUR 6,705,739 thousand (2020: EUR 4,668,488 thousand). This represented an average collection period of 42 days at the Group (2020: 36 days).

Credit risk insurance was taken out for 52% of consolidated net sales (2020: 55%). Cash conditions existed for 3% of sales (2020: 2%). Confirmed letters of credit or guarantees were used to hedge credit risk in 1% of consolidated net sales (2020: 1%). Domestic sales by North American Stainless Inc., which entail a very low risk due to the collection period of under 30 days, accounted for 39% of consolidated net sales (2020: 37%), allowing deliveries to be controlled and reducing potential impairment losses.

The analysis of the age of the receivables is as follows:

(Amounts in thousands of euros)

	2021	% receivables	2020	% receivables
Not past due	706,363	91%	416,585	90%
Less than 30 days	55,687	7%	34,203	7%
Between 30 and 60 days	5,722	1%	5,481	1%
Between 60 and 90 days	605	0%	2,101	0%
More than 90 days	4,304	1%	5,426	1%
TOTAL	**772,681**		**463,796**	

The Group has made provisions for EUR 5,050 thousand (2020: EUR 5,631 thousand). A provision was made for EUR 483 thousand in 2021 (2020: EUR 968 thousand), accounting for 0.007% of sales in 2021 (2020: 0.021 %). The Group's expected credit loss ratio is 0.022% (2020: 0.025%).

Most of the past-due receivables are insured and generally reflect customary delays in trading activity (84% of past-due receivables are aged less than 30 days). At 17 February 2022, over 90% of the aforementioned past-due balances had been collected (2020: 83%).

In view of the default rates in all industries, the Group considers that the above figures are highly satisfactory and confirm the success of its commercial risk policy.

Any advances to non-current asset suppliers are hedged through bank guarantees issued by the supplier and confirmed by banks of recognised solvency.

In relation to the credit risk of bank balances, as a general rule only banks and financial institutions that are rated by an independent third party with a "Ba3" credit rating from Moody's are accepted. The Group has no significant concentration of risk, as the likelihood of default by the banks and financial institutions thus authorised is remote, based on their high credit ratings.

With regard to credit risk, non-payment and delays in payment were no higher than in any year prior to the Covid-19 situation. The Group does not expect significant impacts in the future in view of the risk coverage policy in place and the high percentage of risks covered.

With regards to 2020, all aspects of the business were affected by the pandemic and, on a global level, also the credit insurance sector. From the beginning of March 2020, credit insurance companies began to apply very restrictive policies regarding risk limits granted and their renewal, conducting in-depth reviews based on strictly technical criteria and also on specific industries and countries. In this regard, the Group has made a great effort to harness its commercial experience with long-standing customers.

Also, credit risk aid was included among the support measures which were provided to various industries and approved by several EU Member States to alleviate the economic effects of the pandemic. The European Commission approved the measures presented by various Member States, most notably Germany, which envisaged allocating up to EUR 30,000 million to the reinsurance of transactions of credit risk insurers in Germany in order to maintain the limits applied to their insurees and cover the transactions until the end of 2020. The latter measure had a positive effect on the coverage of VDM Metals' sales. Some countries, such as Germany, extended the measures until June 2021.

In Spain, measures similar to those indicated above were expected, although they did not materialise in the same way. Royal Decree-Law 15/2020 authorised the Consorcio de Compensación de Seguros (Spanish Insurance Settlement Consortium) to perform credit reinsurance activities, but the credit insurers would assume the losses, although they would be deferred over time. For this reason, insurers operating in Spain continued to seek to adjust credit limits.

This required a greater effort to maintain the levels of risk needed to meet Acerinox Group sales during 2020. To this we have to add the strong growth in commodity demand and prices that began at the end of 2020 and continued throughout 2021 which has led to a significant increase in credit risk requirements.

As indicated previously, the Acerinox Group permanently monitors delays in payment. This monitoring intensified since 2020 in order to minimise the impact of the pandemic on the Group's accounts receivable, and the Group activated protocols for case-by-case monitoring of customers in particularly difficult situations, working together with the insurance companies.

Overall, it should be noted that 2021 was a year with an exceptionally low accident rate for the Acerinox Group as a whole.

4.3 Liquidity risk

Liquidity risk is the risk of not being able to meet present and future obligations or not having the funds required to perform the Group's activities.

The Group is primarily financed through the cash flows arising from its operations, in addition to loans and financing facilities.

During the year, the Company has maintained good access to liquidity through long-term loans and lines of financing in excess of the amounts needed at any given time.

The Group's cash resources are centrally managed in order to optimise resources. The Group's debt is primarily concentrated within the Parent of the Group (more than 80% of total gross debt at year-end).

Based on its cash flow estimates and considering its investment plans, the Group has sufficient funding to meet its obligations, and maintains a sufficient level of undrawn credit facilities, together with high levels of liquidity, to hedge liquidity risk. Thanks to the strategy undertaken in recent years, the Acerinox Group's liquidity position is optimal for facing the current scenario and to guarantee that its financing will not be affected under any circumstances.

In 2021 and 2020 no defaults occurred on the principal or interest of the Group's various financing facilities.

At year-end the Group had access to short- and long-term financing facilities totalling EUR 2,582 million and approved non-recourse factoring facilities amounting to EUR 520 million. The amount drawn down on the financing facilities at 31 December 2021 amounted to EUR 1,853 million and EUR 287 million on the factoring facilities. In 2020 the short- and long-term financing facilities available to the Group amounted to EUR 2,544 million, and non-recourse factoring facilities amounted to EUR 520 million, while the drawdowns against the financing facilities amounted to EUR 1,689 million and drawdowns against the factoring facilities amounted to EUR 204 million. At 31 December 2021, cash and cash equivalents amounted to EUR 1,274,929 thousand (2020: EUR 917,118 thousand).

The high levels of bank borrowings to guarantee medium-term liquidity continue to result in high levels of cash in the Group.

Cash and cash equivalent balances are available and there is no restriction on their use.

The Group makes short-term cash placements –never exceeding three months– and only at banks of recognised solvency.

In addition, the Group continuously monitors the maturity profile of its financial debt in order to establish the longest possible annual maturities.

In this regard, the most notable financing operations in 2021 were as follows:

- Conversion of two long-term loans with Caixabank and Banco Sabadell, concluded in 2020, into sustainable loans of EUR 80 million each.

- Renewal of the syndicated factoring agreement amounting to EUR 370 million.

- Renegotiation of several existing loans with the aim of increasing the nominal amount, extending the maturity of the loans and improving the economic conditions. The total amount of these deals was EUR 530 million and they were signed with Banco Sabadell, Banca March and an institutional investor, Banco Santander, Grupo Caja Rural, Kutxabank and Unicaja.

- Signing of three new loans totalling EUR 120 million with BBVA, Banco Santander and Bankinter.

- VDM also signed a EUR 30 million loan with Intesa Sanpaolo.

These financing transactions are explained in Note **12.2.3**.

The most noteworthy financing transactions in 2020 consisted of the arrangement of five long-term loans amounting to EUR 350 million to acquire VDM, entered into with BBVA, CaixaBank, ICO, Sabadell and Liberbank. Also worthy of note were the renegotiation of a portion of the debt and the signing of new loan agreements with the Group's banks, which were secured by the ICO to ensure liquidity. The volume of these transactions amounted to EUR 255 million. The transactions relating to the pre-existing loans included the improvements in the financial conditions offered by Banco Sabadell amounting to EUR 125 million and by Banco Cooperativo Español amounting to EUR 20 and two ICO-secured loan agreements, for EUR 100 million with Banco Santander and EUR 10 million with Bankinter.

The analysis of the Group's payment obligations at the end of 2021 is as follows:

(Amounts in thousands of euros)

	2021							
	Future cash flow maturities (payments)							
	Amount at 31/12/2021	Amount of future payments	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Undetermined maturity
Non-current payables	1,368,244	-1,414,139	-4,916	-8,699	-396,483	-862,043	-141,998	
Current payables	484,905	-488,257	-398,227	-90,030				
Payable to suppliers and other payables	1,405,553	-1,405,553	-1,405,553					
Other non-current financial liabilities	15,838	-15,838						-15,838
FINANCIAL DERIVATIVES								
Hedges through interest rate swaps	4,628	-4,613	-1,821	-1,342	-1,175	-351	76	
Commodity derivatives - purchases	-7,270	7,270	6,895	338	37			
Commodity derivatives - sales	2,323	-2,323	-1,709	-614				
Currency forwards against exports	6,112	-6,112	-6,112					
Currency forwards against imports	-7,111	7,111	7,111					
TOTAL	3,273,222	-3,322,454	-1,804,332	-100,347	-397,621	-862,394	-141,922	-15,838

The balances of "Payable to Suppliers and Other Payables" do not include payables to Public Authorities.

"Other Non-Current Financial Liabilities" includes mainly advances on grants, deposits and guarantees with undetermined maturity.

Future cash flow maturities include the principal plus interest based on contractual interest rates at year-end.

Approved investments not recognised under property, plant and equipment under construction at the reporting date are not included.

4.4 Climate risk

Acerinox is aware of the risks and opportunities it faces that stem from climate change. The company pays special attention to environmental protection and the efficient use of natural resources in the development of its activities.

As stated in the "Acerinox Positive Impact 360" Action Plan approved by the Board of Directors in 2020, the main aim is to "support and reinforce the business strategy, promoting the company's response to environmental, social and good governance challenges through a global vision, reducing risks and developing opportunities".

Acerinox understands that business management is linked to a commitment to sustainability which takes the form of the specific, ambitious and measurable objectives that are set out in the company's Sustainability Plan.

The impact of climate risk on financial statements are both wide-ranging and potentially complex and will depend on sector-specific risks. When analysing future business estimates, probability scenarios are presented in which not only the physical consequences of climate change are assessed, but also the changes in environmental regulations to deal with it. These are the so-called physical risks and transitional risks of climate change, with both having economic and financial consequences.

Climate change and transition risk is a risk arising as a result of energy transition (regulation, market, technologies) and the physical impact of climate change (acute and chronic).

In order to include the climate variable within risk and opportunity management and Acerinox's strategic planning, the identification, measurement and management of climate change risks and opportunities are carried out pursuant to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). One of the objectives achieved during this process in 2021 was the inclusion of climate change risks and opportunities in the Group's Corporate Risk Map, in line with the Company's Strategic Plan and the International Climate Agenda.

Through its Audit Committee and Sustainability Committee, the Acerinox Board of Directors exercises its oversight and monitoring of sustainability and the non-financial information provided by the company. As part of this task, these Committees have approved and monitor the Sustainability Strategy that forms part of the Strategic Plan, which includes the reflections made by the company in relation to the risks and opportunities arising from climate change as a fundamental element in its point of departure.

Commitments have been determined for each of the Strategic Pillars as expected objectives in response to the implementation of the actions determined. In addition to the commitments included for each of the Strategic Lines determined in the Action Plan, six high-level Strategic Objectives have been approved of which the following are climate change related:

1. **Greenhouse gas emissions:** 20% reduction in GHG emission intensity (Scope 1 and 2) by 2030 compared to the 2015 baseline.

   At the end of the year, Acerinox reduced its emission intensity by 3.45% and 10.29% with respect to the previous year and the base year, respectively.

2. **Energy efficiency:** 7.5% reduction in energy intensity by 2030 compared to the 2015 baseline.

   During the year, Acerinox reduced its energy intensity by 1.6% compared to 2020 and by 3.2% compared to the base year. Supporting the energy transition, Acerinox has renewable energy contracts for 105,120 MWh per year.

3. **Waste reduction:** 90% reduction of waste going to landfill by 2030 compared to the 2020 baseline.
4. Throughout 2021, the Group worked on meeting the 2030 waste reduction target, using its best practices at the various factories.
5. **Water consumption:** 20% reduction in freshwater consumption intensity by 2030 compared to the 2015 baseline.

The impact of climate risk on the Group's financial statements is structured into three main areas: analysis of the recoverability of non-financial assets, determination of the useful lives of plants and equipment and credit ratings.

With regard to recoverability analyses of non-financial assets, the Group has incorporated climate risk in the estimates, making the corresponding forward-looking judgements. The growth rates used and discount and risk rates are market ratios that also implicitly reflect the valuation of climate risk. These rates do not differ significantly from those applied in previous years. Due to the nature of the business, we feel that there is no material impact from climate change risk that would indicate impairment for any of the Group's CGUs or their inventories.

Regarding the determination of useful lives set out in **Note 3**, Group management determines the estimated useful lives and related depreciation charges of its plant and equipment based on valuations carried out by experts, taking into account technical innovations, variations in the activity levels of the plants, regulatory changes etc. Management periodically reviews the depreciation charge, which is modified whenever the estimated useful lives are different from the lives previously applied.

With regard to credit ratings and the limitation that regulations impose on financial institutions to provide financing to unsustainable companies, the European Commission has published its classification of sustainable finance, which serves as a tool to help financial agents and companies define which activities are considered as such. EU taxonomy provides a classification system for companies and investors determining whether an economic activity qualifies as sustainable or "green", which represents a significant contribution to climate change mitigation and adaptation. On the basis of the taxonomy regulation, stainless steel manufacture is considered to be a sustainable activity. For the first time in its non-financial information report, the Group has published revenue, Capex and operating expense indicators which determine the proportion of each of these items coming from products or services related to economic activities that are considered eligible. During the year the Group has signed several sustainable loans with various financial institutions as explained in **Note 12.2.3**. Sustainable loans establish interest rates linked to compliance with established Sustainability Indicators.

Note 8 details the fixed assets whose purpose is the minimisation of environmental impact and the protection and improvement of the environment, as well as the environmental expenses incurred by the Group.

4.5 Brexit

On 31 January 2020, the United Kingdom of Great Britain and Northern Ireland ceased to be an EU Member State and began to be considered a third country, following the ratification of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union. The Withdrawal Agreement envisaged a transition period from its entry into force until 31 December 2020, during which EU law continued to be applied in the UK, with certain exceptions. The main purpose of the transition period was to provide a time period for citizens, entities and public authorities to adapt to the new situation, and to provide a framework of stability for the negotiation of an agreement on the future relationship between the EU and the UK. The negotiations over the agreement culminated on 24 December 2020, after an agreement in principal was reached in relation to a Trade and Cooperation Agreement and a Security of Information Agreement, among others. These agreements entered into force on 1 January 2021.

On 1 January 2021, the UK ceased to enjoy the rights and obligations it had held as an EU Member State and which it had also largely held during the transition period envisaged in the Withdrawal Agreement. This has created new barriers to trade in goods and services and to cross-border mobility and exchanges in both directions.

However, apart from the administrative and tax changes, this withdrawal has no significant impact on the Acerinox Group. The Group has one distribution subsidiary and no production assets in that country. The subsidiary imports the material that is manufactured at any of the Group's manufacturing plants and sells it in the United Kingdom. The non-current assets held by the Group in the UK total EUR 4.3 million (with the Group's total non-current assets amounting to EUR 2,067 million). Also, sales made in that country represent just 2.7% of the Group's total sales. Any flight of customers that may occur as a result of Brexit should not lead to a decrease in the Group's sales, as this can be offset in any other country, given that it is a global market.

The Group's subsidiary in the United Kingdom increased its turnover this year by 35% and its pre-tax profit by 47%, demonstrating that Brexit has had no impact on the Group, apart from administrative changes in the reporting of transactions.

4.6 Capital management

The aims of the capital management policy are:

- to safeguard the Group's capacity to continue its sustained growth;
- to provide sufficient returns to shareholders; and
- to maintain an optimal capital structure.

The Company manages its capital structure and makes adjustments to it based on changes in economic circumstances. To maintain and adjust the capital structure, the Company can adopt various policies relating to the payment of dividends, the reimbursement of the share premium, share repurchases, self-financing of investments, non-current borrowings, etc.

Capital structure is controlled using various ratios, such as the net financial debt/EBITDA ratio, understood to be the period necessary for the resources generated by the Company to cover the level of debt; or the gearing ratio, i.e. the relationship between the net financial debt and equity of the Company.

Net financial debt is taken to be the sum of current and non-current bank borrowings, plus bonds issued, less cash and cash equivalents. EBITDA reflects profit or loss from operations, less depreciation and amortisation, changes in operating provisions and allowances, and impairment losses recognised in the year.

At 0.58 times (2020: 2.01 times), the net financial debt/EBITDA ratio is the lowest value achieved in the last twenty years. This is a very satisfactory figure for our sector, especially following the acquisition of VDM, which increased indebtedness by EUR 398 million.

Cash generation, established as one of the priorities in the Group's Strategic Plan, has also performed outstandingly well. The favourable results obtained, the best in the Group's history, resulted in an operating cash flow of EUR 388 million, despite an increase in working capital of EUR 460 million due to the increased activity and the rise in raw material prices. The Group's net financial debt decreased by EUR 194 million to EUR 578 million (2020: EUR 772 million).

Operating cash flow allowed for the payment of the cash dividend (EUR 135 million, the same amount as 2020), the commencement of a share buyback programme (EUR 9.4 million) and continued investment payments of EUR 102 million (2020: EUR 100 million)

The 26.2% gearing ratio returned to pre-2020 levels, (47.8%) substantially increased by the acquisition of VDM, and is in line with the 25.6% recorded in 2019.

In 2021, as in 2020, the Group continued to reduce the cost of its long-term loans by renegotiating the fixed interest rate or margin and extending the maturity.

In this regard, new financing operations have been signed, all of which are detailed in **note 12.2.1.**

Meanwhile, in order to continue guaranteeing the Group's liquidity, all credit facilities in euros and dollars were renewed, extending the term by one more year. Furthermore, the syndicated factoring agreement was renewed between several Acerinox Group subsidiaries and Abanca, BBVA, Banca March, Banco Sabadell, Bankinter, Banque Marocaine du Commerce Exterieur International, Caixabank and Santander Factoring y Confirming for EUR 370 million until 30 June 2023, with the possibility of automatic renewal for a further year.

At year-end, the Group had sustainable loans totalling EUR 465 million (EUR 80 million signed in 2020 and the remainder in 2021), linking the margin or fixed rate of the credit to the evolution of two established indicators to be reviewed annually.

The majority of the Group's financing at December 31 corresponded to term loans. Of these, 73% were due to mature in over a year. Sixty-eight percent of the Group's loans and private placements were at fixed interest rates.

As of 31 December Acerinox Group had immediate liquidity amounting to EUR 2,004 million. Of this, EUR 1,275 million were in cash and EUR 729 million were available credit lines.

The Acerinox Annual General Meeting, held on 15 April 2021, approved the distribution of a dividend in the amount of EUR 0.50 per share (shareholder remuneration of EUR 135.2 million, the same as in 2020). The dividend was paid on 3 June 2021.

4.7 Insurance

The geographical diversification of the Group's factories (with three integrated stainless steel flat product manufacturing plants, one cold-rolling plant and three long product manufacturing plants) ensures that an accident would not affect more than one third of total stainless steel production. This guarantees business continuity, while adequate coordination between the other factories mitigates the consequences of material damage to any of the facilities.

Sufficient coverage has been arranged for the Group's factories through material damage and loss-of-profit insurance policies, which account for over 55.2% of the Acerinox Group's insurance expenditure. Also, all assets under construction are covered by the insurance policies taken out by the respective suppliers as well as the global building and assembly policy.

The Group also has a reinsurance company based in Luxembourg (Inox Re), which manages these risks by assuming a portion as self-insurance and accessing the reinsurance market directly.

The Acerinox Group has also arranged general third-party liability, environmental, credit, transport and group life and accident insurance policies to reduce its exposure to these various risks.

VDM Metals has a set of insurance policies which is very similar, and in certain cases complementary, to the Acerinox Group's insurance programme. In order to optimise the Group's insurance programme, some of the policies were renewed during the year after their expiry date on new terms agreed by the Group.

NOTE 5 – SCOPE OF CONSOLIDATION

5.1 Business combinations

No business combinations have taken place in 2021.

As for 2020, on 17 March 2020 Acerinox, S.A. signed a closing memorandum formalising the agreement for the acquisition of all the shares of VDM Metals Holding GmbH (VDM), representing 100% of the voting rights, following approval by the competition authorities of the United States, the EU and Taiwan on 13 December 2019, 25 February and 9 March 2020, respectively. These approvals represented the closing condition established in the agreement to perform the transaction.

With this transaction, the Acerinox Group diversifies towards sectors with greater value added, and it represents an opportunity to grow in new markets and sectors such as aerospace, the chemical industry, the medical industry, hydrocarbons, renewable energies, water treatment and emissions control, since these represent the main markets of the newly acquired Group.

VDM Metals Holding GmbH, which has its registered office in Germany, is the parent of the group of companies that compose the VDM Group, a world leader in the production of special alloys and high-performance stainless steel. The VDM Group has five factories in Germany, two in the US and five service centres. It also has a portfolio of around 1,700 customers and about two thousand employees. Within its production chain, it has a product portfolio which includes flat products (sheets and strips), long products (bars and wire), tubing material and pieces for forging, with high nickel content. VDM also operates with a sales network for the distribution of semi-finished goods and metal components. All the products are made of high-performance metal alloys with high nickel content, which requires the use of state-of-the-art technologies with high-temperature corrosive treatment processes. VDM is a leader in R&D+i activities.

VDM has been included in the Acerinox Group as a new division at the same level as the other major production subsidiaries, North American Stainless (US), Columbus (South Africa), Acerinox Europa and Roldan (Spain), and Bahru Stainless (Malaysia).

The acquired business generated revenue and profit after tax for the Group amounting to EUR 613,618 thousand and EUR 8,754 thousand, respectively, in the period from the acquisition to 31 December 2020. Had the acquisition taken place on 1 January 2020, the VDM Group's revenue and profit for the period ended 31 December 2020 would have amounted to EUR 748,358 thousand and EUR 10,856 thousand, respectively.

The detail of the consideration transferred, the fair value of the net assets acquired and goodwill was as follows:

	Thousands of euros
Cash paid	313,315
Total consideration transferred	**313,315**
Fair value of net assets acquired	263,486
GOODWILL	**49,829**

There was no contingent consideration depending on future events or compliance with certain conditions in exchange for control of the acquired business.

The Group recognised costs of EUR 16,380 thousand related to the transaction, of which EUR 14,736 thousand were recognised as expenses in 2021 and EUR 1,644 thousand were recognised in 2019.

Goodwill represents the excess of the cost of acquisition of the interest in the VDM Group over the fair value of the identifiable net assets of the acquiree at the acquisition date (assets, liabilities and contingent liabilities). The most significant factors that gave rise to the recognition of the goodwill were the Group's diversification, access to new markets with better margins, possible future synergies and the technical experience of VDM's employees. Goodwill is not tax-deductible.

Goodwill must be allocated to each of the cash-generating units (CGUs) of the company to which the economic benefits of the business combination synergies are expected to flow. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The Group considered the following factors when allocating goodwill:

- The CGU must represent the lowest level within the entity managed by company management and in relation to which the entity makes decisions.
- The CGU must not be larger than the operating segment recognised for the acquired business.

The VDM Group has 16 entities, as detailed in **Note 5.2** which include:

- VDM Metals Holding GmbH: holding company of the group, which performs management functions.
- VDM Metals GmbH, a manufacturing company which has five factories in Germany and engages in the manufacture of special alloys.
- VDM Metals International GmbH, which centralises raw material purchases and product distribution worldwide and has quality and R&D+i departments.
- VDM Metals USA LLC., which has two factories in the USA dedicated exclusively to the manufacture of long products.
- Various distributors worldwide.

VDM's production process is fully integrated. Each factory engages in a particular part of the production process, which requires coordination between them. The same applies to the US factory, which manufactures a specific type of product but also requires a supply of raw material from the factories located in Germany and, therefore, its ability to generate cash flows is equally dependent.

In view of the foregoing, the goodwill generated in the business combination was allocated in full to the high-performance alloys operating segment (**Note 6**), which includes all the VDM Group entities.

IFRS 3 establishes that the measurement period of the business combination shall not exceed one year from the acquisition date. At the closing date of the 2020 financial statements, the valuation process had been completed and the final report of the independent expert had been issued.

The detail of the assets and liabilities recognised at fair value as a result of the acquisition is as follows:

	Fair value (thousands of euros)	Carrying amount (thousands of euros)
Non-current assets		
Intangible assets	48,940	13,889
Property, plant and equipment	254,722	147,502
Right-of-use assets	10,411	10,411
Investments accounted for using the equity method	390	16
Deferred tax assets	24,631	24,631
Other non-current financial assets	756	756
TOTAL NON-CURRENT ASSETS	339,850	197,205
Current assets		
Inventories	390,504	389,695
Trade and other receivables	78,312	75,674
Other current financial assets	2,437	2,437
Current income tax assets	3,793	3,793
TOTAL CURRENT ASSETS (excluding assets)	475,046	471,599
Non-current liabilities		
Bank borrowings	-120,386	-120,386
Long-term provisions	-172,066	-166,033
Deferred tax liabilities	-78,758	-33,080
Other non-current financial liabilities	-7,579	-7,579
TOTAL NON-CURRENT LIABILITIES	-378,789	-327,078
Current liabilities		
Bank borrowings	-4,519	-4,519
Trade and other payables	-192,488	-192,488
Current income tax liabilities	-5,887	-5,887
Other current financial liabilities	-9,479	-9,479
TOTAL CURRENT LIABILITIES	-212,373	-212,373
TOTAL NET ASSETS ACQUIRED	223,734	129,353
Cash paid	313,315	
Cash and cash equivalents of the acquiree	-39,752	-39,752
Net cash flows paid in the acquisition	**273,563**	

(*) "Trade and other receivables" includes an allowance for doubtful debts amounting to EUR 855 thousand.

The Acerinox Group performed a purchase price allocation (PPA) on the assets, liabilities and contingent liabilities based on their fair values with the assistance of an independent expert, who measured them using various accepted valuation methods.

Following the valuation, the Group considered that the carrying amount of the assets and liabilities at the acquisition date corresponded to their fair value, except for the following items:

- Plant, machinery and equipment.
- Patents.
- Investments in associates.
- Emission allowances and the related provision.

The following methodologies were used to measure these assets:

- Plant, machinery and equipment – replacement cost less accumulated depreciation at the acquisition date. Databases of market values were used to estimate replacement costs, as well as studies on changes in costs of those assets. The estimation of the useful lives took into account the age and condition of the assets, as well as published industry studies on expected useful lives. An economic obsolescence rate was also taken into account.

- Patents – royalty relief method. According to this method, the value of the asset reflects the savings obtained by being the owner of the patent. This valuation technique is based on the assumption that if a licence must be acquired to use from a third-party patent, the third party would require payment of a percentage of the income arising from use of the patent. This saving in costs, or exemption from payment of royalties, represents the value of the patent, which consists of discounting to present value the income expected to be obtained from the patent over its useful life. The useful life was estimated at 14 years, based on the years over which the patent is expected to be used. The royalty rate used in the valuation was 6% and the discount rate was 12.9%.

- Emission allowances and the related provision – market value at acquisition date.

In addition, intangible assets related to the customer portfolio were identified. VDM has a significant portfolio of customers, many of whom have a long-standing relationship with the group. Eight of VDM's ten main customers have a relationship with the group spanning over 20 years. The multi-period excess earnings method was used to measure these assets. In accordance with this method, the value of the intangible asset is calculated as the present value of the cash flows it generates. Since this asset normally generates cash flows together with other tangible and intangible assets (property, plant and equipment, working capital, brand, workforce, etc.), the estimated cost of using the rest of the aforementioned assets ("cost of the contributing assets") should be subtracted from the estimated cash flows associated with the asset being valued. The estimated useful life was 15 years, the customer attrition rate was 6.7% and the discount rate was 12.9%.

Also, a contingent liability was identified in the measurement process, which VDM had not recognised in its consolidated financial statements at the acquisition date, arising from a tax audit initiated on 19 March 2019 at one of the VDM Group's subsidiaries, VDM Metals Italia, S.r.l., relating to the period from 2013 to 2018. **Note 16.1** includes detailed information on this contingent liability, which had been settled at the reporting date of the past consolidated financial statements.

As a result of the recognised increases in carrying amount with respect to its tax bases, a deferred tax liability of EUR 45,678 thousand was recognised.

The fair values recognised were not affected by the pandemic.

In relation to the acquisition, Acerinox has received a guarantee from the former owner for an amount of EUR 15,000 thousand, valid for a period of 12 months from the acquisition date, to cover possible partial repayments of the price initially paid and possible repayments for transactions defined as prohibited under the purchase and sale agreement. This guarantee was not recognised for accounting purposes.

5.2 Changes in the scope of consolidation

At its meeting held on 15 December 2020, the Board of Directors of Acerinox, S.A. gave authorisation to carry out a capital increase at Bahru Stainless, with no cash contribution, through the capitalisation of USD 349.5 million from the loan granted by Acerinox, S.A. to its subsidiary. Acerinox, S.A.'s ownership interest in Bahru Stainless was 98.15% prior to the capital increase.

The Annual General Meeting of Bahru was held on 2 April and approved the capital increase. The non-controlling shareholder has decided not to participate in the capital increase, which has diluted its stake to 1.1874%. The new capital stock of Bahru Stainless, Sdn. Bhd. was registered on 14 April.

Acerinox, S.A. recognised an increase in its investments in Group companies amounting to EUR 293,535 thousand, equal to the fair value of the capitalised loan, and which does not differ significantly from its carrying amount at that date.

With respect to 2020, on 17 March 2020 Acerinox, S.A. acquired 100% of the shares of VDM Metals Holding GmbH. The company holds ownership interests in various entities, as shown in the table below, which are included from the acquisition date in the consolidated financial statements of the Acerinox Group:

Company	Country	% Ownership
VDM Metals GmbH	Germany	100%
VDM Metals International GmbH	Germany	100%
VDM-Unterstützungskasse GmbH	Germany	100%
VDM Metals UK Ltd	United Kingdom	100%
VDM Metals Benelux B.V.	Netherlands	100%
VDM Metals France S.A.S.	France	100%
VDM Metals Austria G.m.b.H.	Austria	100%
VDM Metals Italia S.r.l.	Italy	100%
VDM Metals Canada Ltd.	Canada	100%
VDM Metals Australia Pty. Ltd.	Australia	100%
VDM Metals Japan K.K.	Japan	100%
VDM (Shanghai) High Performance Metals Trad. Co. Ltd.	China	100%
VDM Metals de Mexico S.A. de C.V.	Mexico	100%
VDM Metals USA LLC.	USA	100%
VDM Metals Korea Co. Ltd.	South Korea	100%
VDM High Performance Metals Nantong Co. Ltd.	China	100%
MOL Katalysator-technik GmbH	Germany	20.45%
Evidal Schmöle Verwaltungsgesell-schaft GmbH	Germany	50%

5.3 Subsidiaries and associates

Subsidiaries

At 31 December 2021 and 2020, in addition to Acerinox, S.A., the scope of consolidation of the Acerinox Group included 55 fully consolidated subsidiaries.

The detail of investments in associates in 2021 is as follows:

2021					
		OWNERSHIP			
FULLY CONSOLIDATED COMPANIES	COUNTRY	COST (in thousands of euros)	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST	AUDITOR
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	327	100%	ACERINOX S.A.	PWC
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	ACERINOX S.A.	Estudio Canil
		13	10%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX AUSTRALASIA PTY. LTD.	Sidney - Australia	385	100%	ACERINOX S.A.	
ACERINOX BENELUX S.A. - N.V.	Brussels - Belgium	209	100%	ACERINOX S.A.	PWC
ACX DO BRASIL REPRESENTAÇOES, LTDA	São Paulo - Brazil	373	100%	ACERINOX S.A.	
		0	0.001%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100%	ACERINOX S.A.	PWC
ACERINOX COLOMBIA S.A.S	Bogotá D.C. - Colombia	68	100%	ACERINOX S.A.	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45,496	100%	ACERINOX S.A.	PWC
ACERINOX EUROPA, S.A.U	Algeciras - Spain	341,409	100%	ACERINOX S.A.	PWC
ACERINOX FRANCE S.A.S	Paris - France	18,060	99.98%	ACERINOX S.A.	PWC
		0	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX INDIA PVT LTD	Mumbai - India	155	100%	ACERINOX S.A.	ISK & Associates
ACERINOX ITALIA S.R.L.	Milan - Italy	78,844	100%	ACERINOX S.A.	Collegio Sindicale - Studio Revisori Associatti
ACERINOX METAL SANAYII VE TICARET L.S.	Gümü⌧suyu / Beyo⌧lu - Turkey	150	99.73%	ACERINOX S.A.	
		0	0.27%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai - United Arab Emirates	10	100%	ACERINOX S.A.	Al Sharid Auditing and Management Consultancy
ACERINOX PACIFIC LTD.	Wan Chai - Hong Kong	7,467	100%	ACERINOX S.A.	PWC
ACERINOX POLSKA, SP Z.O.O	Warsaw - Poland	25,174	99.98%	ACERINOX S.A.	PWC
		4	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX RUSSIA LLC	Saint Petersburg - Russia	100	100%	ACERINOX S.A.	
ACERINOX SCANDINAVIA AB	Malmö - Sweden	31,909	100%	ACERINOX S.A.	PWC
ACERINOX S.C. MALAYSIA SDN. BHD	Johor - Malaysia	19,476	100%	ACERINOX S.A.	PWC
ACERINOX SHANGAI CO., LTD.	Shanghai - China	1,620	100%	ACERINOX S.A.	Shanghai Shenzhou Dalong
ACERINOX (SEA), PTE LTD.	Singapore - Singapore	193	100%	ACERINOX S.A.	PWC
ACERINOX U.K, LTD.	Birmingham - United Kingdom	28,469	100%	ACERINOX S.A.	PWC
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	Trofa - Portugal	15,828	100%	ACERINOX S.A.	PWC
BAHRU STAINLESS, SDN. BHD	Johor - Malaysia	293,607	98.81%	ACERINOX S.A.	PWC
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	205,142	76%	ACERINOX S.A.	PWC
CORPORACIÓN ACERINOX PERU S.A.C	Lima - Peru	314	100%	ACERINOX S.A.	

2021					
		OWNERSHIP			
FULLY CONSOLIDATED COMPANIES	COUNTRY	COST (in thousands of euros)	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST	AUDITOR
INOX RE, S.A.	Luxembourg	1,225	100%	ACERINOX S.A.	PWC
INOXCENTER CANARIAS, S.A.U	Telde (Gran Canaria) - Spain	270	100%	INOXCENTER	PWC
INOXCENTER, S.L.U.	Barcelona - Spain	17,758	100%	ACERINOX S.A.	PWC
INOXFIL S.A.	Igualada (Barcelona) - Spain	6,247	100%	ROLDAN S.A	PWC
INOXIDABLES DE EUSKADI S.A.U.	Vitoria - Spain	2,705	100%	ACERINOX EUROPA, S.A.U	PWC
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Trofa - Portugal	10,693	100%	ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	
METALINOX BILBAO, S.A.U	Galdácano (Vizcaya) - Spain	3,718	100%	ACERINOX S.A.	PWC
NORTH AMERICAN STAINLESS INC.	Kentucky - USA	545,778	100%	ACERINOX S.A.	PWC
NORTH AMERICAN STAINLESS CANADA, INC	Canada	5,091	100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico	18,948	100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - USA	15	100%	ACERINOX S.A.	
ROLDAN S.A.	Ponferrada - Spain	17,405	99.77%	ACERINOX S.A.	PWC
VDM METALS HOLDING GMBH	Werdohl - Germany	313,315	100%	ACERINOX S.A.	PWC
VDM METALS INTERNATIONAL GMBH	Werdohl - Germany	51,404	100%	VDM METALS HOLDING, GMBH.	PWC
VDM METALS GMBH	Werdohl - Germany	102,037	100%	VDM METALS HOLDING, GMBH.	PWC
VDM (SHANGHAI) HIGH PERFORMANCE METALS TRAD. CO. LTD.	Shanghai - China	200	100%	VDM METALS, GMBH.	Pan-China Certified Public Accounts
VDM HIGH PERFORMANCE METALS NANTONG CO. LTD.	Nantong - China	2,087	100%	VDM METALS HOLDING, GMBH.	Pan-China Certified Public Accounts
VDM METALS AUSTRALIA PTY. LTD.	Mulgrave - Australia	1,322	100%	VDM METALS, GMBH.	
VDM METALS AUSTRIA G.M.B.H.	Brunn am Gebirge - Austria	4,515	100%	VDM METALS, GMBH.	
VDM METALS BENELUX B.V.	Zwijndrecht - Belgium	2,535	100%	VDM METALS, GMBH.	BDO
VDM METALS CANADA LTD.	Vaughan - Canada	336	100%	VDM METALS, GMBH.	
VDM METALS DE MEXICO S.A. DE C.V.	Naucalpan de Juarez - Mexico	30	100%	VDM METALS, GMBH.	Grant Thornton
VDM METALS FRANCE S.A.S.	Saint-Priest - France	8,465	100%	VDM METALS, GMBH.	
VDM UNTERSTÜTZUNGSKASSE GMBH	Werdohl - Germany	0	100%	VDM METALS HOLDING, GMBH.	
VDM METALS ITALIA S.R.L.	Sesto San Giovanni - Italy	10,704	100%	VDM METALS, GMBH.	
VDM METALS JAPAN K.K.	Tokyo - Japan	178	100%	VDM METALS, GMBH.	
VDM METALS KOREA CO. LTD.	Seoul - Korea	103	100%	VDM METALS, GMBH.	
VDM METALS UK LTD.	Claygate-Esher - UK	100	100%	VDM METALS, GMBH.	BDO
VDM METALS USA LLC	Florham Park - USA	27,649	100%	VDM METALS, GMBH.	PWC

The activities of the Group companies are as follows:

- Acerinox, S.A.: holding company of the Acerinox Group. The Company provides legal, accounting and advisory services to all the Group companies and carries out financing activities within the Group.
- Acerinox Europa, S.A.U.: manufacture and marketing of flat stainless steel products.
- North American Stainless, Inc.: manufacture and marketing of flat and long stainless steel products.
- Columbus Stainless (Pty) Ltd.: manufacture and marketing of flat stainless steel products.
- Bahru Stainless, Sdn. Bhd.: cold rolling and marketing of flat stainless steel products.
- Roldan, S.A.: manufacture and marketing of long stainless steel products.
- Inoxfil, S.A.: manufacture and marketing of stainless steel wire.
- VDM Holding Metals GmbH: holding company of the group of companies that make up VDM Metals.
- VDM Metals International GmbH, wholly owned by VDM Holding Metals GmbH, performs the VDM Group's research and development functions, purchases raw materials, manages the supply chain, manages metal product hedges and trading, distributes products of the VDM Group and also has a Quality Department.
- VDM Metals GmbH is the entity which owns the production plants and is responsible for transforming raw materials into high-performance alloys.
- Inox Re, S.A.: reinsurance company.
- Inoxplate, Comercio de productos de Aço Inoxidávei, Unipessoal Lda: owner of the industrial building in which the Group company in Portugal -Acerol, Comércio e indústria de Aços inoxidáveis- carries out its operating activities, for the lease of which it receives income.
- North American Stainless Financial Investment, Inc.: provision of foreign trade advisory services.
- The rest of the companies, which are direct investees of either Acerinox, S.A. or the VDM subgroup, engage in the marketing of stainless steel products or high-performance alloys.

The detail of investments in associates in 2020 is as follows:

<table>
<tr><th colspan="6">2020</th></tr>
<tr><th rowspan="2">FULLY CONSOLIDATED COMPANIES</th><th rowspan="2">COUNTRY</th><th colspan="2">OWNERSHIP INTEREST</th><th rowspan="2">HOLDER OF OWNERSHIP INTEREST</th><th rowspan="2">AUDITOR</th></tr>
<tr><th>COST (in thousands of euros)</th><th>% NOMINAL VALUE</th></tr>
<tr><td>ACERINOX (SCHWEIZ) A.G.</td><td>Mellingen - Switzerland</td><td>327</td><td>100%</td><td>ACERINOX S.A.</td><td>PWC</td></tr>
<tr><td rowspan="2">ACERINOX ARGENTINA S.A.</td><td rowspan="2">Buenos Aires - Argentina</td><td>598</td><td>90%</td><td>ACERINOX S.A.</td><td rowspan="2">Estudio Canil</td></tr>
<tr><td>13</td><td>10%</td><td>INOXIDABLES DE EUSKADI S.A.U.</td></tr>
<tr><td>ACERINOX AUSTRALASIA PTY. LTD.</td><td>Sidney - Australia</td><td>385</td><td>100%</td><td>ACERINOX S.A.</td><td></td></tr>
<tr><td>ACERINOX BENELUX S.A. - N.V.</td><td>Brussels - Belgium</td><td>209</td><td>100%</td><td>ACERINOX S.A.</td><td>PWC</td></tr>
<tr><td rowspan="2">ACX DO BRASIL REPRESENTAÇOES, LTDA</td><td rowspan="2">São Paulo - Brazil</td><td>373</td><td>100%</td><td>ACERINOX S.A.</td><td></td></tr>
<tr><td>0</td><td>0.001%</td><td>INOXIDABLES DE EUSKADI S.A.U.</td><td></td></tr>
<tr><td>ACERINOX CHILE, S.A.</td><td>Santiago de Chile - Chile</td><td>7,545</td><td>100%</td><td>ACERINOX S.A.</td><td>PWC</td></tr>
<tr><td>ACERINOX COLOMBIA S.A.S</td><td>Bogotá D.C. - Colombia</td><td>68</td><td>100%</td><td>ACERINOX S.A.</td><td></td></tr>
<tr><td>ACERINOX DEUTSCHLAND GMBH</td><td>Langenfeld - Germany</td><td>45,496</td><td>100%</td><td>ACERINOX S.A.</td><td>PWC</td></tr>
<tr><td>ACERINOX EUROPA, S.A.U</td><td>Algeciras - Spain</td><td>341,381</td><td>100%</td><td>ACERINOX S.A.</td><td>PWC</td></tr>
<tr><td rowspan="2">ACERINOX FRANCE S.A.S</td><td rowspan="2">Paris - France</td><td>18,060</td><td>99.98%</td><td>ACERINOX S.A.</td><td rowspan="2">PWC</td></tr>
<tr><td>0</td><td>0.02%</td><td>INOXIDABLES DE EUSKADI S.A.U.</td></tr>
<tr><td>ACERINOX INDIA PVT LTD</td><td>Mumbai - India</td><td>155</td><td>100%</td><td>ACERINOX S.A.</td><td>ISK & Associates</td></tr>
<tr><td>ACERINOX ITALIA S.R.L.</td><td>Milan - Italy</td><td>78,844</td><td>100%</td><td>ACERINOX S.A.</td><td>Collegio Sindicale - Studio Revisori Associatti</td></tr>
<tr><td rowspan="2">ACERINOX METAL SANAYII VE TICARET L.S.</td><td rowspan="2">Gümüşsuyu / Beyoğlu - Turkey</td><td>150</td><td>99.73%</td><td>ACERINOX S.A.</td><td rowspan="2"></td></tr>
<tr><td>0</td><td>0.27%</td><td>INOXIDABLES DE EUSKADI S.A.U.</td></tr>
</table>

2020					
FULLY CONSOLIDATED COMPANIES		OWNERSHIP INTEREST			
	COUNTRY	COST (in thousands of euros)	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST	AUDITOR
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai - United Arab Emirates	10	100%	ACERINOX S.A.	Al Sharid Auditing and Management Consultancy
ACERINOX PACIFIC LTD.	Wan Chai - Hong Kong	7,467	100%	ACERINOX S.A.	PWC
ACERINOX POLSKA, SP Z.O.O	Warsaw - Poland	25,174	99.98%	ACERINOX S.A.	PWC
		4	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX RUSSIA LLC	Saint Petersburg - Russia	100	100%	ACERINOX S.A.	
ACERINOX SCANDINAVIA AB	Malmö - Sweden	31,909	100%	ACERINOX S.A.	PWC
ACERINOX S.C. MALAYSIA SDN. BHD	Johor - Malaysia	19,476	100%	ACERINOX S.A.	PWC
ACERINOX SHANGAI CO., LTD.	Shanghai - China	1,620	100%	ACERINOX S.A.	Shanghai Shenzhou Dalong
ACERINOX (SEA), PTE LTD.	Singapore - Singapore	193	100%	ACERINOX S.A.	PWC
ACERINOX U.K, LTD.	Birmingham - United Kingdom	28,444	100%	ACERINOX S.A.	PWC
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	Trofa - Portugal	15,828	100%	ACERINOX S.A.	PWC
BAHRU STAINLESS, SDN. BHD	Johor - Malaysia	0	98.15%	ACERINOX S.A.	PWC
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	159,698	76%	ACERINOX S.A.	PWC
CORPORACIÓN ACERINOX PERU S.A.C	Lima - Peru	314	100%	ACERINOX S.A.	
INOX RE, S.A.	Luxembourg	1,225	100%	ACERINOX S.A.	PWC
INOXCENTER CANARIAS, S.A.U	Telde (Gran Canaria) - Spain	270	100%	INOXCENTER	PWC
INOXCENTER, S.L.U.	Barcelona - Spain	17,758	100%	ACERINOX S.A.	PWC
INOXFIL S.A.	Igualada (Barcelona) - Spain	6,247	100%	ROLDAN S.A	PWC
INOXIDABLES DE EUSKADI S.A.U.	Vitoria - Spain	2,705	100%	ACERINOX EUROPA, S.A.U	PWC
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Trofa - Portugal	11,043	100%	ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	
METALINOX BILBAO, S.A.U	Galdácano (Vizcaya) - Spain	3,718	100%	ACERINOX S.A.	PWC
NORTH AMERICAN STAINLESS INC.	Kentucky - USA	545,473	100%	ACERINOX S.A.	PWC
NORTH AMERICAN STAINLESS CANADA, INC	Canada	5,091	100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico	18,948	100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - USA	15	100%	ACERINOX S.A.	
ROLDAN S.A.	Ponferrada - Spain	17,405	99.77%	ACERINOX S.A.	PWC
VDM METALS HOLDING GMBH	Werdohl - Germany	313,315	100.00%	ACERINOX S.A.	PWC
VDM METALS INTERNATIONAL GMBH	Werdohl - Germany	51,404	100.00%	VDM METALS HOLDING, GMBH.	PWC

2020					
		OWNERSHIP INTEREST			
FULLY CONSOLIDATED COMPANIES	COUNTRY	COST (in thousands of euros)	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST	AUDITOR
VDM METALS GMBH	Werdohl - Germany	61,815	100.00%	VDM METALS HOLDING, GMBH.	PWC
VDM (SHANGHAI) HIGH PERFORMANCE METALS TRAD. CO. LTD.	Shanghai - China	200	100.00%	VDM METALS, GMBH.	Pan-China Certified Public Accounts
VDM HIGH PERFORMANCE METALS NANTONG CO. LTD.	Nantong - China	849	100.00%	VDM METALS HOLDING, GMBH.	Pan-China Certified Public Accounts
VDM METALS AUSTRALIA PTY. LTD.	Mulgrave - Australia	1,322	100.00%	VDM METALS, GMBH.	
VDM METALS AUSTRIA G.M.B.H.	Brunn am Gebirge - Austria	4,515	100.00%	VDM METALS, GMBH.	
VDM METALS BENELUX B.V.	Zwijndrecht - Belgium	2,535	100.00%	VDM METALS, GMBH.	BDO
VDM METALS CANADA LTD.	Vaughan - Canada	336	100.00%	VDM METALS, GMBH.	
VDM METALS DE MEXICO S.A. DE C.V.	Naucalpan de Juarez - Mexico	30	100.00%	VDM METALS, GMBH.	Grant Thornton
VDM METALS FRANCE S.A.S.	Saint-Priest - France	8,465	100.00%	VDM METALS, GMBH.	
VDM UNTERSTÜTZUNGSKASSE GMBH	Werdohl - Germany	0	100.00%	VDM METALS HOLDING, GMBH.	
VDM METALS ITALIA S.R.L.	Sesto San Giovanni - Italy	10,281	100.00%	VDM METALS, GMBH.	
VDM METALS JAPAN K.K.	Tokyo - Japan	178	100.00%	VDM METALS, GMBH.	
VDM METALS KOREA CO. LTD.	Seoul - Korea	103	100.00%	VDM METALS, GMBH.	
VDM METALS UK LTD.	Claygate-Esher - UK	100	100.00%	VDM METALS, GMBH.	BDO
VDM METALS USA LLC	Florham Park - USA	27,649	100.00%	VDM METALS, GMBH.	PWC

Associates

The detail of investments in associates in 2021 is as follows:

2021				
		OWNERSHIP		
ASSOCIATES	COUNTRY	COST (in thousands of euros)	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST
BETINOKS PASLANMAZ ÇELIK A.S.	Turkey	0.00	25%	ACERINOX S.A.
MOL Katalysator technik GmbH	Germany	390	20%	VDM METALS, GMBH.
Evidal Schmöle Verwaltungsgesellschaft mbH	Germany	0.00	50%	VDM METALS, GMBH.

The associates belonging to the VDM Group are two entities which are scantly material for the Group, the ownership interests in which are measured at cost, as the Group is not involved in their management and therefore, does not have their financial statements. MOL Katalysatortechnik, GmbH engages in the production and distribution of mineral and metal catalysts. On the other hand, EVIDAL Schmöle Verwaltungsgesellschaft GmbH only manages the pension funds of one of the former manufacturing companies.

The detail of investments in associates in 2020 is as follows:

2020				
		OWNERSHIP		
ASSOCIATES	COUNTRY	COST (in thousands of euros)	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST
BETINOKS PASLANMAZ ÇELIK A.S.	Turkey	0	25%	ACERINOX S.A.
MOL Katalysator technik GmbH	Germany	390	20%	VDM METALS, GMBH.
Evidal Schmöle Verwaltungsgesellschaft mbH	Germany	0	50%	VDM METALS, GMBH.

5.4 Capital increases and reductions

The most noteworthy capital increase carried out during the year was the capital increase in the Malaysian company Bahru Stainless, Sdn. Bhd., mentioned in **Note 5.2**, in the amount of USD 349.5 million.

In addition, the Group company Inoxplate, Lda, based in Portugal and wholly owned by the Portuguese company Acerol, Ltd, made a repayment of additional contributions to its parent company in the amount of EUR 350 thousand.

In the case of VDM High Performance Metals (Nantong) Co. Ltd over the course of the year, a non-cash capital increase was carried out through the capitalisation of dividends totalling EUR 1,238 thousand.

A capital increase of EUR 420 thousand was implemented at VDM Metals Italia Srl. by its sole shareholder VDM Metals GmbH.

No capital increase took place in 2020, but the Group company Inoxplate, Lda made a repayment of additional contributions to its parent company in the amount of EUR 800 thousand.

5.5 Impairment of investments

Both at 31 December 2021 and 2020 year-end, the Parent company analysed the recoverability of its investments in Group companies with indications of impairment to determine whether their carrying amount exceeded their recoverable amount.

The analyses carried out during the year showed that no impairment losses had to be recognised in the valuation of investments in Group companies. On the other hand, there has been a reversal of the impairment recorded in previous years in the Company Columbus Stainless Pty.

Columbus Stainless Pty. Ltd.

The impairment test conducted at 31 December 2021 reflects a recoverable amount of EUR 205,142 thousand (2020: EUR 159,698 thousand), which is above the carrying amount of the ownership, in accordance with the Parent's carrying amount, which amounts to EUR 159,838 thousand (2020: EUR 175,195 thousand). Consequently, in 2021, the Company has proceeded to reverse the excess value in the amount of EUR 45,304 thousand.

Both in 2019 and in 2020 the Parent Company recorded impairments of its interest in the Columbus Stainless, Pty. Ltd for a total amount of EUR 120,063 thousand. After the reversal, the amount of accumulated impairment losses amounted to EUR 74,759 thousand.

In 2020, it was necessary to recognise an impairment loss on the valuation of the investment in Bahru Stainless, Sdn. Bhd, as well as the Company Columbus Stainless Pty. Ltd. On the one hand, the Parent Company recognised an impairment loss of EUR 86,329 thousand corresponding to the total value of its holding in Bahru Stainless Sdn. Bhd., as its recoverable amount, calculated on the basis of its fair value less costs of disposal, was lower than its carrying amount. On the other hand, Acerinox, S.A.'s investment in Columbus Stainless, Ltd. was impaired in the amount of EUR 15,498 thousand, as the recoverable amount calculated on the basis of discounted expected cash flows was lower than the carrying amount of the interest. At 31 December 2020, the value of this investment in the separate financial statements of Acerinox, S.A., which was equal to its recoverable amount, was EUR 159,698 thousand.

This impairment does not have an impact on consolidated profit or loss as these companies are fully consolidated. A detailed breakdown of the analyses conducted is included in the notes to the Parent's separate financial statements.

NOTE 6 – SEGMENT REPORTING

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. In 2020, on acquisition of the VDM Group, a new segment, the “High-performance alloys”, came into existence. This segment includes the products developed by the VDM Group. Due to the technical specifications of its products and markets, Group management decided to manage this segment separately.

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

- Flat stainless steel products: slabs, flats, coils, sheets, strips, circles and flat bars.
- Long stainless steel products: bars, angles, wire and wire rod.
- High-performance alloys: special alloys with high nickel content. This segment includes all the companies in the VDM Metals subgroup.
- Other: other stainless steel products not included in the above segments.

Segment results, assets and liabilities include all items directly or indirectly attributable to a segment. No significant assets are shared between segments and, considering the importance of flat products, any assets that could be attributed to both segments are assigned to the flat stainless steel product segment.

The “Unallocated” segment includes the activities of the holding company and activities that cannot be allocated to any of the specific operating segments. As described in **Note 1**, the main activity of the holding company, the Parent of the Acerinox Group, is the provision of legal, accounting and advisory services to all Group companies, as well as the performance of financing activities within the Group, as all the Group’s financing is centralised through Acerinox, S.A.

The results of the “Unallocated” segment reflect only the expenses (both operating expenses and finance costs) relating to the holding company’s activities, since revenue, which is always generated from Group companies, was eliminated on consolidation. The holding company centralises most of the Group’s financing, as can be seen from the amount of the liabilities of the “unallocated” segment. For this reason, the segment’s finance costs are the highest.

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.

Inter-segment transfers and transactions are performed on an arm’s length basis, under commercial terms and conditions that would be available for unrelated third parties.

A segment’s performance is measured on the basis of its gross profit from operations and net profit before tax. The Group considers that this information is the most relevant when assessing the performance of the segment in relation to other comparables in the industry.

6.1 Operating segments

Segment results for the year ended 31 December 2021 are as follows:

(Amounts in thousands of euros)

	2021						
	Flat products	Long products	Other	High-performance alloys	Unallocated	Adjustments	Total
Statement of profit or loss							
Revenue	5,318,261	822,878	38,103	821,885	2,316	-250,754	6,752,689
Inter-segment sales	-237,093	-13,661				250,754	
Total revenue	**5,081,168**	**809,217**	**38,103**	**821,885**	**2,316**		**6,752,689**
Gross profit from operations	778,185	172,640	4,889	60,695	-27,599		988,810
Depreciation and amortisation	-134,665	-13,877	-156	-29,638	-767		-179,103
Impairment losses							
Finance income	1,932	31	87	266	605		2,921
Finance costs	-13,355	-119	-126	-8,261	-23,419		-45,280
Exchange differences	2,877	31		-3,935	-592		-1,619
Profit (loss) before tax	**634,974**	**158,706**	**4,694**	**19,127**	**-51,772**		**765,729**
Income tax	-165,297	-4,851	-1,014	-6,048	-3,012		-180,222
Consolidated profit (loss) for the year	**469,677**	**153,855**	**3,680**	**13,079**	**-54,784**		**585,507**
Attributable to:							
Non-controlling interests	13,606	19					13,625
Net profit (loss) attributable to the Group	**456,071**	**153,836**	**3,680**	**13,079**	**-54,784**		**571,882**
Statement of financial position							
Segment assets	4,518,057	441,829	20,412	932,402	71,132		5,983,832
Investments accounted for using the equity method				390			390
Property, plant and equipment	1,498,611	73,008	3,815	248,361	9,728		1,833,523
Total consolidated assets	**4,518,057**	**441,829**	**20,412**	**932,792**	**71,132**		**5,984,222**
Segment liabilities	1,532,206	49,648	14,676	639,869	1,532,961		3,769,360
Unallocated liabilities							
Total consolidated liabilities (excluding equity)	**1,532,206**	**49,648**	**14,676**	**639,869**	**1,532,961**		**3,769,360**
Property, plant and equipment	1,498,611	73,008	3,815	248,361	9,728		1,833,523
Investments in non-current assets	77,286	3,457	17	20,055	512		101,327

Unallocated liabilities essentially comprise the Parent's financial debt.

The data for 2020 are as follows:

(Amounts in thousands of euros)

	2020						
	Flat products	Long products	Other	High-performance alloys	Unallocated	Adjustments	Total
Statement of profit or loss							
Revenue	3,631,504	567,044	32,629	630,866	2,416	-158,375	4,706,084
Inter-segment sales	-150,188	-8,187				158,375	
Total revenue	**3,481,316**	**558,857**	**32,629**	**630,866**	**2,416**		**4,706,084**
Gross profit from operations	267,685	111,040	711	39,699	-35,757		383,378
Depreciation and amortisation	-140,346	-14,050	-173	-23,762	-759		-179,090
Impairment losses	-41,159						-41,159
Finance income	7,299	3	7	90	60		7,459
Finance costs	-12,905	-148	-173	-8,007	-23,877		-45,110
Exchange differences	774	21		3,591	1,753		6,139
Impairment of financial instruments							
Profit (loss) before tax	**81,348**	**96,866**	**372**	**11,611**	**-58,580**		**131,617**
Income tax	-69,804	-13,479	-423	-2,623	-2,650		-88,979
Consolidated profit (loss) for the year	**11,544**	**83,387**	**-51**	**8,988**	**-61,230**		**42,638**
Attributable to:							
Non-controlling interests	-6,402	-9					-6,411
Net profit (loss) attributable to the Group	**17,946**	**83,396**	**-51**	**8,988**	**-61,230**		**49,049**
Statement of financial position							
Segment assets	3,320,063	374,525	17,924	772,415	247,792		4,732,719
Investments accounted for using the equity method				390			390
Property, plant and equipment	1,486,664	81,867	4,453	252,383	9,890		1,835,257
Total consolidated assets	**3,320,063**	**374,525**	**17,924**	**772,805**	**247,792**		**4,733,109**
Segment liabilities	1,029,432	23,640	11,702	507,873	1,545,482		3,118,129
Unallocated liabilities							
Total consolidated liabilities (excluding equity)	**1,029,432**	**23,640**	**11,702**	**507,873**	**1,545,482**		**3,118,129**
Property, plant and equipment	1,486,664	81,867	4,453	252,383	9,890		1,835,257
Investments in non-current assets	78,438	3,834	22	18,889	396		101,579

In 2020 the gross profit from operations of the unallocated segment includes the expenses relating to the purchase of VDM which, as explained in **Note 5.1**, amounted to EUR 14,736 thousand.

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

6.2 Geographical segments

Revenue from geographical segments is presented on the basis of customer location. Segment assets are determined by the geographical location of those assets.

The data relating to geographical segments in 2021 is presented below:

(Amounts in thousands of euros)

	2021						
	Spain	Rest of Europe	America	Africa	Asia	Other	Total
Revenue by destination of goods	499,727	2,011,860	3,286,515	351,242	544,641	11,754	6,705,739
Segment assets	1,286,578	1,140,829	2,384,106	513,423	654,343	4,943	5,984,222
Property, plant and equipment	416,164	261,969	613,608	116,214	412,271	82	1,820,308
Investment property	3,216	9,999					13,215
Investments in non-current assets	41,217	20,081	28,427	10,316	1,286		101,327

The data for 2020 are as follows:

(Amounts in thousands of euros)

	2020						
	Spain	Rest of Europe	America	Africa	Asia	Other	Total
Revenue by destination of goods	331,836	1,439,886	2,162,768	189,254	515,895	28,849	4,668,488
Segment assets	1,225,518	923,672	1,640,445	391,574	547,125	4,775	4,733,109
Property, plant and equipment	413,576	272,042	614,690	118,879	402,644	100	1,821,931
Investment property	3,085	10,241					13,326
Investments in non-current assets	33,824	19,396	33,874	12,457	2,025	2	101,579

The Group sells its products in over 80 countries across the 5 continents. The Group's sales in each of the following countries exceeded 5% of total consolidated sales in 2021 and 2020: United States 41.47% (2020: 38.90%), Germany 8.42% (2020: 8.36%) Spain 7.45% (2020: 7.26%), Italy 7.15% (2020: 6.17%) and South Africa 5.07% (2020: 3.70%). These sales also include the sales of the high-performance alloys segment.

No single transaction with an external customer exceeded 10% of the consolidated Group's total revenue for 2021 or 2020.

NOTE 7 – INTANGIBLE ASSETS

The detail of the main classes of intangible assets and of the changes therein is as follows:

(Amounts in thousands of euros)

COST	Development expenses	Industrial property	Computer applications and others	Customer portfolio	SUBTOTAL	Goodwill
Balance as of 1 January 2020		**24,312**	**27,799**		**52,111**	**69,124**
Business combinations	16,620	7,964	22,430	29,200	76,214	49,829
Procurements	978	160	1,556		2,694	
Transfers			522		522	
Disposals	-1,243	-99	-107		-1,449	
Translation differences			-498		-498	
Balance as of 31 December 2020	**16,355**	**32,337**	**51,702**	**29,200**	**129,594**	**118,953**
Procurements	791	72	2,066		2,929	
Transfers						
Disposals		-289	-139		-428	
Translation differences			215		215	
Balance as of 31 December 2021	**17,146**	**32,120**	**53,844**	**29,200**	**132,310**	**118,953**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Development expenses	Industrial property	Computer applications and others	Customer portfolio	SUBTOTAL	Goodwill
Balance as of 1 January 2020		**24,312**	**24,566**		**48,878**	**-67,889**
Business combination	7,048	710	19,516		27,274	
Allocation	931	503	1,756	1,622	4,812	
Transfers			-1		-1	
Disposals	-480	-53	-107		-640	
Translation differences			-305		-305	
Balance as of 31 December 2020	**7,499**	**25,472**	**45,425**	**1,622**	**80,018**	**-67,889**
Allocation	1,144	540	2,139	1,947	5,770	
Transfers						
Disposals		-53	-139		-192	
Translation differences			136		136	
Balance as of 31 December 2021	**8,643**	**25,959**	**47,561**	**3,569**	**85,732**	**-67,889**

NET VALUE	Development expenses	Industrial property	Computer applications and others	Customer portfolio	SUBTOTAL	Goodwill
Cost at 31 December 2019		24,312	27,799		52,111	69,124
Accumulated amortisation and impairment losses		-24,312	-24,566		-48,878	67,889
Carrying amount as of 31 December 2019			**3,233**		**3,233**	**1,235**
Cost at 31 December 2020	16,355	32,337	51,702	29,200	129,594	118,953
Accumulated amortisation and impairment losses	-7,499	-25,472	-45,425	-1,622	-80,018	-67,889
Carrying amount as of 31 December 2020	**8,856**	**6,865**	**6,277**	**27,578**	**49,576**	**51,064**
Cost at 31 December 2021	17,146	32,120	53,844	29,200	132,310	118,953
Accumulated amortisation and impairment losses	-8,643	-25,959	-47,561	-3,569	-85,732	-67,889
Carrying amount as of 31 December 2021	**8,503**	**6,161**	**6,283**	**25,631**	**46,578**	**51,064**

The amortisation charge for the year is included under “Depreciation and Amortisation Charge” in the consolidated statement of profit or loss.

At 31 December 2021, the Group had entered into agreements to acquire intangible assets amounting to EUR 502 thousand (2020: EUR 1,132 thousand).

Research and development expenditure

Due to the nature of its activity and as stated in its mission, the Acerinox Group considers research, development and innovation to be strategic in nature. With the incorporation of VDM Metals into the Acerinox Group, efforts were combined to leverage available resources in line with the company's overall purpose and strategy of fostering sustainable innovation. Research and development are a cornerstone of VDM's business model. In cooperation with customers, VDM develops optimal solutions for the specific requirements of different industries, helping to make their processes more efficient. This includes the development of new materials, as well as the identification of alloys with high performance potential and the optimisation of key properties in those established in the market that can be classified for other applications. Most of the projects are carried out in collaboration with customers and research institutes which take part in the projects. The Group is improving the adaptability of the R&D+i departments by creating joint work structures and more agile and flexible processes.

An Innovation and Technology Committee was set up in 2021 comprising managers from various business areas, with the purpose of reviewing the Group's capabilities, defining the R&D+i strategy, providing sufficient funds, identifying risks that could have a significant impact on the Group's operations and defining long-term objectives in these areas.

The research and development expenditure incurred by the Group's stainless steel division does not generally meet the criteria for capitalisation and, accordingly, it is recognised as an expense, depending on its nature, as it is incurred. The total research, development and technological innovation (R&D+i) expenses recorded directly as expenses for the year and charged to the income statement stood at EUR 14,935 thousand (2020: EUR 17,283 thousand).

The VDM Group does, however, capitalise costs relating to R&D+i projects in which the research findings are used to produce new products and processes, or to significantly improve existing products and processes, provided that the product or process proves to be technically and commercially feasible, the Group has the resources required to complete the development programme and it is considered that they will generate future cash flows that will enable their recovery. The total R&D+i expenditure capitalised in 2021 amounts to EUR 791 thousand, relating to two projects (2020: EUR 978 thousand, relating to three projects). VDM has 26 employees working on 57 R&D+i projects.

The fair value of VDM's research projects and patents at the acquisition date, measured using the relief from royalty (RFR) method, amounted to EUR 21,917 thousand.

Customer portfolio

The allocation in 2020 of the purchase price of the VDM Group to the net assets and liabilities identified led to the identification of new intangible assets, arising from the valuation of the customer portfolio. These assets had not previously been recognised for accounting purposes in the separate financial statements of the VDM Group. The multi-period excess earnings method was used to measure this group of intangible assets.

It is standard industry practice to recognise both relationships with customers and the backlog as two of the most important intangible assets arising from a business combination. Both assets were valued jointly in the purchase price allocation process. The estimated fair value at the acquisition date was EUR 29,200 thousand.

Goodwill

At 31 December 2021, the goodwill amounting to EUR 49,829 thousand, reflected that arising from the business combination performed as a result of the acquisition of the VDM Group. The goodwill was allocated to the VDM cash-generating unit (CGU) which, as a whole, belongs to the high-performance alloys segment.

7.1 Impairment of goodwill

The Group estimates the recoverable amount of goodwill on an annual basis, or more frequently where indications of possible impairment are identified. Accordingly, goodwill is allocated to each of the cash-generating units of the company to which the economic benefits of the business combination synergies are expected to flow.

The recoverable amount of a CGU is determined on the basis of the calculation of its value in use. These calculations use cash flow projections based on five-year financial budgets approved by management. Cash flows beyond this five-year period are extrapolated using the estimated growth rates indicated below. The terminal value is calculated by taking into consideration average amounts calculated on the basis of figures achieved in the past and also in the budgeted period, which enables bull and bear cycles to be standardised.

VDM

At 31 December 2021, EUR 51.1 million, reflected mainly EUR 49.8 million arising from the business combination performed in 2020 as a result of the acquisition of the VDM Metals Group. The goodwill was allocated to the VDM Metals cash-generating unit (CGU) which, as a whole, belongs to the high-performance alloys segment, as explained in **Note 5.1**.

With respect to the five-year budgets, the estimated sales and production volumes are based on current capacities using existing machines and equipment, and take into account the evolution of both future demand and the prices by market, checked against estimates made by independent industry experts, such as the CRU Group and SMR (Steel & Metals Market Research). Management determines production costs by taking into account the current situation, the efficiency plans implemented and future price developments.

The discount rates used are pre-tax values and reflect specific risks relating to the relevant segments. Other significant assumptions such as exchange rates and raw material prices are tied to the most recent values recorded in the pertinent markets.

With a sales volume exceeding 39,000 tonnes in 2021 (2020: 37,000 tonnes), VDM Metals continued to be the leading global manufacturer of nickel alloys.

According to specialist consultants, the market was expected to recover by 5% to 312,000 tonnes in 2021. The largest single market for nickel alloys continues to be the United States, followed by China, Germany, Japan and South Korea.

The largest customer sector for nickel-based alloys is the aerospace industry. However, in the case of the High Performance Alloys division, the chemical process and oil and gas industry sales segments are the most important in terms of the sales share.

According to the latest market reports, after the dramatic downturn in 2020 all nickel alloy end-user markets recovered in 2021, with the exception of aerospace, marine applications and the process industry. However, the outlook for demand in 2022 remains positive in all segments except marine applications, despite the ongoing pandemic.

The Group is confident that the flows to perpetuity will materialise, mainly in terms of its use of production capacity and margins, using a perpetuity growth rate (g) of 1.8% in line with expected long-term inflation for the main markets in which VDM operates.

The key assumptions used to calculate the value in use were as follows:

	2021	2020
Budgeted EBIT margin (*)	7.5%	7.8%
Weighted average growth rate, g (**)	1.8%	1.8%
Pre-tax discount rate (***)	10.8%	11.8%
After-tax discount rate (***)	7.7%	8.3%

(*) Five-year budgeted average EBIT margin. EBIT is defined as profit or loss from operations and expressed as a margin or percentage of revenue.

(**) Rate used to extrapolate cash flows beyond the budgeted period.

(***) Discount rate: weighted average cost of capital (WACC)

The discount rate (WACC or weighted average cost of capital) was calculated on the basis of the interest rates of the German sovereign debt (twenty-year treasury bond) and a capital structure, market risk premiums and ratios of similar companies.

With respect to the terminal value, adjustments were performed to obtain flows to perpetuity, depreciation and amortisation were matched to the investments and changes in working capital were also calculated based on average amounts, deemed consistent in the long term, increased by the growth rate (g). The EBIT margin projected to perpetuity does not differ from that achieved by VDM in previous years.

Another assumption is the price of raw materials, particularly nickel, which is set when drawing up the budget. This is extrapolated and remains constant during the period of analysis.

Essentially, due to the uncertain environment governing the markets in which VDM operates, and the aforementioned global pandemic situation, the Group analysed the probability of occurrence of the key assumptions by adjusting the estimated budgets, as well as those of the terminal year, to normalised values that take into account the results obtained in the past. The residual value determined by the tests represents 64% of the total recoverable amount. (2020: 77%)

The impairment test performed on 31 December 2021 showed a recoverable amount of EUR 817,575 thousand (2020: EUR 586,312 thousand), higher than the carrying amount, EUR 649,349 thousand (2020: EUR 574,642 thousand) by EUR 168,226 thousand (2020: EUR 11,669 thousand). Consequently, it is not necessary to recognise any impairment losses on goodwill.

To achieve an impairment of the carrying amount, the discount rate (WACC) would have to be increased by 8.7% and the growth rate (g) would have to be zero (2020: 8.4% maintaining the growth rate). The planned average EBIT margin would have to be reduced by 5.9% (2020: 7.6%), with the other two assumptions remaining unchanged.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

The detail of the various items of property, plant and equipment and of the changes therein in 2021 and 2020 is shown in the following table:

(Amounts in thousands of euros)

COST	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Balance as of 31 December 2019	864,495	4,102,087	94,138	46,501	5,107,221
Business combinations	120,034	407,321	63,938	9,060	600,353
Hyperinflation adjustments	117	21	32		170
Additions	940	27,882	10,475	59,588	98,885
Transfers	2,502	35,635	268	-38,126	279
Disposals	-915	-17,557	-4,133		-22,605
Translation differences	-44,685	-247,252	-3,882	-1,562	-297,381
Balance as of 31 December 2020	942,488	4,308,137	160,836	75,461	5,486,922
Hyperinflation adjustments	198	36	69		303
Additions	3,845	33,150	8,567	52,836	98,398
Transfers	8,266	63,639	8,040	-78,280	1,665
Disposals	-13,932	-21,815	-3,442		-39,189
Translation differences	37,250	183,204	2,656	1,651	224,761
Balance as of 31 December 2021	978,115	4,566,351	176,726	51,668	5,772,860

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Balance as of 31 December 2019	369,818	2,855,376	88,287		3,313,481
Business combinations	39,247	261,076	45,308		345,631
Allocation	21,660	142,231	4,534		168,425
Allowance for impairment losses		41,159			41,159
Hyperinflation adjustments	70	17	30		117
Transfers	8,585	31	-8,194		422
Disposals	-693	-13,342	-4,018		-18,053
Translation differences	-17,217	-165,205	-3,769		-186,191
Balance as of 31 December 2020	421,470	3,121,343	122,178		3,664,991
Allocation	21,909	140,481	5,019		167,409
Allowance for impairment losses					
Hyperinflation adjustments	120	29	68		217
Transfers	1,875	-2,865	2,865		1,875
Disposals	-8,672	-15,541	-3,124		-27,337
Translation differences	15,649	127,585	2,163		145,397
Balance as of 31 December 2021	452,351	3,371,032	129,169		3,952,552

NET VALUE	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Cost at 31 December 2019	864,495	4,102,087	94,138	46,501	5,107,221
Accumulated amortisation and impairment losses	-369,818	-2,855,376	-88,287		-3,313,481
Carrying amount as of 31 December 2019	494,677	1,246,711	5,851	46,501	1,793,740
Cost at 31 December 2020	942,488	4,308,137	160,836	75,461	5,486,922
Accumulated amortisation and impairment losses	-421,470	-3,121,343	-122,178		-3,664,991
Carrying amount as of 31 December 2020	521,018	1,186,794	38,658	75,461	1,821,931
Cost at 31 December 2021	978,115	4,566,351	176,726	51,668	5,772,860
Accumulated amortisation and impairment losses	-452,351	-3,371,032	-129,169		-3,952,552
Carrying amount as of 31 December 2021	525,764	1,195,319	47,557	51,668	1,820,308

The depreciation charge for the year is included under “Depreciation and Amortisation Charge” in the consolidated statement of profit or loss.

The difference between the depreciation and amortisation charge included in the consolidated statement of profit or loss and consolidated statement of cash flows and the sum of the amounts charged reflected in the tables relating to property, plant and equipment, intangible assets, investment property and right-of-use assets is due to the hyperinflation adjustments made to all the profit or loss items of the Argentine entity, which, in the case of the depreciation and amortisation charge, amount to EUR 17 thousand (2020: EUR 14 thousand).

Any impairment of property, plant and equipment and goodwill is included under a separate, specific heading in the consolidated statement of profit or loss.

Business combinations

As explained in **Note 5.1**, as a result of the acquisition of the VDM Group and pursuant to the standard relating to business combinations, last fiscal year, the Group estimated the fair value of all the acquired VDM Group's assets and liabilities. With respect to property, plant and equipment, the fair value estimates made by the independent valuer based on the replacement value method less accumulated depreciation disclosed an excess of EUR 107,220 thousand over the carrying amount of the entity's assets and liabilities. The property, plant and equipment included in the Group's consolidated financial statements as a result of the business combination amounted to EUR 254,722 million.

Investments

The investments made in 2021 in both property, plant and equipment and intangible assets amounted to EUR 101,327 thousand. Around EUR 50 million of the total investments relate to recurring investments in maintenance. In the case of Acerinox Europa, total investment (including maintenance) stood at EUR 38.6 million, including the construction of a new warehouse in the steel plant that will allow the transfer of part of the slag metal recovery operations under cover, the civil works of the new CS-6 cross-cutting line have begun. The complete layout of the three conductors of the high voltage line was also replaced and automatic strip inspection equipment installed in the BA2 Bright Annealing line as part of the digitalisation plan. The investments made by the company North American Stainless amount to EUR 28.2 million and are aimed at maintaining the existing equipment, updating certain production lines and improving safety. In the case of Columbus Stainless, investments for the year amounted to EUR 10.3 million, mainly for equipment maintenance and system upgrades. Finally, the VDM Group invested EUR 20.1 million over the year for production growth, product quality improvement, safety, environment and the maintenance of existing equipment.

In 2020 the investments amounted to EUR 101,579 thousand, around EUR 50 million of which related to recurring investments in maintenance. Due to the exceptional circumstances resulting from the pandemic, the Group sought to limit as much as possible the investments made in fixed assets last year. In the case of Acerinox Europa, the total investments (including investments in maintenance) amounted to EUR 31 million, including most notably environmental investments such as the installation of canopy hoods in the roofing and a ladle furnace, which enables the production process to be optimised. The investments made by North American Stainless amounted to EUR 34 million and aimed at maintaining the existing equipment, updating certain production lines and improving safety. The investments made by Columbus Stainless in 2021 amounted to EUR 12 million, including most notably the installation of a ladle furnace and the extension of the raw material warehouses. Lastly, in 2020 the VDM Group invested EUR 19 million at several of its production plants, with notable actions including the upgrading of the continuous casting unit at the Unna plant, the installation of a new welding robot at the Altena plant and the installation of wire cleaning equipment to improve product quality at the Werdohl plant.

Property, plant and equipment in the course of construction

The detail of the investments classified under this heading is as follows:

(Amounts in thousands of euros)

	2021	2020
Buildings	6,931	5,415
Plant and machinery	43,330	61,475
Other items of property, plant and equipment	1,407	8,571
TOTAL	51,668	75,461

Of the total amount recognised under this heading, EUR 12,780 thousand at Acx Europa (2020: EUR 42,782 thousand mainly relating to the ladle furnace, which has been commissioned this year) and EUR 25,374 thousand at the US company North American Stainless (2020: EUR 18,542 thousand), EUR 4,201 thousand at Columbus (2020: EUR 1,967 thousand) and EUR 8,351 thousand in VDM (2020: 7,365 thousand), are noteworthy.

The total amount transferred from fixed assets in progress to finished assets this year amounts to EUR 78,280 thousand and relates mainly to the Acerinox Europa ladle furnace after having reached the optimum production and quality volumes determined by management (2020: EUR 38,126 thousand).

Property, plant and equipment located outside Spain

The detail of the property, plant and equipment, including investment property, located outside Spain is as follows:

(Amounts in thousands of euros)

	2021		2020	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and buildings	689,216	-289,079	659,709	-260,649
Plant and machinery	3,167,681	-2,234,255	2,965,314	-2,010,497
Other items of property, plant and equipment	122,919	-80,695	108,970	-74,816
Property, plant and equipment in the course of construction	38,355	0	30,566	0
TOTAL	4,018,171	-2,604,029	3,764,559	-2,345,962

Changes in estimates

As explained in **Note 3**, the Group periodically reviews estimated useful lives based on the valuations conducted by experts from the appropriate entity. In 2021, as in 2020 the Group company Columbus Stainless reviewed the useful lives of items whose useful life was about to end, extending it in those cases where the items were still in use. The technological improvements and maintenance plans performed on an ongoing basis by the company lead the projected useful lives to be lengthened, since the company considers that it will continue to obtain cash flows from the use of these assets. The net book value of the assets whose useful lives have been estimated in this fiscal year amounted to EUR 1,329 thousand, while the impact on income from the reduction of depreciation was EUR 275 thousand (2020: EUR 689 thousand with an impact on income from the reduction of depreciation of EUR 561 thousand).

The Group proceeded with accounting of the change in estimate prospectively, as stipulated in IAS 8.

Guarantees

None of the Group's assets had been pledged to secure bank borrowings at 31 December 2021 or 2020.

Obligations and commitments

At 31 December 2021, the Group had entered into agreements to acquire new equipment and facilities for EUR 27,786 thousand, among which the following stand out: EUR 12,220 thousand relating to the investments made by Acerinox Europa, EUR 5,000 thousand by North American Stainless, EUR 2,211 thousand corresponding to Columbus and EUR 7,726 thousand by the VDM Group.

At 31 December 2020, the Group had entered into agreements to acquire new equipment and facilities for EUR 32,623 thousand, among which the following stand out: EUR 18,700 thousand relating to investments made by Acerinox Europa, EUR 8,359 thousand by North American Stainless and EUR 3,801 thousand by the VDM Group.

Capitalisation of borrowing costs

Borrowing costs of EUR 20 thousand relating to Columbus Stainless were capitalised in 2021 (2020: EUR 26 thousand, also relating to the same Group company). The capitalisation rate in 2021 was 5.86% (2020: 6.77%).

Disposals of property, plant and equipment

Losses on the sale or retirement of property, plant and equipment recognised under "Other Operating Income" in the consolidated statement of profit or loss for 2021 amount to EUR 8,392 thousand (2020: EUR 4,544 thousand), which mostly correspond to the removal of fixed assets from the Group's warehouses, either because they are obsolete or because they have been used for maintenance work, as well as assets incorporated in the industrial building located in France, which were not fully amortised and had to be derecognised as a result of its sale.

The gain on the sale or retirement of property, plant and equipment recognised in the income statement in 2021 under "Other operating income" amounts to EUR 10,470 thousand, mainly relating to the sale of two Group industrial buildings in Germany and France (EUR 754 thousand in 2020 relating to the sale of an industrial building in the United Kingdom belonging to the Company Acerinox UK, Ltd, which was classified as investment property).

Environment

The items of property, plant and equipment the purpose of which is to minimise environmental impact and protect and improve the environment at 31 December 2021 and 2020 were as follows:

(Amounts in thousands of euros)

	2021		2020	
Nature and purpose	Gross value	Accumulated Depreciation	Gross value	Accumulated Depreciation
Water treatment	106,357	-83,378	98,729	-74,727
Acid neutralisation	61,936	-46,252	59,970	-43,553
Treatment of gaseous emissions	88,955	-70,586	83,247	-68,185
Automatic addition system	8,445	-6,914	8,095	-6,473
Other elements	120,587	-95,843	113,687	-88,080
Total	386,280	-302,973	363,728	-281,018

In 2021 the Group received an environmental grant of EUR 7,171 thousand mostly related to offsetting the costs of indirect greenhouse gas emissions. At 2020 EUR 2,088 thousand were received for the same concept. Both grants were recognised as income in the year under "Other Operating Income".

In 2021 the Group incurred ordinary environmental expenses of EUR 111,281 thousand (2020: EUR 91,084 thousand).

Property, plant and equipment not used in operations

Group property, plant and equipment not used in operations include several industrial buildings, all of which are classified as investment property. The detail and valuations of these properties are disclosed in **Note 9**.

Other disclosures

There were no legal proceedings, attachments or similar measures that could affect items of property, plant or equipment at 31 December 2021 or 2020.

The Group companies have taken out several insurance policies to cover the risks to which their property, plant and equipment are subject. It is considered that these policies sufficiently cover such risks.

8.1 Impairment losses

As established in IAS 36, and as mentioned in the accounting policies (**Note 2.11**), at each reporting date the Group assesses whether there is any indication that its assets might have become impaired. 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.

Property, plant and equipment and intangible assets represent 32.5% of the Group's total assets. A breakdown by company shows that 95% of the Group's total property, plant and equipment and intangible assets are located at its factories, with the remaining 5% held at the other 33 subsidiaries:

SUBSIDIARIES	2021	2020
ACERINOX EUROPA, S.A.U.	19.95%	19.65%
ROLDAN S.A.	1.04%	1.11%
INOXFIL S.A.	0.16%	0.17%
NORTH AMERICAN STAINLESS INC.	31.76%	31.72%
COLUMBUS STAINLESS PTY Ltd	6.34%	6.48%
BAHRU STAINLESS	22.24%	21.70%
VDM METALS GROUP	13.55%	13.75%
Other subsidiaries	4.96%	5.42%
TOTAL	100.00%	100.00%

Since individual assets do not generate cash inflows independently, as the whole production process needs to be completed, impairment is not estimated on an individual basis but by allocating the assets to cash-generating units. In the case of factories, the smallest cash-generating units that can be considered encompass each factory as a whole.

In 2021, Acerinox obtained the best results in its history in a very complex environment as a result of Covid-19. It was occasionally forced to stop production at some of its factories and combine face-to-face work with working from home for those in office positions, establishing new routines while always prioritising health and safety. This situation also forced the company to adapt to new management models due to disruptions in supplier and customer supply chains as a result of the pandemic. In some of the countries in which the Group operates, it also had to operate with very high energy and transportation prices in addition to the challenge of managing the global logistics crisis.

In such a complex scenario, the Company achieved its best results ever as a result of both sound management and favourable market conditions.

Acerinox demonstrated the necessary flexibility to adapt to the volatility of the situation, to which, among other factors, product diversification (with the incorporation of high performance alloys), financial strength, improved efficiency also contributed. At the same time, market conditions were marked by a favourable demand evolution that allowed successive price increases of products in different regions.

In the stainless steel sector, increased confidence in the economy and improved activity, largely on the back of hopes for the impact that vaccines will have, boosted stainless steel demand and consumption. Although with various moments of instability resulting from the various Covid-19 outbreaks and emergence of variants, 2021 saw growth in the main producing regions in which very low inventories also maintained throughout the supply chain. During the year, the recovery that began in the second half of 2020 continued. All sectors performed favourably, with the exception of the automotive sector, which continued to be affected by the shortage of semiconductors. The rapid recovery of the main consuming countries, coupled with high transport prices and increased delivery times, contributed to limiting imports worldwide.

All the Group's entities had positive results for the year and far exceeded the estimates made for 2021. Therefore there were no indications of impairment.

In the case of the Group's factory in Malaysia, Bahru Stainless, had a significantly better performance compared to 2020, comfortably exceeding forecasts for 2021. However, taking into account that the Group recorded valuation adjustments in previous years, the Group has decided to review the valuations carried out last year.

Bahru Stainless, Sdn. Bhd.

This is the Acerinox Group's most recently built factory, located in Johor, Malaysia. It operates mainly in markets of the ASEAN region, where there is a significant price differential with other international markets due largely to the overcapacity still existing in the Chinese market and the resulting pressure on the international market, particularly in the Asia-Pacific region. In addition, the various ASEAN countries, and Asian countries in general, reacted to Chinese overcapacity by instituting anti-dumping or protectionist measures in their local markets.

The elimination of export subsidies, together with the control of CO_2 emissions imposed by Beijing (as part of an effort to reduce emissions and energy consumption as part of the Green Agenda), corrected the oversupply that characterised the Chinese market in recent years. This situation led to a price increase in the region and demand remained strong. The holding of the Winter Olympic Games in China in February 2022, together with the investments in facilities and infrastructure resulting from this event, boosted demand.

During the year, China recorded minimal production growth, which, together with a reduction in exports in response to the needs of the domestic market, stabilised the market in the region.

In Southeast Asia, Indonesia again increased production, continuing its price leadership in the region. In Malaysia, the year was marked by the summer lockdown, which forced the closure of all non-essential services. Once activity recovered, the market response was very positive, following the trend in the rest of Southeast Asia.

In conclusion, the evolution of the Group's factory in Malaysia, Bahru Stainless, had a significantly better performance compared to 2020, comfortably exceeding forecasts for 2021. Taking into account that in previous years the Group recorded valuation adjustments amounting to EUR 138,393 thousand (97,234 in 2019 and 41,159 in 2020) in relation to the fixed assets of this CGU, the Group has decided to once again request the support of an independent expert, which was already hired both in 2019 and in 2020, for the determination of the recoverable value at 31 December 2021.

In this connection, the independent expert carried out an estimation of the recoverable amount (based on fair value less costs of disposal) in the context of an impairment test analysis from the perspective of a market participant, taking into account the current uncertainty.

The key assumptions used were as follows:

- Discount rate (WACC): range 9.75%-10% (9.25%)
- EBIT margin (profit or loss from operations as a percentage of revenue): range: 1.8%-2.0% (1.6%)

As a result of the exercise described above, it has been determined that the recoverable value of Bahru Stainless Sdn. Bhd at 31 December 2021 is in the range of EUR 287,956 thousand and EUR 315,865 thousand. The carrying amount of the CGU being EUR 296,060 thousand, therefore no additional impairment or reversal of the valuation adjustment recorded in previous years has been recorded. The range has been obtained by applying the aforementioned sensitivity values to both the WACC discount rate and the budgeted EBIT margin.

Impairment analyses conducted in 2020

The companies showing indications of impairment were Bahru Stainless Sdn. Bhd., Columbus Stainless (Pty) Ltd., Acerinox Europa, S.A.U., Roldan, S.A, Inoxfil, S.A. and Acerinox S.C. Malaysia Sdn. Bhd.

The analyses carried out in the past fiscal year determined that an impairment had to be made on Bahru Stainless Sdn. Bhd. for USD 47,152 thousand (EUR 41,159 thousand). It was not necessary to recognise any impairment losses on the company's other assets.

The recoverable amount of the assets of the other companies analysed exceeded their carrying amount and, therefore, no impairment losses were recognised. The sensitivity analyses conducted also enabled the Group to conclude that a substantial change to all the assumptions would be required for impairment to begin to occur.

NOTE 9 – INVESTMENT PROPERTY

"Investment Property" includes Group-owned buildings not occupied by the Group which are held to earn returns, either through rental or through capital appreciation and subsequent disposal of the buildings.

The Group has several industrial buildings classified under this category, which are located in Spain and in other countries and are owned by various subsidiaries. These industrial buildings had been used to carry on commercial activities but are currently idle, and the Group has therefore earmarked them for lease or sale.

The detail of the changes in investment property in 2021 and 2020 is as follows:

(Amounts in thousands of euros)

COST	2021	2020
Opening balance	17,499	20,771
Transfers	825	0
Disposals	-179	-3,096
Translation differences	0	-176
Balance as of 31 December	18,145	17,499
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	2021	2020
Opening balance	4,173	4,428
Allocation	285	299
Transfers	615	0
Disposals	-143	-524
Translation differences	0	-30
Balance as of 31 December	4,930	4,173
NET VALUE	2021	2020
Cost December 31	18,145	17,499
Accumulated amortisation and impairment losses	-4,930	-4,173
Carrying amount as of 31 December	13,215	13,326

During the year, an industrial building belonging to the Group in Spain was reclassified from property, plant and equipment to investment property as it is no longer used for industrial activity and it was decided to lease or sell it. Meanwhile, one of the buildings classified in this category was sold with a net carrying amount of EUR 36 thousand. The proceeds from this sale amounted to EUR 63 thousand.

Last year, an industrial building in the UK owned by the Group subsidiary Acerinox, UK, Ltd was sold. The carrying amount of the sold industrial building was EUR 2,572 thousand and the proceeds from the sale amounted to EUR 3,327 thousand. The Company obtained a gain of EUR 718 thousand in 2020 in this connection, recognised under "Other Operating Income" in the Group's consolidated statement of profit or loss.

Total income from the lease of warehouses amounted to EUR 300 thousand in 2021 (2020: EUR 378 thousand). The associated operating expenses, including repair and maintenance expenses, amounted to EUR 241 thousand (2020: EUR 215 thousand).

The market value of all the investment property exceeded the carrying amount thereof and amounted to EUR 20,778 thousand at 31 December 2021 (2020: EUR 19,190 thousand). This valuation takes into account observable market variables such as offers and prices per square metre of premises available in the geographical area of the Group's investment property and, therefore, the determination of fair value is classified within the LEVEL 2 hierarchy in accordance with the policy established in **Note 2.12.5**.

NOTE 10 – RIGHT-OF-USE ASSETS (LEASES)

The detail of the right-of use assets, measured in accordance with the present value of future lease payments, and of the changes therein in 2021 is as follows:

(Amounts in thousands of euros)

COST	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Balance as of 31 December 2020	**10,939**	**7,124**	**5,148**		**23,211**
Business combinations					
Additions	422	1,734	2,549		4,705
Revaluations		311			311
Transfers					
Disposals	-255	-2,758	-1,048		-4,061
Translation differences	110	4	298		412
Balance as of 31 December 2021	**11,216**	**6,415**	**6,947**		**24,578**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Balance as of 31 December 2020	**2,345**	**3,485**	**2,129**		**7,959**
Business combinations					
Allocation	1,779	2,150	1,695		5,624
Revaluations					
Transfers					
Disposals	-252	-2,287	-1,045		-3,584
Translation differences	44	2	133		179
Balance as of 31 December 2021	**3,916**	**3,350**	**2,912**		**10,178**

NET VALUE	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Cost at 31 December 2020	**10,939**	**7,124**	**5,148**		23,211
Accumulated amortisation and impairment losses	-2,345	-3,485	-2,129		-7,959
Carrying amount as of 31 December 2020	**8,594**	**3,639**	**3,019**		**15,252**
Cost at 31 December 2021	11,216	6,415	6,947		24,578
Accumulated amortisation and impairment losses	-3,916	-3,350	-2,912		-10,178
Carrying amount as of 31 December 2021	**7,300**	**3,065**	**4,035**		**14,400**

The borrowing costs on the lease liabilities recognised by the Group at 31 December 2021 amounted to EUR 288 thousand (2020: EUR 207 thousand). The interest rate used is the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the former is not practicable to determine.

The lease expenses recognised under "Operating Expenses" in the consolidated statement of profit or loss relating to low-value assets or short-term leases amounted to EUR 13,596 thousand (2020: EUR 9,794 thousand).

The term of the Group's leases and the amount of the payments remaining as of 31 December 2021 are as follows:

(Amounts in thousands of euros)

	2021	2020
	Amount of future payments	Amount of future payments
Up to 2 years	6,651	5,701
2-5 years	3,464	5,338
5-10 years	942	1,700
More than 10 years	1,483	1,578
TOTAL	12,540	14,317

The amount of the leases exceeding ten years relates mainly to a plot of land that the Group company Inoxcenter, S.L.U. has leased to the consortium of the Barcelona free trade zone, on which the Group has constructed an industrial building owned by it.

At 31 December 2021, the balance of the lease liabilities was EUR 12,540 thousand, most of which were recognised under "Other Non-Current Financial Liabilities" (2020: EUR 14,317 thousand).

None of the Group's leases were substantially modified as a result of the health crisis caused by the Covid-19 coronavirus, and it did not obtain any significant concessions in the form of a reduction in lease payments.

NOTE 11 – INVENTORIES

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

(Amounts in thousands of euros)

	2021	2020
Raw materials and other supplies	481,199	358,823
Products in process	594,214	343,121
Finished products	605,376	403,986
By-products, wastes and recoverable materials	95,821	76,259
Advances	0	299
TOTAL	1,776,610	1,182,488

"Raw materials and other supplies" includes EUR 34,746 thousand relating to the measurement of the emission allowances held by the Group at 2021 year-end (2020: EUR 16,721 thousand).

The changes in finished goods and work in progress in the year, according to the consolidated statements of financial position as at 31 December 2021 and 2020, shown above, differ from the figures recognised in the respective consolidated statements of profit or loss as a result of translation differences.

The cost of goods sold was calculated in accordance with the policy defined in **Note 2.13** and amounted to EUR 5,505 million in 2021 (2020: EUR 4,109 million).

In 2021 the Group recognised an adjustment of EUR 10,948 thousand in order to measure its inventories at net realisable value where this was lower than cost. An adjustment of EUR 14,281 thousand was recognised in 2020.

Obligations and commitments

As of 31 December 2021, the consolidated Group had commitments to purchase raw materials totalling EUR 322,810 thousand (2020: EUR 176,163 thousand), in line with current activity levels and high raw material costs. Although there were no firm sale commitments at those reporting dates, there were formal orders for which the Group does not foresee any circumstances that could prevent delivery by the agreed deadlines.

The Group does not have any inventories with a cycle exceeding one year and, therefore, no borrowing costs were capitalised in this connection.

The Group companies have taken out several insurance policies to cover the risks to which their inventories are subject. It is considered that these policies sufficiently cover such risks.

11.1 Emission allowances

The Group recognises emission allowances as inventories.

On 13 July 2021, an agreement was approved determining the final free allocation of greenhouse gas emission allowances to Spanish entities subject to the allowance trading system for the period 2021-2025. Phase IV of the European Union Emissions Trading Scheme covers the years 2021-2030 and is divided into two allocation periods 2021-2025 and 2026-2030.

The yearly distribution of the allowances allocated to the Group company Acerinox Europa, S.A.U., is detailed below:

2021	2022	2023	2024	2025
178,752	178,752	178,752	178,752	178,752

The Group company Roldan, S.A. has been allocated the following allowances:

2021	2022	2023	2024	2025
16,492	16,492	16,492	16,492	16,492

The VDM Metals Group, which also holds CO2 emission allowances, its allowances were incorporated by the Group at the acquisition date. The allocations obtained by VDM free of charge fall short of the plants' requirements, and it is therefore necessary to acquire allowances on the market. The Company recognises the allowances acquired at acquisition cost and for no consideration under "Grants". In view of the significant price increase and future forecasts, the Group decided to implement a long-term purchase plan, acquiring 100% of the rights that it expects to use until 2023, thus hedging against price fluctuations. This purchase was made at very competitive prices, well below current quotations.

A total of 107,947 allowances were incorporated by the Group at the acquisition date. They were measured at their fair value at that date, which was determined by their trading price at the acquisition date (EUR 23.38/allowance). At the acquisition date, EUR 2,523 thousand were recognised under "Inventories".

The changes in emission allowances in 2021 and 2020 were as follows:

	Number of allowances	Value (in thousands of euros)
Balance at 31/12/19	1,057,872	12,249
Business combination	107,947	1,529
Allocation for the year	291,039	6,787
Disposals	-302,680	-3,843
Balance at 31/12/2020	1,154,178	16,721
Allocation for the year	225,973	11,902
Procurements	190,739	10,334
Swap	7,730	153
Disposals	-286,618	-4,363
Balance at 31/12/2021	1,292,002	34,746

357,257 CO_2 emission allowances were used in 2021, and these allowances will be surrendered to the national authorities in 2022 (2020: 255,084, surrendered in 2021). The Group has not sold its surplus allowances.

Greenhouse gas emissions are verified each year by an ISO 14064-accredited external body. In addition, both Acerinox Europa and VDM are included in the EU Emissions Trading System (EU ETS).

The expense for the year in respect of CO_2 emissions totalled EUR 9,253 thousand in 2021 (2020: EUR 3,841 thousand) and is included under "Other Operating Expenses". This expense is equal to the value allocated to the allowances used in the year, which is the market value of these allowances when allocated.

Disposals for the year related to CO_2 emission allowances used in the previous year audited and approved by an independent expert.

Emission allowances have undergone a very significant price increase during this year, from an average price of EUR 25/allowance in 2020 to EUR 80 at the close of 2021. However, this increase had little impact on the Group as Spanish plants have sufficient allocated rights to cover their needs. As described in the accounting policy in **Note 2.13.1**, any increase in the price of rights allocated free of charge will be offset by grant income, thus not affecting the Group's income statement.

The Group does not trade in CO_2 emission allowances; it merely acquires those required for internal use, as necessary. The Group does not hold any futures contracts for the acquisition of emission allowances.

There are no significant contingencies for emission-related fines.

NOTE 12 – FINANCIAL INSTRUMENTS

12.1 General considerations

A financial instrument is a contract that gives rise to a financial asset at one company and, simultaneously, a financial liability or an equity instrument at another. The Group recognises a financial instrument in its consolidated statement of financial position when it becomes party to the contract or legal transaction.

12.2 Categories of financial assets and liabilities

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

(Amounts in thousands of euros)

Class	Long-term financial instruments						Short-term financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
Category	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Loans and receivables					3,437	2,284					839,744	507,440
Held-to-maturity investments												
Equity instruments:												
- At fair value through other comprehensive income	10,729	7,821										
- Valued at cost	396	287										
Assets at fair value through profit or loss		43			45	287					8,766	22,227
Hedging derivatives					1,017						6,449	
TOTAL	11,125	8,151	0	0	4,499	2,571	0	0	0	0	854,959	529,667

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Financial liabilities at amortised cost	1,293,494	1,335,039	74,750	74,650	15,830	20,105	483,271	278,034	1,634	1,634	1,446,680	987,559
Liabilities at fair value through profit or loss					8	88					6,999	14,109
Hedging derivatives					2,437	8,368					5,515	3,685
TOTAL	1,293,494	1,335,039	74,750	74,650	18,275	28,561	483,271	278,034	1,634	1,634	1,459,194	1,005,353

12.2.1 Financial assets at amortised cost

The detail of the financial assets measured at amortised cost at 31 December is as follows:

(Amounts in thousands of euros)

	2021	2020
Customers	772,681	463,796
Debts with personnel	903	879
Public Administrations	45,098	26,921
Other debtors	13,033	11,296
Accruals and deferrals	12,942	9,745
Deposits and bonds	68	59
Other credits	69	375
Write-downs of uncollectible debts	-5,050	-5,631
TOTAL	839,744	507,440

The amount recognised as tax receivables from Public Administrations relates mainly to VAT settlements.

The increase in the customers and accounts receivable item was mainly due to the increase in activity in all plants following the pandemic that affected the 2020 financial year and the price recovery in the stainless steel market.

As explained in the accounting policies, the Group measures accounts receivable at their transaction price, provided that they do not have a significant financial component, they are expected to be received in the short-term and the effect of not discounting the cash flows is not material. The Group does not have any non-current balances receivable.

Write-downs of uncollectible debts relate in full to trade receivables. The changes therein were as follows:

(Amounts in thousands of euros)

	2021	2020
Opening balance	5,631	4,656
Business combination	0	855
Allocation	483	968
Application	-58	-242
Reversion	-1,010	-519
Translation differences	4	-87
Balance as of 31 December	5,050	5,631

Changes in the balance of valuation adjustments are included under “Other Operating Expenses” on the statement of profit and loss.

No interest was earned on impaired financial assets in 2021 or 2020.

No valuation adjustments were recognised for uncollectible receivables from related parties.

At 31 December 2021, certain Group companies had receivables amounting to EUR 286,538 thousand factored on a non-recourse basis to banks in exchange for cash (2020: EUR 204,009 thousand). The factored amounts were derecognised as they met the conditions specified in IFRS 9 regarding the transfer of risks and rewards.

Note 12.2.3 includes a detail of the Group’s factoring lines.

12.2.2 Trade and other payables

The detail of “Trade and Other Payables” in the consolidated statements of financial position as at 31 December 2021 and 2020 is as follows:

(Amounts in thousands of euros)

	2021	2020
Suppliers and creditors for services rendered	1,318,061	880,520
Debts with personnel	55,008	38,612
Suppliers of fixed assets	12,017	12,147
Taxes and Social Security	41,127	41,745
Dividend payable	0	47
Other creditors	5,984	5,367
Current provisions	14,483	9,121
TOTAL	1,446,680	987,559

Most of the amount included under tax and social security payables relates to amounts payable for VAT settlements and personal income tax withholdings. EUR 4,264 thousand relate to social security payables (2020: EUR 4,867 thousand).

The increase in the suppliers and payables for services rendered item was mainly due to the increase in activity in all factories following the pandemic that affected the 2020 fiscal year and the increase in raw material prices.

In relation to the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements, the average period of payment to suppliers of the Spanish companies forming part of the Acerinox Group, having deducted the payments made to Group companies, is as follows:

	2021	2020
	Days	Days
Average supplier payment period	63 days	73 days
Ration of operations settled	64 days	75 days
Ratio of transactions pending payment	58 days	54 days

	Amount	Amount
Total payments made	1,501,556	1,948,440
Total outstanding payments	303,307	239,428

This table includes the payments made to any supplier, whether domestic or foreign, and excludes Group companies.

12.2.3 Bank borrowings and bonds issued

The detail of the financial debt line items in the consolidated statements of financial position as at 31 December 2021 and 2020, including both bank borrowings and bonds issued by the Group in the year, is as follows:

(Amounts in thousands of euros)

	Non-current		Current	
	2021	2020	2021	2020
Bonds issued	74,750	74,650	1,634	1,634
Loans from credit institutions	1,293,494	1,335,039	483,271	278,034
Total non-current debt	1,368,244	1,409,689	484,905	279,668

There is currently a private placement of EUR 75 million performed by Deutsche Bank AG, London Branch in July 2014, which has a term of ten years.

The detail of the maturity of the outstanding debt at 31 December 2021 is as follows:

(Amounts in thousands of euros)

	2022	2023	2024	2025	2026 and thereafter	TOTAL
Financial debts	484,905	384,150	399,771	273,671	310,652	1,853,149
Total financial debt	484,905	384,150	399,771	273,671	310,652	1,853,149

The 2020 figures were as follows:

(Amounts in thousands of euros)

	2021	2022	2023	2024	2025 and thereafter	TOTAL
Financial debts	279,668	310,399	338,637	451,437	309,216	1,689,357
Total financial debt	279,668	310,399	338,637	451,437	309,216	1,689,357

The breakdown of the debt by currency is as follows:

(Amounts in thousands of euros)

	Non-current payables		Current liabilities	
	2021	2020	2021	2020
EUR	1,359,415	1,389,316	398,129	207,344
USD	8,829	20,373	9,175	
ZAR			77,601	72,324
TOTAL	1,368,244	1,409,689	484,905	279,668

The breakdown of the debt by interest rate is as follows:

(Amounts in thousands of euros)

	Non-current payables		Current liabilities	
	2021	2020	2021	2020
Fixed	625,844	643,861	58,200	145,967
Variable	742,400	765,828	426,705	133,701
TOTAL	1,368,244	1,409,689	484,905	279,668

Fixed-rate debt solely includes borrowings originally arranged at fixed rates (bank loans and private placements) and does not include borrowings for which interest rates have been fixed by arranging derivatives.

There are swap contracts to hedge the interest rate for EUR 570 million of the variable rate debt (**Note 12.2.6**)

The fair value of fixed-rate bank borrowings and private placements was EUR 684,044 thousand at 31 December 2021, and their fair value was EUR 716,188 thousand. The fair value of these borrowings at 31 December 2020 amounted to EUR 838,886 thousand (carrying amount of EUR 789,828 thousand).

The interest rates of the floating-rate loans are reviewed at least once a year.

The weighted average cost of the financing instruments in euros at the end of 2021 was 1.21% before hedging, for a total of EUR 1,758 million at year-end, 1.88% for USD 20 million of financing and 6.38% for ZAR 1,402 million of financing. In 2020 the cost of the loans in euros was 1.35% before hedging, for an amount of EUR 1,597 million, 2.24% for USD 25 million and 6.14% for ZAR 1,303 million of financing.

The Group has arranged interest rate swaps whereby it can exchange floating-rate borrowings for fixed-rate borrowings, as described in **Note 12.2.6**.

At 31 December 2021, accrued interest payable on bank borrowings amounted to EUR 1,819 thousand (2020: EUR 1,688 thousand). In addition, accrued interest payable on bonds issued amounted to EUR 1,634 thousand at 2021 year-end (2020 year-end: EUR 1,634 thousand).

The total borrowing costs calculated using the effective interest rate on loans at amortised cost amounted to EUR 1,317 thousand (2020: EUR 1,055 thousand).

At 31 December 2021, the Acerinox Group had arranged bank credit facilities and private placements amounting to EUR 2,582 million (31 December 2020: EUR 2,544 million), in addition to approved non-recourse factoring facilities amounting to EUR 520 million (31 December 2020: EUR 520 million). The amount drawn down on financing facilities at 31 December 2021 amounted to EUR 1,853 million, (2020: EUR 1,689 million) and EUR 287 million on factoring facilities (2020: 204 million).

Certain Group companies have arranged reverse factoring facilities with various banks to manage payments to suppliers. Trade payables payment of which is managed by the banks are recognised under “Trade and Other Payables” until the related obligation is discharged or cancelled or expires. The Group uses reverse factoring solely as a payment instrument, but offers its suppliers the possibility of obtaining financing through such instruments. With respect to the Acerinox Group, invoices are paid by their due date without any financial advantage being gained from the use of reverse factoring.

Main financing transactions undertaken in the year

The most significant financing transactions in 2021 were as follows:

- Conversion into sustainable loans of two long-term loans with Caixabank and Banco Sabadell, arranged in 2020, in the amount of EUR 80 million each, to finance the purchase of the VDM Metals Group.
- Renewal of the syndicated factoring agreement between several Acerinox Group subsidiaries and Abanca, BBVA, Banca March, Banco Sabadell, Bankinter, Banque Marocaine du Commerce Exterieur International, Caixabank and Santander Factoring y Confirming for EUR 370 million until 30 June 2023, with the possibility of automatic renewal for a further year.
- Signing of three new loans: a sustainable fixed-rate loan with BBVA for EUR 50 million maturing in 4 years; and two floating-rate loans, one with Bankinter for EUR 20 million maturing in 2025, and another with Banco Santander for EUR 50 million maturing in 2025.
- Renegotiation of five long-term loans improving the economic conditions and extending their final maturity for a total amount of EUR 325 million: EUR 50 million signed with Banca March and an institutional investor with final maturity in 2028; EUR 100 million with Banco Santander with final maturity in 2023; EUR 85 million with Kutxabank with final maturity in 2026; EUR 60 million with Unicaja with final maturity in 2028; and EUR 30 million with Grupo Caja Rural with final maturity in 2026. Of the above amounts, EUR 20 million were new debt in both the Kutxabank and Unicaja loans and EUR 10 million in the Grupo Caja Rural loan.
- Novation of two long-term loans signed by Acerinox S.A. with Banco Sabadell amounting to EUR 125 million and EUR 80 million, into a single sustainable loan of EUR 205 million, reducing the cost of financing and increasing the final maturity to 2026.
- A EUR 10 million credit facility maturing in three years was signed with Liberbank with the ICO (*Insituto de Crédito Oficial*) as guarantor.
- Likewise, in order to maintain the Group’s liquidity, eight credit facilities in euros and four credit facilities in dollars have been renewed, improving the financing conditions and extending the term for a further year, for a total amount of around EUR 430 million.
- In addition, VDM Metals has signed a EUR 30 million loan with Intesa Sanpaolo maturing in 18 months and with the possibility of extending it for a further 18 months.

Regarding debt renegotiations, the Group assessed the significance of the modifications made to determine whether they were substantially different, in accordance with the criteria established in the accounting policy defined in **Note 2.12.3**, and recognised the effects of certain 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 profit or loss in relation to the loan arranged with Sabadell, which was derecognised from liabilities, amounted to EUR 126 thousand.

The most noteworthy financing transactions in 2020 were as follows:

Transactions performed prior to the state of alarm:

- The refinancing of a loan from Banco Sabadell in January 2020, amounting to EUR 125 million, whereby the financing conditions were improved and the final maturity was extended to 2025.
- The arrangement of a credit facility of EUR 20 million between Acerinox Europa, S.A.U. and CaixaBank in February 2020.
- The arrangement of five long-term loans totalling EUR 350 million to finance the purchase of the VDM Metals Group in March. These loans were arranged with five financial institutions (BBVA, CaixaBank, Sabadell, the Spanish Official Credit Institute (ICO) and Liberbank). The loans arranged with the first four institutions each amount to EUR 80 million and have a five-year final maturity in the case of the first three banks and an eight-year final maturity in the case of the ICO. The loan arranged with Liberbank amounts to EUR 30 million and has a seven-year final maturity.

Most significant transactions performed after the state of alarm:

- A long-term loan of EUR 20 million, with a five-year final maturity, was arranged with Banco Cooperativo Español in June.
- Also, four ICO-secured financing transactions were renewed in order to provide the Acerinox Group with sufficient liquidity to mitigate the economic effects of Covid-19. In this regard, two credit facilities were renewed, one with Banco Sabadell, amounting to EUR 80 million, and the other with BBVA, amounting to EUR 50 million. In addition, a three-year loan amounting to EUR 100 million was arranged with Banco Santander in June 2020 and drawn down in full on 1 July 2020, and another three-year loan, amounting to EUR 10 million, was arranged with Bankinter in October 2020. A new ICO-secured credit facility, amounting to EUR 45 million, was also arranged with Bankia.
- Lastly, in order to continue to guarantee the Group's liquidity, short-term credit facilities totalling EUR 244 million and USD 105 million were renewed.

The Acerinox Group has satisfactorily met the repayment schedules for its borrowings.

The detail of the changes in non-current bank borrowings, not including bond issues, is as follows:

(Amounts in thousands of euros)

	Non-current payables		Current liabilities	
	2021	2020	2021	2020
Opening balance	1,335,039	977,187	278,034	318,197
Business combination	0	120,386	0	4,519
Additions	492,534	687,613	248,670	147,327
Debt repayment	-283,870	-257,511	-295,924	-373,893
Interest at amortised cost	1,317	915	-21	510
Short-term transfers	-252,676	-193,551	252,676	193,361
Translation differences and others	1,150	0	-164	-11,987
Balance as of 31 December	1,293,494	1,335,039	483,271	278,034

The reconciliation of the changes in non-current and current borrowings to the consolidated statement of cash flows is as follows:

- The detail of income from borrowings recognised in the consolidated statement of cash flows is as follows:

(Amounts in thousands of euros)

	2021	2020
Capital grants		3,761
Obligations		
Long-term bank borrowings	489,999	694,234
Short-term bank borrowings	248,670	140,705
Other debts (capital leases)	2,130	732
Total income from borrowed funds	740,799	839,432

- The breakdown of the debt repayments recognised in the consolidated statement of cash flows is as follows:

(Amounts in thousands of euros)

	2021	2020
Capital grants		
Obligations		
Long-term bank borrowings	-283,870	-264,132
Short-term bank borrowings	-295,924	-367,273
Other debts (capital leases)	-6,047	-5,256
Total repayment of interest-bearing liabilities	-585,841	-636,661

Non-current borrowings subject to achievement of ratios

a) **Ratios linked to earnings**

Currently, no loan agreement entered into by Acerinox, S.A. contains covenants linked to ratios that take into account the Group's results. An exception to this is the VDM incorporated debt, in respect of which there is an undertaking to maintain, over the life of the syndicated revolving credit facility arranged with Deutsche Bank, HSBC, Unicredit and Helaba, the quarterly financial ratios to be achieved which relate consolidated net financial debt and 12-month adjusted EBITDA, an interest coverage ratio and a minimum equity amount. In early 2021, VDM Metals Group obtained a waiver of its financial covenants for five quarters, including until March 2022. In return, it has committed to maintain minimum levels of operating profit and liquidity. However, on 31 December 2021, effective 1 January 2022, VDM Metals has requested the removal of the waiver of its financial covenants.

b) **Ratios linked to equity**

Three loans arranged in the first half of 2020 for the acquisition of VDM, specifically those arranged with BBVA, CaixaBank and the ICO, amounting to EUR 80 million each, are subject to compliance with the aforementioned financial ratios relating to maintaining minimum consolidated equity levels.

In addition to these three loans, there are three other financing contracts conditional on compliance with financial ratios also referring to the maintenance of minimum levels of own funds at consolidated level. The loan arranged in March 2017 and novated in December 2021 with Banca March and an institutional investor for EUR 50 million and assigned to a Securitisation Fund upon arrangement, the loan arranged with the European Investment Bank ("EIB") in December 2017 for EUR 70 million and the loan arranged in March 2018 with the Instituto de Crédito Oficial ("ICO") for EUR 100 million. This type of ratio is standard market practice in financing with these maturities, as the loan arranged with Banca March has a term of seven years, the EIB loan has a term of ten years and the ICO loan has a term of eight years.

Additionally, the Group company Columbus Stainless has structured financing (a Borrowing Base Facility) which is also subject to the achievement of a ratio relating to the maintenance of minimum equity levels at that Company. This financing facility is recognised under "Current Liabilities - Bank Borrowings" in the consolidated statement of financial position at the amount drawn down. At 31 December 2021, ZAR 1,402 million had been drawn down from this credit facility. At 2020 year-end ZAR 1,303 million had been drawn down from this credit facility.

At 2021 year-end (as in 2020) Acerinox, S.A., VDM and Columbus Stainless, Ltd. had achieved all the ratios required under the aforementioned agreements.

12.2.4 Fair value measurement

As established in the accounting policies, the Group measures the following assets at fair value: financial assets at fair value through other comprehensive income and derivative financial instruments.

Financial instruments recognised at fair value are classified, based on the valuation inputs, in the following hierarchies:

LEVEL 1: quoted prices in active markets

LEVEL 2: observable market variables other than quoted prices

LEVEL 3: variables not observable in the market

The Group's position at 31 December 2021 and 2020 was as follows:

(Amounts in thousands of euros)

	2021			2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Available-for-sale financial assets	10,729			7,821		
Financial derivatives (assets)		16,276			22,514	
TOTAL	10,729	16,276	0	7,821	22,514	0
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial derivatives (liabilities)		14,959			26,250	
TOTAL	0	14,959	0	0	26,250	0

No financial assets or financial liabilities measured at fair value were transferred between levels.

In the case of Level 2 financial instruments, the Group uses generally accepted valuation techniques that take into account spot and future exchange rates at the measurement date, forward interest rates, interest rate spreads and credit risk of both the Group and its counterparty, i.e. the financial institutions with which it operates. In determining the fair values of commodity future contracts quoted on the LME (London Metal Exchange), the Group takes into account the difference between the future prices quoted on the LME for the commodity at the contracted maturity date and the future price set in each contract.

In 2020, due to the business combination performed by the Group, the acquisition-date fair values of the assets acquired and the liabilities assumed were calculated. **Note 5.1** includes detailed information on the valuation methods used.

12.2.5 Financial assets at fair value through other comprehensive income

This section includes the shares that the Group does not intend to sell and that it had designated in this category on initial recognition.

The value of the financial assets designated as at fair value through other comprehensive income amounted to EUR 11,125 thousand at year-end, of which EUR 10,729 thousand related to Acerinox, S.A.'s investment in the Japanese company Nippon Steel & Sumitomo Metal Corporation (Nippon), a company listed on the Tokyo Stock Exchange. This value is equal to the fair value of the shares at 31 December 2021 and coincides with their closing price. With respect to 2020, the value of the financial assets designated as at fair value through other comprehensive income amounted to EUR 8,151 thousand, of which EUR 7,821 thousand related to Acerinox, S.A.'s investment in the Japanese company Nippon.

The market value of Nippon's shares at 31 December 2021 was JPY 1,879 per share (31 December 2020: JPY 1,328 per share). Acerinox, S.A. holds 747,346 shares in this company, which represents a scantly significant percentage of ownership in the Japanese group. The revaluation, recognised in other comprehensive income in 2021, amounted to EUR 2,908 thousand (2020: EUR -2,294 thousand).

On 17 June 2021, Nippon Steel Stainless Steel Corporation sold a 7.9% stake in Acerinox, half of its position, through an accelerated placement. On 1 October it sold the remaining 7.9% and completed its exit from Acerinox's capital, which means that this entity is no longer linked to the Group. By the close of 2020, Nippon's interest in Acerinox, S.A. amounted to 15.81%.

Acerinox, S.A. did not purchase or sell any shares of Nippon Steel & Sumitomo Metal Corporation in 2021 or 2020.

Also, in 2015 the Group company Acerinox Europa acquired a non-controlling interest of 8.48% in Fortia Energía, S.L., whose object is the acquisition of electricity on behalf of its shareholders, for EUR 276 thousand. This investment enables the Group's Spanish factories to obtain more competitive electricity prices. The investment is measured at acquisition cost, as there are insufficient data to measure it at fair value. In any event, the Group does not consider that there are any indications of impairment in this connection.

12.2.6Derivative financial instruments

As detailed in **Note 4**, in relation to market risk the Group is essentially exposed to the following three types of risk in the course of its business activities: foreign currency risk, interest rate risk and raw material price risk. The Group uses derivative financial instruments to hedge its exposure to certain risks.

The Group classifies derivative financial instruments that do not qualify for hedge accounting in the category of assets and liabilities measured at fair value through profit or loss. Those that qualify as hedging instruments are classified as hedging derivatives and are accounted for by applying the accounting policy defined in **Note 2.12.4**.

The detail of the derivative financial instruments, classified by category, is as follows:

(Amounts in thousands of euros)

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives	7,466	7,952	0	12,053
Derivatives at fair value through profit or loss	8,811	7,007	22,514	14,197
TOTAL	16,277	14,959	22,514	26,250

The following table provides a breakdown of the Group's derivative financial instruments at 31 December 2021 and 2020 by type of hedged risk:

(Amounts in thousands of euros)

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Currency forwards	8,005	7,007	18,496	10,449
Interest rate swaps	980	5,608	0	12,053
Commodity futures contracts	7,292	2,344	4,018	3,748
TOTAL	16,277	14,959	22,514	26,250

Foreign currency risk

The Group operates in a large number of countries and bills customers in various currencies, depending on the country where it is billing. It therefore arranges certain financial instruments to hedge cash flow risks arising from the settlement of balances in foreign currencies. The transactions arranged consist mainly of foreign currency purchase and sale forward contracts.

The Group uses derivative financial instruments to hedge most of its commercial and financial transactions performed in currencies other than the functional currency of each country.

The Company's business model is to hedge foreign currency risk through the use of derivative financial instruments and there is an economic relationship between the hedged item and the hedging instrument. The Group classifies most of its foreign exchange insurance contracts in the category of financial instruments at fair value through profit or loss.

Using these instruments ensures that any fluctuation in exchange rates that could affect assets or liabilities denominated in foreign currency would be offset by a change of the same amount in the derivative arranged. Changes in the derivative are recognised in profit or loss, offsetting any changes that occur in foreign currency monetary items. As these derivatives do not qualify as cash flow hedging instruments for accounting purposes, the revaluation of these derivatives is recorded in the consolidated statement of profit or loss "Revaluation of financial instruments at fair value".

At 31 December 2021, the effect on profit or loss of measuring these derivatives at market value was negative, amounting to EUR -3,229 thousand, (2020: EUR -4346 thousand). The exchange gains obtained by the Group in the year amounted to EUR 1,610 thousand (2020: gains of EUR 10,485 thousand). The differences between the two amounts are due mainly to the interest rate differentials between the currencies involved in the currency forward arranged.

At 31 December 2021, all the currency forwards covered mainly receivables (assets) and payables (liabilities) and related to both commercial and financing transactions between Group companies. At 31 December 2021, the fair value of the Group's currency forwards totalled EUR 998 thousand (2020: EUR 8,047 thousand), of which EUR 8,005 thousand were recognised under assets (2020: EUR 18,496 thousand) and EUR 7,007 thousand under liabilities (2020: EUR 10,449 thousand). None of those currency forwards were accounted for as hedges at the end of 2021 or 2020. In 2021 EUR -156 thousand were transferred from the consolidated statement of comprehensive income to profit or loss for the year (2020: EUR -143 thousand).

The vast majority of the Group's foreign currency purchase and sale forward contracts have a term of less than one year.

At 31 December 2021, the Group had used contracts for foreign currency transactions amounting to EUR 739 million for foreign currency sales and EUR 329 million for foreign currency purchases. At 31 December 2020, EUR 345 million were used for foreign currency sales and EUR 453 million for foreign currency purchases. The detail of these foreign currency forward contracts, by currency, is as follows:

(Amounts in thousands)

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
USD	530,626	363,093	550,582	337,280
EUR	130,000	7,214	33,209	5,380
GBP	37,970	400	36,792	2,396
SEK			2,800	18
CAD	7,411	25	3,044	2
AUD	7,064		9,045	2,011
NZD	1,655		422	
JPY	4,986,661	413,284	2,539,974	97,248
MYR	240,800		223,291	
KRW		5,763,587		

At 31 December 2021 and 2020, there were no bank borrowings in currencies other than the functional currency and, therefore, the Group no longer has any derivative financial instruments to hedge exposure to foreign currency risk or interest rate risk.

Interest rate risk

In order to hedge the interest rate risk on a portion of its current and non-current bank borrowings, the Group had arranged the following swaps at 31 December 2021:

	Notional contracted	Amount outstanding	Expiration
From variable to fixed rate	EUR 30 million	EUR 25 million	2023
From variable to fixed rate	EUR 70 million	EUR 70 million	2028
From variable to fixed rate	EUR 50 million	EUR 20 million	2022
From variable to fixed rate	EUR 100 million	EUR 85 million	2026
From variable to fixed rate	EUR 50 million	EUR 50 million	2024
From variable to fixed rate	EUR 160 million	EUR 160 million	2024
From variable to fixed rate	EUR 80 million	EUR 80 million	2025
From variable to fixed rate	EUR 80 million	EUR 80 million	2028

The average interest rate of euro-denominated financing hedged by an interest rate hedging derivative, totalling EUR 570 million at year-end, was 1.14% (2020: 1.16%). The credit spread on these borrowings is included in both cases.

By the end of 2021 and 2020 there is no interest rate hedge in a currency other than the euro.

At 31 December 2021, all interest rate derivatives met the conditions to be classified as cash flow hedging instruments.

As explained in **Note 4.1.2,** no new swap transactions have been closed during the year.

In 2020, the Group performed two swaps with CaixaBank and BBVA in order to hedge the interest rate risk of the floating-rate loans arranged with CaixaBank and the ICO for terms and amounts equal to the cash flows derived from the loans associated with each instrument. The notional amount of the hedged loans was EUR 160 million. At 31 December 2021, both interest rate derivatives met the conditions to be classified as cash flow hedging instruments.

The detail at 31 December 2020 was as follows:

	Notional contracted	Amount outstanding	Expiration
From variable to fixed rate	EUR 30 million	EUR 30 million	2023
From variable to fixed rate	EUR 70 million	EUR 70 million	2028
From variable to fixed rate	EUR 50 million	EUR 40 million	2022
From variable to fixed rate	EUR 100 million	EUR 95 million	2026
From variable to fixed rate	EUR 50 million	EUR 50 million	2024
From variable to fixed rate	EUR 160 million	EUR 160 million	2024
From variable to fixed rate	EUR 80 million	EUR 80 million	2025
From variable to fixed rate	EUR 80 million	EUR 80 million	2028

The fair value of the interest rate swaps was based on the market value of equivalent derivative financial instruments at the reporting date and amounted to EUR -4,628 thousand (31 December 2020: EUR -12,053 thousand). These amounts are recognised in the Group's consolidated statement of financial position under the following line items:

	2021		2020	
	Current	Non-current	Current	Non-current
Other financial assets		980		
Other financial liabilities	3,171	2,437	3,685	8,368

At 31 December 2021 and 2020, the derivatives arranged qualified as cash flow hedging instruments and, therefore, the unrealised loss of EUR 3,766 thousand on their measurement at fair value was recognised in the consolidated statement of comprehensive income (2020: loss of EUR -6,569 thousand).

In 2021, EUR 3,627 thousand were transferred from the consolidated statement of comprehensive income to profit or loss for the year (2020: EUR 2,957 thousand). Combined with the EUR -156 thousand arising from the foreign currency hedges referred to in the previous section, the amount totalled EUR 3,471 thousand and is included in the consolidated statement of comprehensive income (2020: EUR -143 thousand and a total of EUR 2,814 thousand).

The Group has documented the effectiveness of the derivatives arranged to be recognised as hedging instruments, as detailed in **Note 2.12.4**. The hedging transactions were arranged for periods and amounts equal to the cash flows arising from the borrowings associated with each instrument. The financial instruments considered to be hedges were not ineffective at any point in 2021 or 2020.

Risk of changes in raw material prices

As explained in **Note 4.1.3**, the Group is exposed to the risk of raw material price volatility, since it is unable to pass these fluctuations on to the customers through the selling price. This occurs mainly in the special alloys division. High-performance alloys have a high metal content and are mainly composed of nickel, but they also contain other metals that are listed on the LME. For this reason, VDM uses derivative financial instruments to guarantee set prices for its customers and ensure that those prices are aligned with its costs, thus maintaining margins. The financial instruments used are based on arranging futures contracts on the prices listed on the LME.

Until this financial year, VDM had not applied hedge accounting to any of the Group's financial hedging transactions, and any derivative used was measured at fair value, with any changes in value being recognised in profit or loss under "Other Operating Income".

Hedge accounting is applied on a voluntary basis, and a separate decision on whether to apply it is taken on a case-by-case basis for each transaction. To avoid the volatility caused by the measurement of these derivatives with respect to the Group's profit or loss, at the end of the year an analysis was conducted of the economic model and the hedging relationships carried out by the high-performance alloys division to evaluate the possible application of hedge accounting to these derivatives. Accordingly, for new derivatives of commodities arranged on or after 1 January 2021, the relationships shall be documented and a model has been implemented to ensure the effectiveness of the hedge. Therefore, from this date the Group has begun to apply hedge accounting to recognise these financial instruments.

The detail of the nominal values of the purchase and sale futures contracts arranged by the Group at year-end and the fair value measurement thereof is as follows:

(Amounts in thousands of euros)

		Derivative fair value	
	Nominal	Assets	Liabilities
Purchase	108,312	7,289	19
Sale	28,039	2	2,325
TOTAL		7,291	2,344

All the assets and liabilities arising from derivative financial instruments in this category are current, except for the EUR 37 thousand included as non-current financial assets in the consolidated statement of financial position. (2020: EUR 95 thousand).

Of the total financial instruments contracted to hedge this risk, EUR 4,141 thousand meet the conditions to be considered as cash flow hedging instruments and EUR 805 thousand are recorded at fair value through profit or loss as they are instruments contracted prior to the start of the documentation of the hedging relationships. As of 31 December 2021, unrealised gains and losses arising from the valuation at fair value and charged to the consolidated statement of comprehensive income amount to EUR 4,141 thousand. During the year no balance for these hedges was transferred from the consolidated statement of comprehensive profit and loss for the year.

NOTE 13 – CASH AND CASH EQUIVALENTS

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

(Amounts in thousands of euros)

	2021	2020
Cash and banks	195,565	369,600
Short-term bank deposits	1,079,364	547,518
TOTAL	1,274,929	917,118

In 2021 the Group made cash placements in both US dollars and South African rand. The effective interest rate on the short-term bank deposits in 2021 was 0.22% for the dollar (2020: 0.26%) and 3.25% for the rand (2020: 3.8%). The average term of the placements is between one day and three months, and they have been deposited at banks of recognised financial solvency.

All cash and cash equivalents are held in current accounts or current deposits, and there were no restricted cash balances at year-end.

NOTE 14 - EQUITY

14.1 Subscribed capital, share premium and treasury shares

The detail of the changes in the shares outstanding in 2021 and 2020 is as follows:

	No. of shares (thousands)	Common shares (thousands)	Treasury shares (in thousands of euros)	Share capital (in thousands of euros)	Share premium (in thousands of euros)
As of 1 January 2020	270,546	270,546	-1,062	67,637	27,313
Capital increase (flexible dividend)					
Distribution of share premium					-27,055
Acquisition of treasury shares					
Amortisation of treasury shares					
As of 31 December 2020	270,546	270,546	-1,062	67,637	258
Capital increase (flexible dividend)					
Distribution of share premium					
Acquisition of treasury shares			-9,418		
Amortisation of treasury shares					
Long-term compensation plan (delivery of treasury shares)			229		
Other movements					10
As of 31 December 2021	270,546	270,546	-10,251	67,637	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.

There were no changes in share capital in 2021.

The share capital at 31 December 2021 and 2020 therefore consisted of 270,546,193 ordinary shares of EUR 0.25 nominal value each, yielding capital of EUR 67,637 thousand. The shares have been fully subscribed and paid.

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

At 31 December 2021, the only shareholder with a stake of 10% or more in the share capital of Acerinox, S.A. is Corporación Financiera Alba, S.A. with 17.78%. In 2020, the shareholders with a stake of more than 10% were Corporación Financiera Alba, S.A. with 19.35% and Nippon Steel & Sumitomo Metal Corporation with 15.81%. As explained in Note 12.2.5, Nippon sold its total shareholding in Acerinox, S.A. earlier this year.

b) **Share premium**

The share premium has the same restrictions and may be used for the same purposes as the voluntary reserves of the Parent, including its conversion into share capital.

During the year 2021 no distribution of share premium was made.

In 2020, the shareholders at the Annual General Meeting held on 22 October 2020 approved a reimbursement of shareholder contributions out of the share premium, amounting to EUR 0.10 per share, which resulted in a reduction of the share premium and a payment to shareholders of EUR 27,055 thousand.

c) **Treasury shares**

At the meeting held on 16 December, the Board of Directors of Acerinox, S.A., in view of the good cash flow generation, the excellent results and the favourable outlook, has approved a share repurchase plan of up to 4% of the share capital. Its aim is to improve earnings per share and reducing the number of shares issued in the four years (2013-2016) in which the dividend was paid by means of a scrip dividend. Its purpose is to reduce the share capital of Acerinox, S.A. by redeeming these treasury shares. The maximum investment would be EUR 150 million and the maximum number of shares to be acquired must not exceed 10,821,848, representing 4% of the Company's capital, at the time of approval.

Under the buy-back programme, the shares must be purchased at market price and under the price and volume conditions set out in Article 3 of the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016. The Company may not purchase shares at a price higher than the higher of the prices of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out.

The Company will not purchase on any trading day more than 25% of the average daily volume of the shares on the trading venue on which the purchase is carried out. The average daily volume of the Company's shares for the purposes of the foregoing calculation will be based on the average daily volume traded during the twenty business days preceding the date of each purchase. This limit would apply for the entire duration of the programme.

The maximum term of the approved plan is from 20 December 2021 to 6 May 2022, inclusive.

The redemption of the shares thus acquired will be proposed to the Annual General Meeting in 2022.

Acerinox, S.A. reserves the right to terminate the Programme if, prior to its expiry date, shares had been acquired for a purchase price that reached the maximum investment price or the maximum number of shares covered by the Programme. It may also be terminated early in the event of any other circumstance that made doing so advisable.

As of 31 December 2021, 835,361 shares have been acquired for a total amount of EUR 9,418 thousand. At year-end the Group holds 908,669 treasury shares with a value of EUR 10,251 thousand (2020: 93,320 treasury shares with a value of EUR 1,062 thousand).

During this fiscal year, 20,112 shares of treasury shares were delivered to Group executives as a result of the completion of the First Cycle of the First Multi-Year Remuneration Plan. Treasury shares totalling EUR 229 thousand were derecognised.

As explained in **Note 16.1.3**, on 1 January 2021, a new multi-year remuneration plan was approved, consisting of three cycles, each with a duration of three years. Other Group executives have also been included in this second plan.

14.2 Distribution of dividends

The Board of Directors of Acerinox, S.A. in its meeting held on 16 December 2021, has decided to propose to the Annual General Meeting of the Company a dividend of EUR 0.50 per share to be charged to the results of 2021.

The Annual General Meeting held on 15 April 2021 resolved to distribute a cash dividend, charged to unrestricted reserves, in the amount of EUR 0.50 (gross) for each outstanding share. This dividend of EUR 135,273 thousand was paid on 3 June 2021.

In addition, the Annual General Meeting held on 22 October 2020 resolved to distribute a cash dividend, charged to unrestricted reserves, in the amount of EUR 0.40 (gross) for each outstanding share. This dividend of EUR 108,218 thousand was paid on 2 December 2020.

14.3 Reserves

a) **Retained earnings in reserves**

"Retained Earnings in Reserves" includes consolidated profit or loss for the year and reserves of fully consolidated companies and of the Parent, other than those mentioned below.

The detail of the reserves by Company is included in **Note 14.5**.

There are no restrictions on the transfer of funds by any Group company in the form of dividends, except for the non-distributable reserves required by the applicable legislation. At 31 December 2021, the Group had EUR 38,516 thousand in reserves and retained earnings subject to restrictions (2020: EUR 37,684 thousand).

The Parent's legal reserve, which is included under "Retained Earnings in Reserves" in the consolidated statement of changes in equity, was recognised in compliance with Article 274 of the Spanish Limited Liability Companies Law, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. Since 31 December 2020, the Company has already recorded this reserve for an amount equivalent to 20% of the share capital, amounting in both periods to EUR 13,527 thousand.

The legal reserve is not distributable to shareholders and can only be used to offset losses, in the event that sufficient other reserves are not available for this purpose, in which case the reserve must be replenished with future profits.

b) **Property, plant and equipment revaluation reserve**

In accordance with Royal Decree-Law 7/1996, of 7 June, on urgent tax measures and measures to foster and deregulate the economy, the Parent revalued its items of property, plant and equipment. The amount of the reserve reflects the revaluation gains, net of tax at 3%.

The tax authorities had a three-year period from 31 December 1996 in which to conduct a tax audit. Since such an audit did not take place, the aforementioned balance may be used to eliminate losses or increase the Company's share capital.

The balance of this account may only be distributed, either directly or indirectly, once the gain has been realised.

c) **Hedge reserves**

Valuation adjustments relating to hedges "Valuation Adjustments Relating to Hedges" includes cumulative net changes in the fair value of cash flow hedging instruments associated with highly probable future transactions.

d) **Fair value adjustments to financial assets**

The Company has designated certain financial instruments as at fair value through comprehensive income. In accordance with the related accounting policy, changes in the fair value of these instruments are recognised directly in the consolidated statement of comprehensive income. **Note 12.2.5** provides a detailed description of the instruments classified as available for sale and the measurement thereof.

e) **Reserve for actuarial adjustments**

This reserve includes the changes in the actuarial value of the defined benefit plan obligations. The Group, particularly in its specialty high-performance alloys division, has significant commitments to its employees regarding pension matters. **Note 16.1** includes detailed information. As described in the accounting policy defined in **Note 2.16,** the Group recognises changes in the actuarial valuation of the obligations in other comprehensive income.

14.4 Translation differences

The detail of the changes in "Translation Differences" is included in the consolidated statement of changes in equity.

The breakdown of the cumulative translation differences by company at the end of 2021 and 2020 and the functional currencies of their respective financial statements are as follows:

(Amounts in thousands of euros)

GROUP COMPANIES	Currency	2021	2020
ACERINOX (SCHWEIZ) A.G.	CHF	1,475	1,360
ACERINOX ARGENTINA S.A.	ARS	-5,625	-5,551
ACERINOX AUSTRALASIA PTY.LTD.	AUD	37	28
ACX DO BRASIL REPRESENTAÇOES, LTDA	BRL	-320	-323
ACERINOX CHILE S.A.	CLP	-1,322	-596
ACERINOX COLOMBIA S.A.S	COP	-198	-166
ACERINOX INDIA PVT LTD	INR	-54	-58
ACERINOX METAL SANAYII VE TICARET L.S.	TRY	-1,787	-1,030
ACERINOX MIDDLE EAST DMCC (DUBAI)	AED	45	-29
ACERINOX PACIFIC LTD.	HKD	-4,869	-4,930
ACERINOX POLSKA,SP Z.O.O	PLN	-3,367	-3,154
ACERINOX RUSSIA LLC.	RUB	-151	-190
ACERINOX SCANDINAVIA AB	SEK	-5,159	-4,559
ACERINOX S.C. MALAYSIA SDN. BHD	MYR	-1,994	-1,877
ACERINOX (SEA), PTE LTD.	SGD	127	54
ACERINOX SHANGAI CO., LTD.	CNY	1,242	818
ACERINOX U.K., LTD.	GBP	-5,181	-7,041
BAHRU STAINLESS, SDN. BHD	USD	72,085	57,354
COLUMBUS STAINLESS INC.	ZAR	-165,389	-163,804
CORPORACIÓN ACERINOX PERU S.A.C	PEN	-30	-29
NORTH AMERICAN STAINLESS CANADA, INC	USD	2,539	-1,402
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	USD	5,060	2,145
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS, LTD.	USD	3	2
NORTH AMERICAN STAINLESS INC.	USD	98,823	994
VDM METALS GROUP	-	3,856	65
TOTAL		-10,154	-131,919

The origin of the changes arising in 2021 as in 2020 is detailed below:

(Amounts in thousands of euros)

	2021	2020
Opening balance	-131,919	76,331
Difference in equity translation	122,237	-190,579
Difference in translation results	19,499	-10,334
Difference on translation of investments in Group companies	-4,213	-2,038
Dividend distribution translation difference	-16,024	-5,223
Purchase of non-controlling interests	387	0
Other movements	-121	-76
Balance as of 31 December	-10,154	-131,919

The translation difference resulting from the measurement of equity was positive, i.e. EUR 122,237, due to the appreciation of the US dollar (8%) and as the South African rand has hardly changed with respect to the exchange rate at 2020 year-end. The EUR/USD exchange rate applied at the end of 2021 was 1.1326 (2020: 1.2271), while the EUR/ZAR rate was 18.0625 in 2021 (2020: 18,0219).

This difference was nevertheless negative in 2020, i.e. EUR -190,579, due to the depreciation of both the USD and the ZAR. The EUR/USD exchange rate applied at the end of 2020 was 1.2271 (2019: 1.1234), while the EUR/ZAR rate was 18.0219 in 2020 (2019: 15.7773)

Also of note in this year was the decrease in the translation differences as a result of the approved dividend distribution. The reduction in equity of foreign companies due to the approved dividend distribution (USD 300 million charged to reserves of North American Stainless) was valued in the consolidated financial statements at historical exchange rates, according to the translation methods set out in the standards on consolidation. The translation differences reflect the variance between the historical exchange rate and the year-end exchange rate. This decrease in translation differences does not give rise to a reduction in the Group's equity, since it is a transfer from the subsidiary's equity to the Parent's reserves. The difference between the EUR 16,024 thousand shown in the table and the EUR 17,121 reflected in "Other Changes" corresponding to 2021 in the consolidated statement of changes in equity is due to the difference between the exchange rate at year-end and the exchange rate at which the dividends are received at Acerinox, S.A.

The repatriation of dividends from last year, did not have the same impact on translation differences since the historical exchange rate at which the distributed reserves were measured was similar to the exchange rate at year-end.

14.5 Detail of reserves, profit or loss and non-controlling interests: Contribution by company

At 31 December 2021 and 2020, the contribution of each of the consolidated companies to reserves and consolidated profit or loss is detailed as follows:

(Amounts in thousands of euros)	2021				2020			
	Contribution reserves	Contribution profit or loss	Results attributable to non-controlling interests	Total non-controlling interests	Contribution reserves	Contribution profit or loss	Results attributable to non-controlling interests	Total non-controlling interests
ACERINOX S.A	1,798,565	-13,923			1,673,298	-25,118		
ACERINOX (SCHWEIZ) A.G.	665	159			997	-332		
ACERINOX ARGENTINA S.A.	5,711	488			5,154	216		
ACERINOX AUSTRALASIA PTY. LTD.	160	-98			214	-54		
ACERINOX BENELUX S.A. - N.V.	116	551			834	281		
ACX DO BRASIL REPRESENTAÇOES, LTDA	268	21			194	74		
ACERINOX CHILE, S.A.	-1,446	2,024			-1,948	502		
ACERINOX COLOMBIA S.A.S	593	-79			584	8		
ACERINOX DEUTSCHLAND GMBH	-20,809	2,510			-21,645	836		
ACERINOX EUROPA, S.A.U	-90,965	20,676			-29,086	-61,879		
ACERINOX FRANCE S.A.S	-8,494	4,602			-8,033	-461		

(Amounts in thousands of euros)

	2021				2020			
	Contribution reserves	Contribution profit or loss	Results attributable to non-controlling interests	Total non-controlling interests	Contribution reserves	Contribution profit or loss	Results attributable to non-controlling interests	Total non-controlling interests
ACERINOX ITALIA S.R.L.	-35,115	950			-36,132	1,017		
ACERINOX INDIA PVT LTD	-1	-51			74	-75		
ACERINOX METAL SANAYII VE TICARET L.S.	2,019	991			1,546	473		
ACERINOX MIDDLE EAST DMCC (DUBAI)	948	-76			871	77		
ACERINOX PACIFIC LTD.	-20,920	-350			-20,707	-213		
ACERINOX POLSKA, SP Z.O.O	3,101	1,317			2,403	698		
ACERINOX RUSSIA LLC.	652	-47			482	170		
ACERINOX SCANDINAVIA AB	571	1,343			1,288	-718		
ACERINOX S.C. MALAYSIA SDN. BHD	-39,599	1,236			-40,108	510		
ACERINOX SHANGAI CO., LTD.	864	417			754	1,162		
ACERINOX (SEA), PTE LTD.	1,107	-249			1,139	-33		
ACERINOX U.K., LTD.	5,095	314			4,865	229		
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	-2,995	858			-2,792	-203		
BAHRU STAINLESS, BDN. BHD	-546,139	-2,742	-12	3,578	-451,392	-90,834	-1,712	-109
COLUMBUS STAINLESS (PTY) LTD.	19,838	39,793	13,610	56,107	34,156	-14,145	-4,669	42,965
CORPORACIÓN ACERINOX PERU S.A.C	-224	15			-300	76		
INOX RE, S.A.	33,229	1,017			31,629	1,600		
INOXCENTER CANARIAS, S.A.U	948	123			1,816	-366		
INOXCENTER, S.L.U.	-14,128	1,991			-9,341	-5,287		
INOXFIL S.A.	-3,591	1,517	4	10	1,073	-4,664	-11	6
INOXIDABLES DE EUSKADI S.A.U.	4,783	1,040			4,824	-41		
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	1,961	116			1,840	121		
METALINOX BILBAO, S.A.U	14,814	1,557			14,813	1		
NORTH AMERICAN STAINLESS CANADA, INC	40,360	5,899			36,475	3,886		
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	11,723	3,932			9,827	1,896		
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	-9,125	9,125			-8,729	8,729		
NORTH AMERICAN STAINLESS INC.	337,936	462,787			356,888	230,124		
ROLDAN S.A.	27,460	9,047	23	127	35,662	-8,202	-19	104
VDM METALS HOLDING GMBH	12,674	13,081			-7,606	8,988		
TOTAL	1,532,610	571,882	**13,625**	**59,822**	1,585,881	49,049	**-6,411**	**42,966**

In 2021 the Group company North American Stainless distributed dividends of EUR 266 million to the Parent, which explains the changes in the reserves of both Acerinox, S.A. and the US entity.

14.6 Hyperinflation adjustments

Since 1 July 2018, Argentina has been classified as a hyperinflationary economy due to meeting the qualification requirements established in IAS 29. The Acerinox Group has an entity in Argentina which engages exclusively in the marketing of stainless steel in that country and, accordingly, the amount of its assets and liabilities and its contribution to the Group's results are not significant. The Group did not restate the comparative figures for the previous period as the impacts are not significant for the Group.

The financial statements of Acerinox Argentina for both 2021 and 2020 were expressed in terms of the measuring unit current at the end of the reporting period. The restated cost of each non-monetary item in the financial statements was determined by applying to its historical cost and accumulated depreciation and amortisation charge the change in a general price index from the date of acquisition to the end of the reporting period. The revaluation of non-cash assets amounted to EUR 303 thousand cost and EUR 327 thousand accumulated depreciation (2020: EUR 169 thousand cost and EUR 117 thousand accumulated depreciation).

The components of owners' equity, except retained earnings and any revaluation surplus, were restated by applying a general price index to the various items from the dates on which the components were contributed or otherwise arose. Restated retained earnings are the result of applying these indices to the other amounts in the consolidated statement of financial position. The impact on reserves amounted to EUR 342 thousand, as reflected in the consolidated statement of changes in equity (2020: EUR 140 thousand).

All the items in the consolidated statement of comprehensive income were also restated in the monetary unit current at the end of the reporting period. For this purpose, all the amounts were restated by applying an index calculated on the basis of the change in the general price index from the date on which the income and expenses were recognised in the financial statements. The amount recognised in the consolidated statement of profit or loss for this item was EUR -138 thousand (2020: EUR 111 thousand).

14.7 Non-controlling interests

At the end of 2021, the companies with non-controlling interests were Columbus Stainless, Ltd. (Columbus), with an interest of 24% held by the South African group IDC (Industrial Development Corporation), and Bahru Stainless Sdn. Bhd, (Bahru), whose non-controlling interests were reduced to 1.19% owned by Hanwa, Co. Ltd. (2020: 1.85%)

There are no rights to protect non-controlling interests that may restrict the entity's ability to access or use assets, or settle the entity's liabilities.

Neither of these companies distributed dividends in 2021 or 2020.

The detail of the main items in the financial statements of Columbus, which was the only Group company with significant non-controlling interests at year-end, is as follows:

Columbus

(Amounts in thousands of euros)

	2021	2020
Non-current assets	117,202	119,806
Current assets	434,209	289,323
Total Assets	**551,411**	**409,129**
Non-current liabilities	21,285	9,062
Current liabilities	296,346	221,049
Total Liabilities	**317,631**	**230,111**
Statement of profit or loss	**2021**	**2020**
Revenue	860,294	528,821
Profit/(loss) for the year	**56,707**	**-19,455**
Cash flows	**2021**	**2020**
Operating cash flows	-3,470	-47,442
Investment flows	-10,584	-13,193
Financing flows	5,405	12,212
Total cash flows generated	**-8,649**	**-48,423**

When Columbus Stainless was incorporated, Acerinox signed a Shareholders Agreement in December 2001 with the three South African partners, Highveld Steel and Vanadium Corporation, Ltd., Samancor, Ltd. and IDC, which held ownership interests therein.

In Clause 9 of that agreement it was stipulated that in the event of a change of control at Acerinox, S.A., by virtue of which a shareholder acquired shares of Acerinox, S.A. that afforded it a majority of votes at the General Meeting or on the Board, the shareholders would be able to exercise a put option on their ownership interests vis-à-vis Acerinox, S.A.

In the 18 years that have passed, two of the three partners who signed the agreement, Highveld and Samancor, have renounced their shareholdings, and the third, IDC, a state entity supporting industrial development in South Africa, has increased its ownership interest from 12% to 24%, given its interest in supporting the creation of wealth, the maintenance of employment and the status of the stainless steel industry as a strategic industry for the country. IDC recently declared that this was a strategic and long-term interest.

Consequently, the exercise of this option, with respect to the aforementioned assumption, is highly unlikely for the only minority shareholder of Columbus Stainless, since its permanence is not determined by the presence of Acerinox, as it was in the case of the other shareholders, but by support to the national industry.

14.8 Distribution of profit

The proposed distribution of profit of the Parent, Acerinox, S.A., for 2021 that the Board of Directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	2021
Basis for distribution:	
Profit/(loss) for the year	308,558,305
Application:	
Dividends	135,273,096
To voluntary reserves	173,285,209

The Board of Directors of Acerinox, S.A. resolved to propose to the next Annual General Meeting of the Company a dividend distribution of EUR 0.50 per share.

The Annual General Meeting held telematically on 15 April 2021 approved the following distribution of the Parent's profit for 2020:

	2020
Basis for distribution:	
Profit/(loss) for the year	655,351,828
Application:	
Dividends	135,273,096
To voluntary reserves	520,078,732

The Annual General Meeting approved a dividend of EUR 0.50 per share.

14.9 Earnings per share

The basic earnings per share are calculated by dividing the profit for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding in the year.

(Amounts in thousands of euros)

	2021	2020
Profit for the year attributable to the Group	571,882	49,049
Weighted average number of common shares outstanding	270,435,907	270,546,193
Earnings per share (in euros)	2.11	0.18

Although there were other equity instruments that gave access to capital at 31 December 2021, as indicated in **Note 16.1.3**, these do not have a significant effect on the calculation of earnings per share and, therefore, diluted earnings or losses per share are the same as basic earnings or losses per share.

NOTE 15 – DEFERRED INCOME

"Deferred Income" includes non-refundable government aid, including emission allowances received free of charge (see **Note 11.1**) and other grants related to assets. The changes therein were as follows:

(Amounts in thousands of euros)

	2021	2020
Balance at 1 January	12,911	10,310
Grants awarded	20,749	10,942
Application to results	-14,976	-8,341
Balance as of 31 December	18,684	12,911

The amount recognised under "Deferred Income" includes mainly aid received by Acerinox Europa for its research and development and environmental activities, and the balancing entry for emission allowances allocated for no consideration under the National Allocation Plan and not used in the year (**Note 11.1**).

The detail of the grants received in 2021 is as follows:

(Amounts in thousands of euros)

	2021	2020
R&D	988	252
Environment	7,171	2,307
Allocation of CO2 rights	12,055	5,793
Covid-19 grants	295	2,218
Training	160	372
Other	80	0
Total	20,749	10,942

In 2021 the Group received an environmental grant of EUR 7,171 thousand mostly related to offsetting the costs of indirect greenhouse gas emissions. At 2020 EUR 2,088 thousand were received for the same concept.

In 2020, as a result of the pandemic, numerous countries introduced aid packages in an attempt to alleviate the effects of the crisis on production activity and protect workers. In many cases, the measures implemented included social security payment exemptions.

In Spain, Royal Decree-Laws 8/2020, of 17 March, 18/2020, of 12 May, and 24/2020, of 26 June, established the exception whereby in the case of furlough-type arrangements (Spanish "ERTEs") authorised on the basis of temporary force majeure related to Covid-19, and in the case of collective redundancy procedures due to economic, technical, organisational and production reasons, companies would be exempt from paying the company contribution, including the contribution for unemployment, the wage guarantee fund and professional training, in accordance with the proportions and conditions envisaged in the aforementioned regulatory legislation.

Pursuant to the policy described in **Note 2.15**, the Group recognised this relief as a grant and, therefore, it is included under "Other Operating Income" in the consolidated statement of profit or loss.

The Group considers that it has met or will meet all the conditions for receiving the grants in the period stipulated and, therefore, there are no significant contingencies in connection with the grants obtained.

NOTE 16 – PROVISIONS AND CONTINGENCIES

The detail of the long-term provisions included in the consolidated statements of financial position as at 31 December 2021 and 2020 is as follows:

(Amounts in thousands of euros)

	2021	2020
Employee benefits	176,129	182,591
Other provisions	20,411	14,170
TOTAL	196,540	196,761

16.1 Employee benefits

16.1.1 Defined contribution plans

In accordance with their domestic legislation, certain Group companies make contributions to pension plans managed by external entities. An expense of EUR 21,494 thousand was recognised in this connection under "Staff Costs" in the consolidated statement of profit or loss for 2021 (2020: EUR 15,157 thousand).

16.1.2 Defined benefit plans

The detail of the provisions for employee benefits, by type of obligation, is as follows:

(Amounts in thousands of euros)

	2021	2020
Pension plans	147,250	156,309
Compensation for early retirement	5,497	1,704
Supplements	13,918	14,803
Post-employment obligations	8,456	8,767
Restructuring plans	1,008	1,008
TOTAL	176,129	182,591

The defined benefit liability recognised in the consolidated statement of financial position corresponds to the present value of the defined benefit obligations existing at the reporting date less the fair value of the plan assets at that date.

The detail of the main liabilities recognised by the Group is as follows:

Pension plans

The VDM Group guarantees pension plans to its employees, mainly in Germany. The pension obligations are discharged under voluntary plans established by the company prior to the acquisition. Nowadays, new hires cannot benefit from obligations of this nature. These obligations take into consideration various remuneration schemes representing various risk profiles and are based on individual and collective regulations. All these obligations are pension plans that provide benefits to plan members in the form of a guaranteed pension level payable throughout their lifetime. The level of this pension is based on the years of service and, depending on the case, may be based on the final salary, average salary or even fixed amounts. Since the obligations undertaken by the company in this connection are not outsourced, the company fulfils the related payment obligation when it falls due.

The weighted average term of the defined benefit obligations is 17.70 years.

The pension obligations assumed by the Group on acquisition amounted to EUR 149,927 thousand.

The actuarial valuation of these obligations is conducted annually by an independent expert.

The detail of the amounts recognised in the consolidated statement of financial position and of the changes in the net defined benefit obligations in 2021 is as follows:

	2021	2020
Balance at 1 January	156,309	0
Business combination		149,927
Contributions paid	-3,476	-2,833
Expense for services rendered recognised in income	5,877	4,338
Interest cost	932	861
Actuarial loss recognised against comprehensive income	-12,391	4,016
Balance as of 31 December	147,250	156,309

The detail of the expected due date of undiscounted pensions is as follows:

	2021
2022	4,411
2023	4,267
2024	4,361
2025	4,503
2026	4,777
2027 - 2031	26,934
Total	49,255

The 2020 figures were as follows:

	2020
2021	4,005
2022	4,115
2023	4,550
2024	4,439
2025	4,546
2026-2030	25,767
Total	47,422

The actuarial assumptions used in this valuation are as follows:

Discount rate	1.10
Inflation	1.90
Long-term growth rate	2.50
Pension dynamic with adjustment according to Sec. 16	1.90
Pension dynamics with adjustment according to inflation	1.90
Mortality rate	Richttafeln 2018G

The actuarial assumptions used in 2020 were as follows:

Discount rate	0.60
Inflation	2.50
Pension dynamic with adjustment according to Sec. 16	1.70
Pension dynamics with adjustment according to inflation	1.70
Mortality rate	Richttafeln 2018G

The sensitivity analysis performed by the company gave rise to the following adjustments to the pension obligations, based on changes in certain assumptions:

		2021	2020
Discount rate	0.50 bp decrease	13,943	16,283
Salary increase	0.50 bp increase	206	217
Pension increase	0.25 bp increase	3,391	3,849
Mortality rate	Increase in life expectancy by 1 year	4,628	5,258

Post-employment obligations

Post-employment obligations relate to medical care plans provided by Columbus Stainless to plan members following their retirement. No new members have joined the plan. The company generally performs actuarial valuations of the obligations assumed. The most recent valuation was performed in 2020. At year-end 2020, the Company approved to extend the working life of its employees from 60 to 65 years, effective 1 January 2021, which has generated variations in the valuation. The assumptions used in the latest valuation were a discount rate of 11.76% and a medical cost inflation rate of 8.70%. The beginning and closing balances for the year are reconciled as follows:

(Amounts in thousands of euros)

	2021	2020
Balance at 1 January	8,767	9,273
Contributions paid	-434	-299
Expense for services rendered recognised in income	629	191
Interest cost	902	757
Actuarial result recognised against income	-1,389	0
Translation differences	-19	-1,155
Balance as of 31 December	8,456	8,767

The discount rates applied are based on the expected growth rates of health insurance policies. Any changes in these rates may have an impact on both the obligations recognised and on comprehensive income. An increase of one percentage point in the discount rate would increase the obligation by EUR 905 thousand (2020: EUR 1.2 million). By contrast, a decrease of one percentage point in the discount rate would reduce the obligation by EUR 1.1 million in 2021 (2020: EUR 1.1 million).

Acerinox Europa, S.A.U.'s employment regulation plan

On 13 November 2019, the representatives of Acerinox Europa, S.A.U. and the workers' representatives signed an agreement at the Servicio de Resolución Extrajudicial de Conflictos Laborales (SERCLA) of the Junta de Andalucía (Andalusian Regional Government) to reduce the workforce at the Campo de Gibraltar Factory (Cádiz) by 215 people.

These 32 employees left immediately after the execution of the aforementioned agreement and prior to year-end. The remaining departures, i.e. those leaving the company due to age reasons, will take place gradually until the end of 2022, as the employees signed up to the plan reach 60 years of age. 52 employees involved in the collective redundancy procedure left the company in 2021 (2020: 126).

The Company made an actuarial calculation of the obligations arising from the approved early retirement plan, which included 183 employees and amounted to EUR 26,016 thousand in accordance with the actuarial valuation made. This amount was recognised in 2019 in the statement of profit or loss. In January 2020 the Group outsourced the obligations in this connection, in respect of which the payment made was equal to the amount recognised in 2019. As a result of this outsourcing, the insurance company is responsible for paying early retirement benefits to employees when they retire. EUR 4,017 thousand were paid in this fiscal year in this connection with a charge to the insurance policy taken out (EUR 3,392 thousands in 2020).

At 31 December the existing liabilities relating to the future payments to be made by the Group were duly outsourced and covered in full. Accordingly, it was not necessary for the Group to recognise any additional liabilities. Any differences arising between the amount of the provision and the insurance taken out are charged or credited to profit or loss for the year.

The Company also provisioned EUR 9,254 thousand relating to the contribution to the Treasury established in Additional Provision Sixteen of Law 27/2011, amended by Royal Decree 1484/2012, accrued as a result of the presence of certain workers of over 50 years of age. This contribution will be payable to the pertinent authority in accordance with the aforementioned legislation. This provision is included under “Other Provisions”, as disclosed in **Note 16.2**

In 2021, as in 2020, the Company claimed exceptional aid on the basis of Royal Decree 908/2013, of 22 November, in favour of workers involved in company restructuring processes. This aid is subject to the workers signing up to a special agreement with the social security authorities and will be used to pay for social security contributions. In 2021, the Group received subsidies totalling EUR 1,234 thousand which was recorded as “other operating income”.

With regards to 2020, on 11 December 2020, notification was received regarding the granting of aid amounting to EUR 3,991 thousand to Acerinox Europa, S.A.U. At the same time, in accordance with the report received from the independent expert advising the Group on this process, the entity recognised a provision equal to 25% of the aid obtained, to cover any refunds of this aid that might have to be paid through the insurance company, due mainly to employees who decide to take early retirement. A provision of EUR 998 thousand was recognised in this connection. The Group recognised both amounts under “Other Operating Expenses” in the consolidated statement of profit or loss.

In addition, there are obligations arising from certain senior executive retirement benefit arrangements amounting to EUR 16.5 million (2020: EUR 14.8 million). Since these obligations were appropriately insured in both 2021 and 2020, and their estimated amount was covered by cash flows arising from the insurance policies taken out for this purpose, no liabilities were recognised in this connection.

The assumptions used to calculate the fair value are detailed below:

Mortality table	PER 2020_Col_1er.orden
CPI	1.50%
Salary growth	1.50%
Growth in social security	1.50%
Retirement age	65 years
Accrual method	Projected Unit Credit

16.1.3 Share-based payment transactions

At its meeting held on 22 March 2018, the Board of Directors of Acerinox, S.A. approved a multi-year remuneration or long-term incentive (LTI) plan enabling the CEO and senior executives of the Acerinox Group to receive a portion of their variable remuneration in the form of treasury shares of Acerinox, S.A. The target amount is 30-50% of their base salary, subject to a personal limit of 200% of the respective target. This plan was subsequently submitted to, and approved by, the shareholders of Acerinox at the General Meeting held on 10 May 2018.

The approved LTI plan consists of three three-year cycles. The First Cycle of the plan ran from 1 January 2018 to 31 December 2020. The Second Cycle commenced on 1 January 2019 and ends on 31 December 2021, and the Third Cycle commenced on 1 January 2020 and ends on 31 December 2022.

On 1 January 2020, the third three-year cycle of the multi-year remuneration plan came into force.

Also, on 1 January 2021, a new multi-year remuneration plan was approved, consisting of three cycles, each with a duration of three years. Other Group executives have also been included in this second plan.

Under both remuneration plans, employees receive shares of the Parent (“Performance Shares”) at the end of each cycle. The delivery of the shares and the number to be delivered are contingent upon the fulfilment of certain vesting requirements relating to the employee remaining in service and the achievement of individual corporate objectives, certain of which depend on market circumstances.

The Group presumes that the services are to be provided over the irrevocability or vesting period as consideration for the future delivery of the shares. Accordingly, the services rendered are recognised on a straight-line basis over the period in which the rights to receive those shares become irrevocable.

The Group measures the goods or services received, as well as the corresponding increase in equity, at fair value on the date the equity instruments are granted.

To calculate this theoretical number of shares, the shares of Acerinox, S.A. are measured at their quoted price 30 trading days prior to commencement of the plan, and their subsequent increase or decrease in value is assumed by the employee. The resulting number of Performance Shares is used as the basis for determining the actual number of Acerinox, S.A. shares to be delivered (if any) at the end of each cycle, depending on the extent to which objectives are achieved and subject to compliance with the requirements set out in the regulations governing each plan.

The Group engaged an independent expert to calculate the percentage of objectives achieved, subject to market conditions. Using accepted valuation techniques (the Monte Carlo method), the expert calculated the reasonable percentage of shares attributable to each employee subject to the remuneration plan. According to this valuation, the number of shares to be delivered in the performance of each of the plan cycles would be 203,830 shares, which would represent 0.2% of the share capital of Acerinox, S.A. at the end of the three cycles.

During this fiscal year, 20,112 shares of treasury shares were delivered to Group executives as a result of the completion of the First Cycle of the First Multi-Year Remuneration Plan. EUR 628 thousand, the difference between the value of the treasury shares delivered (EUR 229 thousand) and the equity instruments provisioned on the basis of the estimates made (EUR 940 thousand), after deducting withholdings on account, was moved to reserves.

The expense incurred in 2021 amounted to EUR 1,852 thousand (2020: EUR 736 thousand), the balancing entry of which was recognised under "Other Equity Instruments". The amount recognised at year-end under "Other Equity Instruments" in the balance sheet totalled EUR 3,048 thousand (2020: EUR 2,170 thousand).

16.2 Other provisions

The changes in 2021 and 2020 were as follows:

(Amounts in thousands of euros)

	Litigation	CO2	Other provisions	Total
As of 31 December 2019	305	2,746	9,688	12,739
Business combination			1,171	1,171
Allocation provision		3,018	551	3,569
Application		-2,681	-596	-3277
Release of provisions	-5			-5
Short-term transfers				0
Translation differences			-27	-27
As of 31 December 2020	300	3,083	10,787	14,170
Business combination				
Allocation provision		9,863	278	10,141
Application		-3,077	-234	-3,311
Release of provisions		-226	-386	-612
Short-term transfers				0
Translation differences			23	23
As of 31 December 2021	300	9,643	10,468	20,411

CO_2

This heading includes the provisions relating to CO2 emissions in 2021, for which the emission allowances had yet to be surrendered at year-end (see **Note 11.1**).

"Amount used" in the year includes the derecognition of emission allowances for 2021, totalling EUR 3,077 thousand (2020: EUR 2,681 thousand) (see **Note 11.1**).

Litigation

At the end of 2021 the Group continued to be involved in litigation with the Italian tax authorities concerning transfer pricing adjustments made, which are explained in detail in **Note 19.5.** These legal proceedings relate to the adjustments imposed by the Italian authorities as a result of the purchase and sale transactions between the Italian Group company and Columbus Stainless (Pty) Ltd.

Discussions between the Italian Company and the Tax Authorities are still ongoing and the latter have informed that they are preparing the assessments on the basis of the proposal made by the Group for the 2007 to 2013 period. The agreements should now also be extended to 2014 and 2015, since, as explained in that same note, during this financial year new agreements have been reached through the mutual agreement procedure between Spain and Italy relating to those years. Based on the opinion of the experts, the provision (amounting to EUR 11.2 million) was reviewed in 2021, and the Group considers that it is not necessary to increase the amount thereof, since the agreements are at an advanced stage and it is foreseeable that the amount recognised is sufficient to cover the possible outcome of the agreements, in accordance with the latest proposals made. The endowment amount also includes interest.

Other provisions

"Other Provisions" includes mainly the measurement by Acerinox Europa, S.A.U. of the obligations arising from the collective redundancy procedure implemented in 2019 and those relating to the contribution to the Treasury set forth in Additional Provision Sixteen of Law 27/2011, amended by Royal Decree 1484/2012. The amount of this obligation, as verified by an independent expert, totals EUR 9,254 thousand. When calculating the provision, the characteristics of the employees included in the collective redundancy procedure were taken into account, together with observance of the legal requirements established by law and the applicable percentages. **Note 16.1.2** sets out the details of this collective redundancy procedure.

The company Inoxcenter, S.L.U. has reversed in this fiscal year the provision it had recorded for this concept derived from the collective redundancy procedure carried out in 2013, when the obligation lapsed. The amount reversed amounted to EUR 386 thousand and was recognised under change in provisions within the heading "Other Operating Expenses" in the statement of profit and loss for the year.

16.3 Guarantees provided

At 31 December 2021, the Group had provided guarantees to third parties, mainly public authorities, totalling EUR 20.3 million (2020: EUR 18.6 million). This amount includes the guarantees totalling EUR 1.5 million provided to the Italian tax authorities as a result of the tax assessments arising from the tax audits described in **Note 19.5**. It also includes EUR 3.7 million deposited as a guarantee with the Ministry of Industry for credits obtained under the financial support programme for industrial investment in the framework of the public policy for reindustrialisation and strengthening industrial competitiveness (REINDUS). Guarantees totalling EUR 2.5 million were also deposited with the customs authorities.

Group management does not expect any significant liabilities to arise from these guarantees.

16.4 Contingencies

There are no contingencies at the end of this year or last year.

NOTE 17 – INCOME AND EXPENSES

17.1 Revenue

The detail of "Revenue" in 2021 and 2020 is as follows:

(Amounts in thousands of euros)

	2021	2020
Sale of goods	6,699,839	4,663,433
Provision of services	5,900	5,055
Work performed by the company on its fixed assets	2,187	2,898
Operating lease income	582	651
Income from disposal of fixed assets	10,470	754
Income from grants or subsidies	10,243	5,323
Revenues from emission allowance subsidies	4,733	3,018
Valuation at fair value of derivatives	9,361	12,930
Other income	9,374	12,022
TOTAL	6,752,689	4,706,084

The increase in sales compared to the previous year was mainly due to the economic recovery after the impact of the pandemic in 2020, higher stainless steel prices and the incorporation this year of 12 months of sales by the VDM Group that was acquired in 2020. In 2020, VDM data was incorporated from the date of acquisition (i.e. from March 2020).

"Other Income" includes the extraordinary aid granted by the Spanish Ministry of Employment to workers involved in company restructuring processes, pursuant to Royal Decree 908/2013, of 22 November, discussed in **Note 16.1**.

"In-House Work on Non-Current Assets" includes mainly the capitalised expenses relating to the investments made at Acerinox Europa, S.A.U., as well as the capitalised R&D+i expenses incurred by VDM, as detailed in **Note 7**.

"Gains on Disposals of Non-Current Assets" in 2021 mainly includes the gain obtained on the sale of industrial buildings in France and Germany, as explained in **Note 9**. In 2020, the capital gain from the sale of an industrial building in the United Kingdom is mainly included.

17.2 Staff costs

The detail of "Staff Costs" incurred in 2021 and 2020 is as follows:

(Amounts in thousands of euros)

	2021	2020
Wages and salaries	451,737	385,922
Social security	100,788	91,749
Contributions to employee benefit plans	9,484	13,312
Contributions to defined benefit plans	12,010	1,845
Termination benefits	4,307	3,201
Variation in employee benefit provision	160	1,810
Other staff costs	12,939	9,687
TOTAL	591,425	507,526

Personnel expenses have also been impacted by the fact that 2020 figures only record information from the VDM Group since March, coinciding with the acquisition date, in addition to the effects in 2020 of the pandemic. All of the Group's factories have generally adopted various measures in 2020 to alleviate the effects of Covid-19, such as furlough-type arrangements, reduced working hours and mandatory holidays.

At Acerinox Europa, an agreement was reached in 2020 with the workers' committee of the Campo de Gibraltar (Cádiz) factory, whereby a furlough-type arrangement (Spanish ERTE) due to production-related circumstances was approved, and this agreement was backed by the four trade unions represented on the committee. The agreement envisaged a duration of one year from 5 May, included the entire workforce and allowed for the adaptation of staff to the production needs prevailing at any given time, thus providing considerable flexibility for management purposes. This agreement created an environment of safety and certainty which is beneficial to all parties, helping to maintain jobs and enabling the workforce to adapt to the portfolio of orders.

The average number of employees for 2021 and 2020, by category, is as follows:

	2021		2020	
	Men	Women	Men	Women
Senior Vice President	10		10	
Director	15	4	11	4
Manager	218	42	238	41
Analyst / Supervisor	555	167	579	174
Specialist	328	124	326	135
Administrative staff	594	462	625	477
Operators	5,401	210	5,474	181
TOTAL	7,121	1,009	7,263	1,011

The detail of the employees, including directors, at 31 December, by gender and category, is as follows:

	2021		2020	
	Men	Women	Men	Women
Board Members	8	4	8	4
Senior Vice President	10	0	10	0
Director	15	4	13	4
Manager	220	45	242	43
Analyst / Supervisor	572	173	579	182
Specialist	312	129	337	136
Administrative staff	596	471	627	480
Operators	5.374	217	5.344	197
TOTAL	7.107	1.043	7.160	1.046

These figures do not include 77 workers on partial retirement plan (100 in 2020).

At 31 December 2021, the number of employees in Spain with a disability equal to or greater than 33% was 45 (43 men and 2 women) (2020: 44 (42 men and 2 women)).

Due to retirements in recent years, one of the Group's Spanish companies will not be in compliance as of 31 December 2021 with the provisions of the General Law on the Rights of Persons with Disabilities and their Social Inclusion. This is Acerinox Europa, S.A.U. The necessary measures are being taken to correct it.

At Acerinox Europa, the collective redundancy procedure approved in 2019 resulted in the departure of 52 employees in 2021 (2020: 126 employees). The remaining employees signed up to the plan will leave the company in 2022 once they reach the early retirement age set out in the plan.

17.3 Other operating expenses

The detail of "Other Operating Expenses" is as follows:

(Amounts in thousands of euros)

	2021	2020
Rentals	13,596	9,794
Commercial expenses	211,899	155,206
Supplies	359,832	207,928
Maintenance	72,997	60,967
Outside services	155,654	126,613
Insurance	20,949	18,302
Banking services	4,269	3,724
Other operating expenses	21,634	25,341
Taxes	26,783	18,522
Changes in current provisions	65	243
Losses on sale of fixed assets	8,392	4,544
Other extraordinary expenses	198	15,548
TOTAL	896,268	646,732

As explained in **Note 4.1.3**, the increase in the supplies item as a result of the increase in electricity and natural gas prices, mainly in Spain, is noteworthy.

The increase in production owing to the economic recovery after the pandemic has also led to an increase in costs derived from contracting and other expenses directly related to manufacturing. In 2021, the Group reached record production levels.

"Non-Recurring Expenses" includes the expenses in 2020 arising from the acquisition of the VDM Group, amounting to EUR 14,736 thousand, as described in **Note 5.1**.

NOTE 18 – NET FINANCE COSTS

The detail of “Net Finance Costs” is as follows:

(Amounts in thousands of euros)

	2021	2020
Interest income and other financial income	2,855	7,399
Dividend income	66	60
Reversal of impairment of financial investments		
Gains on disposal of investments in consolidated companies		
TOTAL FINANCIAL INCOME	2,921	7,459
Interest and other financial expenses	-45,280	-45,110
Loss on hedging instruments		
Losses from the liquidation of investments in consolidated companies		
Impairment of financial investments		
TOTAL FINANCIAL EXPENSES	-45,280	-45,110
Income from exchange differences	1,610	10,485
Results from revaluation of financial instruments at fair value (currency forwards)	-3,229	-4,346
FINANCIAL INCOME FROM EXCHANGE DIFFERENCES	-1,619	6,139
NET FINANCIAL COSTS	-43,978	-31,512

“Interest Income” includes mainly the income arising from the cash placements made by the Group. The decrease with respect to 2020 is due mainly to the reduction in the USD interest rate.

Borrowing costs include mainly the interest accrued on bank borrowings and bonds issued, which are explained in **Note 12.2.3**.

Lastly, gains or losses from translation differences arise in the course of the Group’s commercial transactions as well as its financial and investment transactions. The Group uses derivative financial instruments to hedge most of the transactions performed in a currency other than the functional currency of each country. The use of these instruments ensures that any exchange rate fluctuations are offset by changes with the opposite sign in respect of the arranged derivative. The differences between the two amounts are due mainly to the interest rate differentials between the currencies involved in the currency forward arranged.

NOTE 19 – TAX MATTERS

19.1 Legislative amendments

During this period, the following legislative amendments were approved with an impact on the Group:

- Spain: Law 22/2021 on the General State Budget for 2022, published on 29 December 2021, introduces a series of measures, some of which affect corporate income tax and which will be applicable as from 1 January 2022. Specifically, a minimum taxation of 15% of the taxable income (after offsetting carry-forward tax losses) is established for those taxpayers with net revenue equal to or greater than EUR 20 million or who pay tax under the tax consolidation regime. The Group does not expect the application of the law to have an impact on its accounts beyond the obligation to increase tax payments if necessary, which would not affect the tax expense since any deductions not applied in any one year as a result of the minimum payment will be applicable in subsequent years. The Group performs an annual analysis of the recoverability of both recognised tax losses and tax asset carryforwards. The Group has taken into account the change in regulations in its year-end analyses and considers that the tax credit carryforwards capitalised at year-end, amounting to EUR 9,255 thousand, are still recoverable within a reasonable period of time.

- United Kingdom: on 10 June 2021, an increase in corporate income tax rates was approved in order to mitigate the effects of Covid-19. The tax rate will be 25% and its application will be effective as of 1 January 2023 for all entities whose profits exceed GBP 250 thousand. The Group has restated its deferred tax assets and liabilities in this country, which has resulted in Corporate income tax income in this year of EUR 42 thousand for deferred taxes recognised by its subsidiary in this country and pending recovery. Changes were also made to tax rates in 2020, retaining the 19% rate and reversing the reduction previously adopted, so that a 17% rate would apply from 2021. Since the Group Company Acerinox, UK had recognised deferred tax assets at a rate of 17%, which in 2020 led to regularisation of the new tax rates of 19%, which had a positive impact of EUR 25 thousand.

- Malaysia: various measures have been implemented as a consequence of the pandemic. These include the extension from 7 to 10 years for the use of carry-forward tax losses from previous years, as well as accelerated depreciation measures for certain investments and deductions for expenses incurred as a result of the pandemic.

In regards to 2020, the legislative amendments enacted relate mainly to exceptional measures implemented as a result of the pandemic. Most of these measures were temporary and attempted to alleviate the impact of Covid-19 by offering the possibility of deferring tax payments and reducing the limitations on the use of carry-forward tax losses, together with other relief, such as the VAT reduction in Germany from 19% to 16%, applicable until 31 December 2020.

Besides these temporary measures, the Spanish General State Budget Law for 2021 (Law 11/2020, of 30 December) was published in the Official State Gazette in Spain on 31 December 2020. This Law included, among other measures, an income tax amendment which affected the tax exemption for dividends received from Group companies in certain circumstances. In regards to the Group, the applicable exemption on dividends from qualified subsidiaries will be limited, for tax periods beginning on or after 1 January 2021, and instead of remaining exempt at 100%, the exemption is limited to 95% of the amount of the dividends. The Group's parent company was therefore taxed on 5% of the dividends received from its subsidiaries. This amount is recorded as a non-deductible investment management expense, which resulted in 25% taxation of EUR 13,407 thousand.

Although this limitation could lead to the recognition of a deferred tax liability for retained earnings that are not distributed by the Group companies and are expected to be repatriated in the form of dividends in the foreseeable future, the Group does not plan to distribute dividends from the reserves of the Group companies and has therefore not recognised such a deferred tax liability. This is explained in **note 19.3.**

19.2 Income tax expense

The income tax expense recognised was as follows:

(Amounts in thousands of euros)

	2021	2020
Current tax	171,792	83,004
Deferred taxes	13,411	-19,015
Impairment of (capitalisation) tax credits	-5,493	23,655
Income tax	179,710	87,644

Note 19.3.3 explains the recoverability analyses conducted by the Group this year with respect to carry-forward tax losses, which have led to the recognition of an impairment in past years amounting to EUR 5,493 thousand. In 2020, as a result of the analysis, the Group recognised an impairment in tax assets of EUR 23,655 thousand and also decided not to recognise the deferred tax asset arising from the carry-forward tax losses generated in that year by the entities taxed under the consolidated tax regime in Spain, which amounted to EUR 18,468 thousand.

The amount recognised under "Other Taxes" in the consolidated statement of profit or loss includes the taxes paid abroad as a result of the withholdings made on the payment of interest and dividends, the detail of which is as follows:

(Amounts in thousands of euros)

	2021	2020
Dividend withholdings	-123	-102
Withholdings on interest and other income	-389	-1,233
Other taxes	-512	-1,335

The Parent received dividends from its subsidiaries in the amount of EUR 277 million, most of which were exempt from tax withholdings (2020: EUR 782 million, and practically all of them were exempt from taxation).

Withholdings on interest payments are deductible from corporate income tax under the double taxation conventions, and they reduce the income tax expense.

A reconciliation of the income tax expense recognised in the consolidated statement of profit or loss to the accounting profit is presented below:

(Amounts in thousands of euros)

	2021		2020	
Net profit (loss) for the year		571,882		49,049
Non-controlling interests		13,625		-6,411
Income tax		179,710		87,644
Other taxes		512		1,335
Profit (loss) before tax		765,729		131,617
Tax on profits using local tax rate	25.00%	191,432	25.00%	32,904
Effects on tax charge:				
Effect of tax rates for foreign companies		-4,431		-5,562
Non-deductible expenses		4,161		18,723
Tax incentives not recognised in the income statement		-3,301		-2,968
Non-taxable income		1,150		84
Adjustment for prior years		-440		185
Adjustment to tax rates related to deferred taxes		-95		-9
Provision for tax litigation, tax assessments and settlements				-1,586
Unrecognised tax credits		141		22,286
Impairment (capitalisation) of tax credits		-5,493		23,655
Unused tax credits used in the year		-3,928		
Other		514		-68
Income tax		179,710		87,644

The only extraordinary impact this year was the recognition of deferred tax assets impaired in prior years amounting to EUR 5,493 thousand, as explained in **Note 19.3.3**.

The factors that negatively affected the tax expense in 2020 were as follows:

- Firstly, the impairment of tax assets recognised by the Group, amounting to EUR 23,655 thousand, as explained in **Note 19.3.3.** Although most of the tax assets recognised can be used for tax purposes without any time limitation, for accounting purposes regulations only allow those which are expected to be recovered within a reasonable period to be recognised. The Group deems a period of ten years to be reasonable.

- Secondly, due to the impact of the pandemic on the profit or loss of certain Group companies, mainly in Spain, the Group decided not to recognise deferred tax assets arising from the carry-forward tax losses generated in that fiscal year, amounting to EUR 18,468 thousand, by the companies that file consolidated tax returns as part of a tax group in Spain. Similarly, the Group did not recognise any tax assets at subsidiaries with losses not expected to be recovered within a reasonable period. This resulted in an expense for the year of EUR 141 thousand.

- "Non-Deductible Expenses" includes impairment losses of EUR 41,159 thousand on non-current assets recognised by Bahru Stainless in 2020, which are not deductible for tax purposes until the related assets are realised. Although this is a temporary difference, the Group does not recognise any deferred tax assets in this connection, since the recognition criteria were not met. Consequently, this had a negative effect on the income tax expense for the year.

The tax incentives and other tax credits not recognised in the consolidated statement of profit or loss relate mainly to tax credits for R&D+i activities and for the elimination of double taxation.

19.3 Deferred taxes

The changes in deferred tax assets and liabilities were as follows:

(Amounts in thousands of euros)

	2021		2020	
	Prepaid taxes	Deferred taxes	Prepaid taxes	Deferred taxes
Balance at 1 January	107,273	179,044	101,033	126,915
Expenses / (Income) for the period	2,889	16,300	2,043	-16,972
Taxes taken directly to shareholders' equity	-5,907	2,044	2,235	-608
Exchange rate variations	173	6,701	-196	-10,015
Business combination			24,631	78,758
Transfers	-4,073	-4,073	1,182	1,182
Other variations	5,493	35	-23,655	-216
Balance as of 31 December	105,848	200,051	107,273	179,044

The balance of "other changes" in deferred tax assets mainly includes the reversal of impairment of tax credits amounting to EUR 5,493 thousand this year and impairments from 2020.

The origin of the deferred tax assets and liabilities is as follows:

(Amounts in thousands of euros)

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Goodwill and other intangible assets	7,230	5,943	-16,764	-15,286	-9,534	-9,343
Property, plant and equipment	1,215	1,755	-151,181	-156,673	-149,966	-154,918
Financial assets	3,883	4,405	71	906	3,954	5,311
Investments in subsidiaries						
Inventories	7,246	3,584	-49,420	-36,506	-42,174	-32,922
Other assets	421	197	-6,041	-3,246	-5,620	-3,049
Provisions	8,211	6,201	1,907	25	10,118	6,226
Employee benefit plan	41,749	43,984	1,314	3,577	43,063	47,561
Financial liabilities	1,397	3,684	-235	-416	1,162	3,268
Other liabilities	5	55	-11,459	-11,139	-11,454	-11,084
Non-deductible financial expenses		108				108
Other tax deductions	16,201	20,293			16,201	20,293
Unused tax losses	61,236	67,967			61,236	67,967
Provision for tax litigation			-11,189	-11,189	-11,189	-11,189
Deferred tax assets/liabilities	148,794	158,176	-242,997	-229,947	-94,203	-71,771
Offsetting deferred tax assets and liabilities	-42,946	-50,903	42,946	50,903		
Deferred tax assets/liabilities	105,848	107,273	-200,051	-179,044	-94,203	-71,771

Most of the deferred taxes have a reversal period of more than one year.

As laid down in the corporate income tax accounting policy (**Note 2.19**), the Group only offsets deferred tax assets and liabilities when there is a legally enforceable right to do so, the assets and liabilities correspond to the same tax authority and the Group plans to realise current tax assets or settle current tax liabilities on a net basis.

Of note in 2020 was the recognition of deferred tax assets and liabilities arising from the business combination performed on acquisition of the VDM Metals Group. As a result of that acquisition, the deferred tax assets and liabilities that this group had recognised at the acquisition date, amounting to EUR 24,631 thousand and EUR 78,758 thousand, respectively, were included in the Acerinox Group's consolidated financial statements. The deferred tax assets recognised arise mainly from employee pension plan obligations. On the other hand, the deferred tax liabilities arise from the different measurement of inventories for accounting and tax purposes. Also, as indicated in **Note 5.1**, the Group recognised a deferred tax liability of EUR 45,678 thousand relating to the measurement of the assets and liabilities at fair value at the acquisition date, as established in the applicable accounting standard. The origin of the aforementioned deferred tax liability is detailed as follows:

(Amounts in thousands of euros)

	2020
Intangible assets	11,220
Property, plant and equipment	34,145
Investments in associates	122
Inventories	265
Provisions	-74
Total deferred tax liabilities	45,678

Also worthy of note was the decrease in deferred tax assets arising from unused tax loss carryforwards, as a result of the impairment loss of EUR 23,655 thousand. **Note 19.3.3** details the recoverability analyses performed by the Group.

19.3.1 Deferred tax liabilities

In addition to the deferred tax liabilities indicated in the preceding section, arising from the acquisition of VDM, of note are deferred tax liabilities recognised under "Property, Plant and Equipment", which relate mainly to the different tax and accounting treatment of depreciation permitted by the legislation in force in certain countries. These liabilities arose mainly from North American Stainless, Inc., Columbus Stainless, Ltd. and the VDM Metals Group.

With respect to the deferred tax liabilities arising from investments in subsidiaries, as explained in the note regarding legislative amendments, the Spanish General State Budget Law for 2021 (Law 11/2020, of 30 December) includes, among other measures, a Corporate income tax amendment affecting the exemption from taxation of dividends received from Group companies in certain circumstances. The impact of this change for the Group is that the exemption, which previously applied at 100% to dividends received from qualifying subsidiaries, has been capped at 95% from 1 January 2021, meaning that the Group's parent company will now be taxed on 5% of dividends received from subsidiaries.

This limitation could give rise to the recognition of a deferred tax liability for the undistributed retained earnings of Group companies, provided that these are expected to be repatriated in the form of dividends in the foreseeable future.

Although the Group does not have a general policy of distributing dividends from subsidiaries to the Parent, each year the Group analyses the equity position of all its subsidiaries, while also taking into account existing taxes, in order to determine whether reserves should be repatriated through the distribution of dividends. In view of the significant amount of dividends distributed by North American Stainless in the last three years and at their level of income generation year-on-year, the Group does not consider that it will distribute dividends from the reserves of the Group companies in the foreseeable future and, accordingly, it did not recognise a deferred tax liability in this connection. Also, there are very few companies in the consolidated Group that have significant distributable reserves that will be distributed in the foreseeable future.

19.3.2 Deferred tax assets

At 31 December 2021 and 2020, the Group had tax assets arising from carry-forward tax losses, to be used within the following periods:

(Amounts in thousands of euros)

	2021	2020
From 1 to 5 years	3,056	3,537
From 6 to 10 years	83,350	80,523
From 11 to 20 years	41	
From 21 to 30 years	2,328	2,747
No expiration date	159,304	171,609
TOTAL	248,079	258,416

Not all the tax assets included in the table have been recognised by the Group. The recognised tax assets amounted to EUR 61,236 thousand in 2021 (2020: EUR 67,967 thousand). The variation in the years for compensation is due to changes in Malaysian legislation that have allowed for the extension of the deadlines.

The distribution by country of the recognised tax assets is as follows:

(Amounts in thousands of euros)

	2021	2020
Spain	45,613	43,084
South Africa		15,236
USA	9,235	1,355
France	2,391	3,241
Portugal		62
Sweden	3,200	3,619
Chile	370	962
Colombia	41	
UK	365	406
Russia	18	
Peru	3	2
TOTAL	61,236	67,967

During the year, recognised tax assets have decreased, mainly due to the good results obtained by the Group, allowing for the use of tax assets from previous years. (In 2020 the reduction in tax assets was due to the accounting impairment recorded by the Group, which is explained in the following note).

A comparison of the two tables above reveals that the Group has unrecognised tax assets amounting to EUR 186,843 thousand, equal to tax losses of EUR 773 million, which were not recognised for accounting purposes as they did not meet the recognition criteria (2020: EUR 194,301 thousand of unrecognised tax assets, equal to losses of EUR 770 million).

Also, the Group has tax assets not recognised for accounting purposes arising from temporary differences amounting to EUR 147.9 million (2020: EUR 159.2 million) as a result of the impairment charges for accounting purposes on Acerinox, S.A.'s ownership interests in certain of its investees, in addition to the impairment losses on assets in both 2021 and 2020 which were not recognised as the timing of the reversal was not known. These assets are not deductible until the assets giving rise to the related temporary difference are realised.

On 22 June 2015, the Group Company Bahru Stainless received confirmation from the Malaysian Ministry of Economy that tax relief had been approved in respect of the investments made in the country from 2009 to 2014. This relief consists of Corporate income tax credits for an amount equal to the investments made in certain items of property, plant and equipment, totalling MYR 1,806 million (EUR 383 million to the tax base). As in the case of the tax loss carryforwards, the Group did not recognise a deferred tax asset in this connection as it was still unable to estimate the timing of the recoverability thereof at the reporting date. At the same time, the Company also has unused temporary differences as a result of the different depreciation and amortisation methods for accounting and tax purposes ("capital allowances"), amounting to EUR 388 million. These temporary differences have an unlimited utilisation period in Malaysia. As a result of these two forms of relief, the Company will not have to pay tax once it begins to generate taxable profits, despite the restriction on the use of tax losses.

The Group Company North American Stainless is also entitled to tax relief for investments in assets that contribute to recycling. This relief is deducted from the calculation of the Kentucky State tax and amounted to EUR 542 million at year-end. Of the total tax relief, EUR 19.4 million expire in 2028, EUR 4.4 million expire in 2030. The rest are unlimited. Application of this relief is limited to 50% of the tax payable in the State of Kentucky, or USD 2.5 million/year. The Group only recognises a deferred tax asset for assets arising from investments which expire and relate to a specific tax relief programme approved in 2005 by the State of Kentucky (Major Credits Program). At 2021 year-end EUR 4.5 million were recognised as deferred tax assets.

Deferred tax assets arising from deductions pending utilisation, amounting to EUR 16,201 thousand (2020: EUR 20,293 thousand), relate mainly to the Spanish tax group, except for the EUR 4.5 million mentioned in the preceding paragraph in relation to North American Stainless. The Group also took these tax benefits into consideration when conducting the recoverability analyses.

19.3.3 Analysis of the recoverability of deferred tax assets

As stated in the accounting policies, the Group recognises deferred tax assets in the consolidated statement of financial position provided that those assets are recoverable within a reasonable period, also taking into consideration the legally established limitations on their use. The Group considers a period of approximately ten years to be reasonable if permitted by tax legislation.

To assess the recoverability of the unused tax assets, the Group prepares a five- to ten-year budget for each of the companies with recognised tax assets, based on which it performs the tax adjustments necessary to determine the tax bases. The Group also takes into account the limitations on the offset of tax bases established in the respective jurisdictions. In addition, the Group assesses the existence of deferred tax liabilities against which tax losses may be offset in the future.

In preparing budgets, the Group considers the financial and macroeconomic circumstances and those of the stainless steel market itself, adapted to the entity's operating environment. Parameters such as expected growth, use of installed production capacity, prices, etc. are projected on the basis of the forecasts and reports of independent experts, as well as historical figures and the targets set by management. Relevant key assumptions such as exchange rates and raw material prices are extrapolated using highly conservative criteria, always tied to the most recent values recorded in the pertinent markets at the date of the analysis.

As explained in the preceding Note, at year-end the Group companies that recognised tax assets in their financial statements were mainly the Spanish entities.

- In the case of the Spanish entities, the tax assets arise mainly from the consolidated tax group in Spain, which comprises all the Spanish Group companies with the exception of those established in the regions of Álava, Vizcaya and Guipúzcoa. Tax assets arising from tax loss carryforwards amounted to EUR 140 million at year-end, of which EUR 96 million were not recognised as deferred tax assets. In this financial year, due to the good results obtained by the Group and the good recovery of the markets after the pandemic, the entities that form part of the Spanish tax consolidation group have generated taxable income of EUR 50,420 thousand, which has allowed the recovery of tax losses generated in previous years amounting to EUR 12,605 thousand, which has allowed the reduction of the tax assets recognised by EUR 3 million.

  It is important to note that there are significant restrictions on the use of tax losses in Spain. In the case of the Spanish tax group, just 25% of the taxable profit generated in a given year can be used to offset prior years' losses. In the case of entities subject to the tax regimes in force in Álava, Vizcaya and Guipúzcoa, the limitation is 50%.

  In this financial year, the Group has comfortably outstripped the forecasts made last year for the year 2021 and also, due to the recovery of the markets and the good future outlook, the Group has re-evaluated the estimates made.

  The key assumptions considered in the preparation of the budgets are based on demand estimates, raw material and selling prices, exchange rates, consumer price increases and the Company's strategy itself. With respect to demand, demand estimates by the ISSF (International Stainless Steel Forum) and SMR (Steel & Metals Market Research) forecast a growth for the stainless steel industry. With regard to prices, sources such as CRU expect that the price levels reached at the end of the year will be maintained, enabling the Group to obtain good results this year, despite the sharp increase in supply prices and the difficulties in transportation. Based on the foregoing considerations, the estimates for future years reflect improving operating margins, despite being well below estimates made in 2020.

  In view of all the above, the five-year budgets prepared by management and extrapolated to a ten-year period, considering the estimated yields and historical margins, only justify the recovery of all activated credit over the next ten years and all the tax credit carryforwards. Accordingly, the Group recovered EUR 5,493 thousand which has been activated. In 2021, the taxable income that the Group expected to use when making its tax settlements totalled EUR 12.7 million, due to the limitation in Spain that only allows the use of 25% of the taxable income generated in a year to offset losses from previous years.

  Based on forward-looking estimates in the previous year, the Group recorded 23.6 million as impairment in 2021, recognising an expense in the income statement's "income tax" item.

Sensitivity analyses were performed on these estimates to determine the risk that a change in the assumptions may require an additional impairment loss to be recognised on these deferred tax assets. As tax assets were written down to the limit indicated in the estimates, any budget shortfall would cause a further reduction in the tax assets. Among the possible ten-year projection scenarios, the Group selected that which it deems the most reasonable on the basis of historical factors. If the projected earnings for the next ten years were to decrease by 10%, the recovery period for the recognised tax assets would increase to eleven years instead of ten.

- In the case of Columbus, which at the end of last year had tax assets recognised for taxable income carried forward, the good results obtained by the company this year have enabled it to offset all of them.

- With respect to the other European entities, the recognised tax assets arose from the crisis years, and the amount thereof has been reduced since 2013 through the generation of profits, enabling their partial recovery. The transfer pricing policies adopted by the Group to remunerate and define transactions with distributors render it unlikely that those entities will suffer significant losses. The Group analysed the recoverability of the tax assets and concluded that, based on the estimated results and given the absence of any quantitative or time limitations in those countries, they are expected to be recoverable within a reasonable period never exceeding ten years. The existence of a transfer pricing bilateral advance pricing agreement with similar entities and the various mutual agreements reached in various countries make it unlikely that the results of those entities will differ significantly from the projected results. Therefore, the conclusions reached are not expected to change.

19.4 Current tax

At 31 December 2021, the Group had a current income tax asset balance of EUR 10,297 thousand (2020: EUR 34,302 thousand) and a current income tax liability of EUR 23,467 thousand (2020: EUR 6,143 thousand).

19.5 Tax audits and years open for review

19.5.1 Tax audits

Progress in 2021

- In 2019 the Spanish Tax Agency (AEAT) proposed that the Acerinox Group represent Spain in the OECD ICAP 2.0 Programme ("International Compliance Assurance Programme"). This is a completely new program in which Acerinox agreed to participate on a voluntary basis.

  ICAP is a voluntary programme whose object is for a multilateral co-operative risk assessment and assurance process. It is designed to be an efficient, effective and coordinated approach to provide multinational groups (MNEs), willing to participate in an active, open and fully transparent manner with greater tax certainty with respect to all/some of their activities and transactions in the countries within the scope of the program that agree to participate in such analysis. In the case of the Acerinox Group, the Spanish, British, Canadian and U.S. tax agencies have taken part.

  The ultimate objective of this program is to provide participating MNEs, subject to the satisfactory completion of the process, with a letter/certificate issued by each tax authority qualifying their country's entity as "low tax risk".

  The process was launched at the end of 2019, although there have been several delays due to the pandemic. During 2020 and 2021, the tax authorities, with the assistance of the Corporate Tax Department and the Group's directors in these countries, reviewed the Group's transfer pricing policy, including the Acerinox Group's transactions with related parties in these countries, as well as the Group's legal and operational structure and other aspects that may impact the Group's policy.

  At 31 December 2021 and until formal closure with the receipt of the relevant letters qualifying Acerinox as a low-risk entity in these countries, all investigations and analyses have been completed and, according to the information received, to the full satisfaction of the tax authorities involved. Letters completing this process are expected to be received in the next few weeks.

  This programme is an international endorsement of the good tax practises and transparency with which the Acerinox Group operates. It is undoubtedly the most globally recognised programme of what is known as "the cooperative relationship with tax administrations", as it is an initiative endorsed and monitored by the OECD, which provides confidence to all those who participate in this programme.

- On 20 January 2021, Acerinox, S.A. was informed of the initiation of partial review and investigation measures for the years 2017 to 2019, relating to aspects settled during the previous inspection (2013-2016), which was completed last year. On 4 June 2021 the tax assessments were signed on an uncontested basis, bringing this procedure to an end. The tax assessments resulted in an income tax charge of EUR 50 thousand plus interest of EUR 4 thousand for 2017 to 2019. No penalties were imposed. With respect to VAT, the tax assessments included adjustments under the deductible proportion rule amounting to EUR 107 thousand of VAT payable plus interest of EUR 20 thousand for the whole of the audited period. These amounts were paid in the month of July.

- In Italy, as in previous years, on 4 June 2020, the Italian tax authorities asked Acerinox Italia S.r.l. to submit transfer pricing documentation for the 2015 tax year. On 22 April 2021, these authorities issued their final ruling, determining that the taxable income for the 2015 tax year had to be adjusted by a total of EUR 3,789 thousand as a result of the transfer pricing policy applied to the Italian entity's sales purchase transactions to the Group's factories. As in the past, the Group has filed the relevant appeal with the Provincial Tax Authority of Milan and, at the same time, has requested a suspension of the collection of the debt pending the outcome of the proceedings. It has also applied (in July this year) to the Spanish and Italian authorities for the elimination of double taxation on the basis of the EEC/90/436 Agreement of 23 July 1990. On 18 November of the current financial year, the notifications of the amicable settlements reached between the Spanish and Italian authorities for the 2014 and 2015 tax years were received. With regards to 2014, the Italian authorities cancelled all transfer pricing adjustments made on transactions with Spanish companies. As for 2015, Italy waives EUR 2.2 million of the adjustments initially imposed, leaving adjustments of EUR 404 thousand to be recognised in Spain as less taxable income in 2015. On 2 December, the acceptance letters of these agreements were presented. At the time of publication of these financial statements, the execution of the agreements has not yet been completed.

- In Germany, the audit procedure notified in 2020 was resumed for the financial years 2015 to 2018. At this point in time, no report is available from which the existence of corrections can be deduced. The Grupo does not expect any adjustment as there is a bilateral advance pricing agreement (APA) in force between Spain and Germany covering the period from 2013 to 2021 and offering the Group full assurance with respect to the transfer pricing policy to be applied to purchase and sale transactions between the Spanish factories and the German subsidiary, thus eliminating transfer pricing risks with Germany.

- On 29 June 2021, a request was made in both Spain and Germany to extend the bilateral agreement on provisional customs valuation on the same terms as the current agreement in force until 31 December 2021.

The detail of the status each of the tax audits under way at 2021 year-end, or that were concluded but signed on a contested basis and are currently under appeal, is as follows:

Spain

In connection with the inspection and investigation activities for the years 2014 to 2016, the reports of which were signed last June and which are explained below, Acerinox, S.A. was notified on 20 January 2021 of the initiation of partial inspection and investigation activities for the years 2017 to 2019, relating to the aspects already settled during the previous inspection.

On 4 June 2021 the tax assessments were signed on an uncontested basis, bringing this procedure to an end. The tax assessments resulted in an income tax charge of EUR 50 thousand plus interest of EUR 4 thousand for 2017 to 2019. No penalties were imposed. With respect to VAT, the tax assessments included adjustments under the deductible proportion rule amounting to EUR 107 thousand of VAT payable plus interest of EUR 20 thousand for the whole of the audited period. These amounts were paid in the month of July.

With regard to the past fiscal year, on 17 October 2018, notice was served of the commencement of inspection and investigation proceedings of the companies Acerinox, S.A., Acerinox Europa, S.A.U, Inoxcenter, S.L.U. and Roldan, S.A. for the following taxes and years:

Corporate income tax	2013-2016
Value added tax	10/2014-12/2016
Personal income tax	10/2014-12/2016
Withholdings on account of taxation of non-residents	10/2014-12/2016

On 12 February 2020, Acerinox Europa, S.A.U., Inoxcenter, S.L.U. and Roldan, S.A. signed the tax assessments on an uncontested basis with respect to all the aforementioned taxes. Also, on 25 June Acerinox, S.A. signed the tax assessments relating to individual taxes on an uncontested basis, as well as those relating to income tax under the consolidated tax regime. The tax assessments resulted in an income tax charge of EUR 110 thousand plus interest of EUR 9 thousand for 2013 to 2016. No penalties were imposed. With respect to VAT, the tax assessments included adjustments under the deductible proportion rule which amounted to EUR 220 thousand of VAT payable plus interest of EUR 53 thousand for the whole of the audited period.

On 3 February 2020, the Group company Acerinox Europa, S.A.U. was notified of the commencement of a tax audit relating to import duties and import VAT for 2018. On 15 July the tax assessments were signed on an uncontested basis, without adjustments, which brought this procedure to an end.

Italy

Acerinox Italia

In 2011 the subsidiary Acerinox Italia, S.r.l. underwent a tax audit for 2007, 2008 and 2009.

Between 2012 and 2014, the tax assessments for the three years were received, primarily indicating transfer pricing adjustments in relation to sale and purchase transactions between the Company and the Group's factories. The resulting tax payable amounted to EUR 16 million, plus interest of EUR 3.5 million. No penalties were imposed.

Subsequently, in 2016, 2017, 2018, 2019 and 2021, without receiving prior notice of the commencement of tax audits, the Company received transfer pricing tax assessments relating to 2011, 2012, 2013, 2014 and 2015, which automatically applied criteria similar to those followed in the previous tax audits. These tax assessments resulted in adjustments to the tax base of EUR 4.3 million in 2011, EUR 4.9 million in 2012, EUR 3 million in 2013, EUR 2.3 million in 2014 and EUR 3.8 million in 2015, and amounts payable of EUR 1.5 million, EUR 1.6 million, EUR 1 million, EUR 954 thousand and EUR 1.4 million, respectively. No penalties were imposed in this case either. The Group lodged appeals against all these tax assessments at the Milan Provincial Tax Commission within the respective time limits, and at the same time requested the suspension of payment of the debts until the end of the procedures. In addition, a request was filed at the Spanish and Italian authorities to eliminate double taxation on the basis of Convention 90/436/EEC, of 23 July 1990. The application and appeal for 2015 were filed in this fiscal year. The Group has provided guarantees of EUR 1.5 million to cover the suspension of the debts in Italy.

In addition, in December 2018 the request for the elimination of double taxation with South Africa was submitted in Italy in respect of the tax audits under way in relation to 2011 to 2013. On 9 March 2021, the Company had to waive this procedure so that regularisations derived from friendly agreements could be initiated and negotiations carried out to apply the same criteria reached in such agreements to transactions with third countries.

On 3 October 2019, both the Group entity in Italy and the Spanish entities affected by the adjustments were notified of the mutual agreement reached by the Spanish and Italian authorities for 2007 to 2013, which reduced the transfer pricing adjustments initially proposed by the Italian tax inspectors for the Spanish entities from EUR 84 million to EUR 41 million and completely eliminated double taxation. Following the aforementioned agreements, Spain recognised a tax refund of EUR 5.8 million and an increase in the tax losses equal to EUR 5.9 million in tax assets. In Italy, the agreements resulted in the elimination of all the tax losses and, accordingly, the Group derecognised tax assets recognised amounting to EUR 8.3 million. The amounts recoverable in Spain were received on 17 February 2020. The Group nevertheless submitted pleadings in Spain against the execution of the agreements, due to failure to recognise late-payment interest for the refundable amount of EUR 5.9 million.

On 18 November of the current financial year, the notifications of the amicable settlements reached between the Spanish and Italian authorities for the 2014 and 2015 tax years were received. With regards to 2014, the Italian authorities cancelled all transfer pricing adjustments made on transactions with Spanish companies. As for 2015, Italy waives EUR 2.2 million of the adjustments initially imposed, leaving adjustments of EUR 404 thousand to be recognised in Spain as less taxable income in 2015. On 2 December, the acceptance letters of these agreements were delivered. At the time of publication of these financial statements, the execution of the agreements has not yet been completed.

Although the agreements only extend to the transactions performed between the Italian entity and the respective factories in Spain, the same agreement should technically apply to sale and purchase transactions with third countries. The file corresponding to the initial mutual agreements has already been forwarded by the competent authorities in Rome to the authorities in Milan, who are responsible for the agreements, so we hope that the negotiations can be concluded shortly.

The Group has appeals pending with the Milan provincial authority for adjustments related to transactions with third countries. Last year, at the request of the Italian authorities, a postponement of the court hearing was requested as they were willing to negotiate the agreements for adjustments with third countries for the period 2007 to 2013 on the terms requested by the Company. If no agreement is reached, the Group will continue the litigation in the courts. Discussions are still ongoing and the Authorities have informed that they are preparing the settlements based on the proposal made by the Group.

The Group maintains the provision of EUR 11.2 million equivalent to the amount that will be payable in Italy if the same treatment agreed by the Italian and Spanish authorities is extended to the remaining adjustments with third countries, thereby accepting the proposal made by the Group. This amount includes both tax payable and late- payment interest. This provision is shown in the balance sheet under "Deferred tax liabilities".

This provision was reviewed in 2021, and the Group considers that it is not necessary to increase the amount thereof, since the agreements are at an advanced stage and it is foreseeable that the amount recognised is sufficient to cover the possible outcome of the agreements, in accordance with the latest proposals made.

VDM Italia

With respect to VDM, on 19 March 2019 a tax audit was initiated at one of the Group's subsidiaries (VDM Metals Italia S.r.l.), relating to 2013 to 2018. At the date of acquisition of the VDM Group by Acerinox, the tax assessments had yet to be issued. However, the preliminary report that was issued concluded that they could possibly give rise to adjustments to the Corporate income tax base. Given the uncertainty regarding the amount payable and the projected schedule of the outflows of economic benefits that would arise from the provision, the Group considered at the acquisition date that this was a contingent liability and, therefore, recognised it in accordance with the standard relating to business combinations (**Note 5.1** describes the detail of the recognition of the business combination).

Following negotiations with the authorities, in November 2020 the tax assessments concluding this procedure, and claiming transfer pricing adjustments for the sales made by VDM Metal International GmbH in Italy, were received. The aforementioned adjustments increased the tax bases in Italy in the 2013-2018 period by EUR 9.5 million. The amount payable resulting from these proceedings amounted to EUR 1.9 million plus EUR 232 thousand of interest which was paid last year. However, it had no impact on the Group's consolidated results as the contingent liability had been recognised at the acquisition date.

Germany

On 14 December 2020, the Group Company in Germany, Acerinox Deutschland, GmbH, was notified of the commencement of a tax audit relating to 2015 to 2018. As a result of the pandemic, the proceedings were postponed to the second half of 2021. At this point in time, no report is available from which the existence of corrections can be deduced. The Group does not expect any adjustment as there is a bilateral advance pricing agreement (APA) in force between Spain and Germany covering the period from 2013 to 2021 and offering the Group full assurance with respect to the transfer pricing policy to be applied to purchase and sale transactions between the Spanish factories and the German subsidiary, thus eliminating transfer pricing risks with Germany.

On 29 June 2021, a request was made in both Spain and Germany to extend the bilateral agreement on provisional customs valuation on the same terms as the current agreement in force until 31 December 2021.

With regard to the VDM companies in Germany, an audit procedure was initiated in June 2021 for the financial years 2016 to 2018. The procedures have not yet been completed and no report has yet been prepared from which the existence of corrections could be deduced.

19.5.2. Years open for review

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitations period has expired.

Spain

Pursuant to the Spanish Corporate Income Tax Law, carry-forward tax losses declared in the tax returns for years open for review become statute-barred ten years from the day following the final day of the period established for filing the tax return or self-assessment for the tax period in which the right to offset arose. Once this period has elapsed, taxpayers must demonstrate that the carry-forward tax losses that they wish to offset, and the amount thereof, are appropriate by submitting the assessment or self-assessment and the accounting records, together with evidence that they were filed at the Companies Registry within the aforementioned period.

At 31 December 2021 and 2020, Acerinox, S.A. and the companies in the consolidated tax group had all the taxes applicable to them open for review by the tax authorities in relation to the following years:

Type of tax

	2021	2020
Corporate income tax	2017-2020	2017-2019
Value added tax	2018-2021	2017-2020
Customs duties	2019-2021	2019-2020
Personal income tax	2018-2021	2017-2020

Other countries

The other Group entities have the taxes for the years established by their respective local jurisdictions open for review. The directors of the Parent and of its subsidiaries do not expect that any significant additional liabilities will arise in the event of a tax audit.

NOTE 20 – RELATED PARTY BALANCES AND TRANSACTIONS

20.1 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.

Transactions performed between the Company and its subsidiaries, which are related parties, are carried out, from the standpoint of their subject-matter or terms and conditions, in the ordinary course of the Company's business activities and have been eliminated on consolidation. Therefore, they are not disclosed in this Note.

20.2 Related party transactions and balances

The detail of all the related party transactions, which are all performed on an arm's length basis, is as follows. It was not necessary to make value judgements or estimates in relation to related party transactions.

a) Directors and key management personnel

The remuneration received in 2021 by the nine senior executives, who do not hold positions on the Board of Directors of Acerinox, S.A., amounts to EUR 4,448 thousand. Of this amount, EUR 2,728 thousand are salaries, EUR 1,398 thousand are variable remuneration corresponding to the previous year's results and EUR 322 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 2020 the ten senior executives received EUR 4,063 thousand, of which EUR 2,442 thousand related to salaries, EUR 130 thousand to attendance fees, EUR 1,352 thousand to variable remuneration based on the previous year's results and EUR 139 thousand to remuneration in kind.

In 2021 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 2,580 thousand in fixed allowances, attendance fees, and fixed and variable salaries (the latter based on the previous year's results), of which EUR 1,388 thousand related to salaries and fixed allowances for 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. In 2020 the remuneration received amounted to EUR 2,431 thousand, of which EUR 1,316 thousand related to salaries and fixed allowances of directors, EUR 637 thousand to attendance fees, EUR 463 thousand to variable remuneration based on the previous year's results and EUR 15 thousand to remuneration in kind.

There are obligations arising from certain senior executive retirement benefit arrangements amounting to EUR 16.5 million (2020: 14.8 million), of which EUR 5.2 million correspond to the CEO (2020: EUR 5 million). In 2021 and 2020 these obligations were duly covered by insurance contracts, to which EUR 1,751 thousand were contributed in 2021 and EUR 1,760 thousand in 2020. There are no obligations to proprietary or independent directors of Acerinox, S.A. At 31 December 2021, 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 terms and conditions of which are detailed in **Note 16.1.2**, the expense incurred in 2021 in relation to the CEO and senior executives, the balancing entry of which is recognised under "Other Equity Instruments", amounts to EUR 1,381 thousand, of which EUR 352 thousand relate to the CEO (2020: EUR 736 thousand, of which EUR 206 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. The AGM approved the delivery of shares from the first cycle of the first plan, which is in effect until 31 December 2020. The shares were delivered against part of the treasury shares. A total of 20,112 shares were delivered, after deducting applicable withholdings, of which 5,560 corresponded to the Chief Executive Officer. The difference between the amount recorded as other equity instruments corresponding to that cycle and the amount of shares finally delivered, amounting to EUR 628 thousand, has been recorded against equity under "Reserves".

The Company's directors and the persons related to them 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 2021 amounted to EUR 542 thousand (2020: EUR 510 thousand), due to the inclusion of the VDM Group employees.

In 2021 and 2020 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.

b) Significant shareholders

This year, one of the Group's main former shareholders (Nippon Steel & Sumitomo Metal Corporation) sold its stake in Acerinox, so it is no longer a related party of the Group.

Also, as the entity Corporación Financiera Alba, a shareholder of Acerinox, S.A., ceased to form part of the March Group, Banca March ceased to be a related party for the Group.

Thus, the Acerinox Group has not carried out any transactions related to any significant shareholder.

The transactions carried out in 2020 are detailed below:

(Amounts in thousands of euros)

	2020
Dividends	60
Sales of goods	1,150
Trade and other receivables	209
Services rendered	13

NOTE 21 – AUDIT FEES

The shareholders at the Annual General Meeting held on 15 April 2021 resolved to reappoint the auditors PricewaterhouseCoopers Auditores, S.L. to perform the review and statutory audit of the financial statements of Acerinox, S.A. and its consolidated Group for 2021.

The detail of the fees and expenses incurred for services rendered by the audit firms that audited the Acerinox Group's financial statements in 2021 and 2020, respectively, and their associate firms, is as follows:

(Amounts in thousands of euros)

	2021			2020		
	PWC Auditores, S.L.	PWC International	TOTAL	PWC Auditores, S.L.	PWC International	TOTAL
For audit services	326	955	1,281	317	1,400	1,717
For tax advisory services		6	6		6	6
For other verification services	66	17	83	66	19	85
For other services		20	20		35	35
TOTAL	392	998	1,390	383	1,460	1,843

The reduction in PWC International's audit services is mainly due to the fact that in 2020, as a result of the incorporation of VDM into the Group, in addition to the annual fees for the audit of the separate and consolidated financial statements, which amounted to EUR 478 thousand, an extraordinary sum of EUR 350 thousand was incurred for the audit of the acquisition balance sheet and the amended periods to align VDM's accounting period with the calendar year of the Acerinox Group.

"Other audit-related services" includes the limited review of the interim condensed consolidated financial statements as at 30 June 2021 and 2020, the report on agreed-upon procedures regarding the system of Internal Control over Financial Reporting (ICFR) and the report on agreed-upon procedures relating to the achievement of the financial ratios required by the Borrowing Base Facility of Columbus Stainless and the ICO in Spain, and other agreed-upon procedures performed in accordance with ISRS 4400 in Malaysia.

The amounts detailed in the foregoing table include the total fees for services rendered in 2021 and 2020, irrespective of when they were billed.

Other audit firms billed the Group in 2021 for fees and expenses for audit services amounting to EUR 193 thousand (2020: EUR 210 thousand).

NOTE 22 – EVENTS AFTER THE REPORTING PERIOD

No significant events took place from 31 December 2021 to the date on which these consolidated financial statements were authorised for issue that would affect the authorisation thereof.

ACERINOX

Governing Bodies

Composition of the Board of Directors

Chairman
RAFAEL MIRANDA ROBREDO

Chief Executive Officer:
BERNARDO VELÁZQUEZ HERREROS

Members of the Board:
ROSA MARÍA GARCÍA PIÑEIRO
LAURA GONZÁLEZ MOLERO
FRANCISCO JAVIER GARCÍA SANZ
PABLO GÓMEZ GARZÓN
TOMÁS HEVIA ARMENGOL
LETICIA IGLESIAS HERRAIZ
GEORGE DONALD JOHNSTON
IGNACIO MARTÍN SAN VICENTE
MARTA MARTÍNEZ ALONSO
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

Secretary of the Board:
LUIS GIMENO VALLEDOR

The Executive Committee

RAFAEL MIRANDA ROBREDO (Chairman)
BERNARDO VELÁZQUEZ HERREROS
ROSA MARÍA GARCÍA PIÑEIRO
FRANCISO JAVIER GARCÍA SANZ
TOMÁS HEVIA ARMENGOL
GEORGE DONALD JOHNSTON
IGNACIO MARTÍN SAN VICENTE
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

Secretary:
LUIS GIMENO VALLEDOR

The Appointments, Remuneration and Corporate Governance Committee

LAURA GONZÁLEZ MOLERO (Chairwoman)
RAFAEL MIRANDA ROBREDO
FRANCISCO JAVIER GARCÍA SANZ
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

Secretary:
LUIS GIMENO VALLEDOR

Audit Committee

GEORGE DONALD JOHNSTON (Chairman)
PABLO GÓMEZ GARZÓN
LAURA GONZÁLEZ MOLERO
LETICIA IGLESIAS HERRAIZ

Secretary:
LUIS GIMENO VALLEDOR

The Sustainability Committee

ROSA Mª GARCÍA PIÑEIRO (Chairwoman)
PABLO GÓMEZ GARZÓN
IGNACIO MARTÍN SAN VICENTE
MARTA MARTÍNEZ ALONSO
BERNARDO VELÁZQUEZ HERREROS

Secretary:
LUIS GIMENO VALLEDOR

Senior Management Committee

BERNARDO VELÁZQUEZ HERREROS
Chief Executive Officer

HANS HELMRICH
Chief Operating Officer

DANIEL AZPITARTE
Integration Director of the High Performance Alloys project

MIGUEL FERRANDIS
Chief Financial Officer

OSWALD WOLFE GÓMEZ
Director of Institutional Relations, Sustainability and Communication

LUIS GIMENO VALLEDOR
Secretary-General

FERNANDO GUTIÉRREZ
CEO of Acerinox Europa & Raw Materials Director

CRISTÓBAL FUENTES
CEO of NAS

JOHAN STRYDOM
CEO of Columbus Stainless

MARK DAVIS
CEO of Bahru Stainless

NICLAS MÜLLER
CEO of VDM Metals

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