Acerinox, S.A.

Auditor´s report
Annual accounts at 31 December 2021
Management report

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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 annual accounts

To the shareholders of Acerinox, S.A.,

Report on the annual accounts

Opinion

We have audited the annual accounts of Acerinox, S.A. (the Company), which comprise the balance sheet as of 31 December 2021, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as of 31 December 2021, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

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 annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the 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 annual accounts of the current period. These matters were addressed in the context of our audit of the 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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Key audit matter	How our audit addressed the key audit matter
Recovery of investments in group companies	
As detailed in note 2.4.b of the attached annual accounts, Management annually evaluates the existence of signs of impairment and determines the recoverable value of investments in group companies and associates. For the calculations of the recoverable value through the value in use, the Company's Management uses cash flow projections based on financial budgets that require relevant judgments and estimates that include, among others, the operating result on sales and the discount and long-term growth rates, considering that the projected cash flows are subject to uncertainty. For the specific case of Bahru Stainless Sdn. Bhd. investment, for which an impairment was recorded as of 31 December 2020 of 479,096 thousand euros, the Company's 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. In the case of the investment in Columbus Stainless (Pty) Ltd., for which an impairment was recorded as of 31 December 2020 for an amount of 120,063 thousand euros, a reversal of 45,304 thousand euros has been recorded as described in note 9.2.7 of the attached memory. The most significant assumptions used by the Company's Management and the sensitivity analysis carried out are summarized in note 9.2.7 of the attached report. 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 investments in subsidiaries. This fact, together with the relevance of this financial statement line item and the impairment reversal recorded, motivates it to be a key audit matter.	As a starting point for our procedures, we have understood the relevant processes and controls related to the evaluation of impairments in investments in group companies by Management, including those related to the preparation of budgets and the analysis and monitoring of the projections, which constitute the basis for the main judgments and estimates made by 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 Company's Management with historical results, comparable available, relevant industry factors and other external sources. For this, we have relied on experts in valuations from our firm. Likewise, we have evaluated the competence, capacity, objectivity and conclusions of the Management expert, as well as the adequacy of its work as audit evidence. As a result of the analysis performed, we consider that the conclusions of the Company's Management regarding the estimates made and the impairment reversal recorded, as well as the information disclosed in the attached annual accounts, are adequately supported and are consistent with the information currently available.

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets	
As of 31 December 2021, the attached annual accounts reflect an amount of 7,951 thousand euros of deferred tax assets, the recovery of which depends on the generation of positive tax bases in future years (note 12 of the accompanying annual accounts). Likewise, in note 12 of the attached annual accounts, the unrecognized tax credits are disclosed. The recognition of these deferred tax assets is analyzed by the Company's Management by estimating the tax bases over a 10-year period (note 12.3 of the attached annual accounts) based on the business plans of the different companies of the tax group, and in the planning possibilities allowed by the applicable tax legislation, considering the tax consolidation group to which the Company belongs (note 2.4.c of the attached annual accounts). Consequently, the conclusion on the recognition of the deferred tax assets disclosed in the attached annual accounts is subject to significant judgments and estimates by the Company's Management both with respect to future tax results and the applicable tax regulations. Given the relevance of the amount recognized and pending to be recognized, the significant judgments required and estimates necessary for the calculation of future tax bases, the recognition of deferred tax assets is a key audit matter.	In the first place, we have understood and evaluated the criteria used by the Company's Management to estimate the possibilities of use and recovery of deferred tax assets in the following years, subject to business plans. Based on the business plans prepared by Management, we have compared the projected annual 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 performance, comparable available, relevant factors from industry 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 tax consolidation group. The analysis performed have made it possible to verify that the calculations and estimates made by the Company's 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 tax group and with its tax planning possibilities available with the current legislation.

Other information: Management report

Other information comprises only the management report for the 2021 financial year, the formulation of which is the responsibility of the Company´s directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the 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 management report and the annual accounts as a result of our knowledge of the Company 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 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 management report is consistent with that contained in the 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 annual accounts

The directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Company´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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the 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 Company´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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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 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 Company´s audit committee, we determine those matters that were of most significance in the audit of the 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 file of the European single electronic format (ESEF) of Acerinox, S.A. for the 2021 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

The directors of Acerinox, S.A. are responsible for presenting the annual financial report for the 2021 financial year in accordance with the formatting 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 management report.

Our responsibility is to examine the digital file prepared by the 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 annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been effected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 24 February 2022.

Appointment period

The General Ordinary Shareholders' Meeting held on 15 April 2021 appointed us as auditors 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 audited Company, other than the audit of the accounts, are disclosed in note 16.3 of the annual accounts.

In relation to the services provided to the subsidiary companies of the Company for services other than the audit of the accounts, refer to the audit report dated 25 February 2022 on the consolidated annual accounts of Acerinox, S.A. and its subsidiary companies, where these subsidiary companies have been consolidated.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Jon Toledano Irigoyen (20518)

25 February 2022

ACERINOX, S.A.

Financial Statements
for the year ended 31 December 2021

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.

FINANCIAL STATEMENTS OF ACERINOX, S.A.

1. BALANCE SHEETS OF ACERINOX, S.A.

(Amounts in thousands of euros at 31 December 2021 and 2020)

	ASSETS	Note	2021	2020
A) NON-CURRENT ASSETS			2,072,089	2,029,161
I.	**Intangible assets.**	**5**	**482**	**482**
	1. Computer software		242	296
	2. Advances on fixed assets		240	186
II.	**Property, plant and equipment.**	**6**	**5,074**	**5,130**
	1. Land and buildings.		4,702	4,743
	2. Technical installations and other property, plant and equipment.		372	387
III.	**Investment property.**	**7**	**4,654**	**4,760**
	1. Land.		2,853	2,853
	2. Buildings.		1,801	1,907
IV.	**Long term investments in Group companies and associates**	**9**	**2,042,140**	**1,997,549**
	1. Equity instruments.		2,022,140	1,682,731
	2. Corporate loans	**15.2**	20,000	314,818
V.	**Long-term financial investments.**	**9**	**11,788**	**7,885**
	1. Assets at fair value through equity		10,729	7,821
	2. Loans to third parties		3	10
	3. Derivatives		980	
	4. Other financial assets.		76	54
VI.	**Deferred tax assets.**	**12**	**7,951**	**13,355**
B) CURRENT ASSETS			729,105	904,908
I.	**Trade and other receivables.**	**9**	**18,144**	**40,352**
	1. Customers, group companies and associates.	**15.2**	14,266	10,521
	2. Sundry receivables.		107	56
	3. Staff.		10	15
	4. Current tax assets.	**12**	3,277	29,390
	5. Other credits with public authorities.	**12**	484	370
II.	**Short-term investments in Group companies and associates**	**9**	**697,829**	**682,784**
	1. Corporate loans	**15.2**	432,945	397,956
	2. Dividend receivable		264,884	284,828
III.	**Short-term financial investments**	**9**	**1,089**	**199**
	1. Derivatives		1,089	199
	2. Other financial assets			
IV.	**Short-term accruals.**		**738**	**658**
V.	**Cash and cash equivalents.**	**9**	**11,305**	**180,915**
	1. Cash on hand.		11,305	180,915
	2. Cash equivalents			
	TOTAL ASSETS		2,801,194	2,934,069

The accompanying Notes 1 to 17 are an integral part of these financial statements.

(Amounts in thousands of euros at 31 December 2021 and 2020)

EQUITY AND LIABILITIES		2021	2020
A) EQUITY		**1,229,731**	**1,056,233**
A-1) Shareholders' equity.	**10**	**1,233,052**	**1,067,279**
I. Capital.		**67,637**	**67,637**
1. Registered capital.		67,637	67,637
II. Share premium.		**268**	**258**
III. Reserves.		**863,719**	**342,886**
1. Legal		13,527	13,527
2. Other reserves.		850,192	329,359
IV. Treasury shares and equity interests		**-10,251**	**-1,062**
V. Profit/(loss) from previous years			
1. (Prior years' losses)			
VI. Profit/(loss) for the year		**308,558**	**655,352**
VII. Other equity instruments		**3,121**	**2,208**
A-2) Adjustments for changes in value.		**-3,321**	**-11,046**
I. Assets at fair value through equity		-374	-2,554
II. Hedging operations		-2,947	-8,492
B) NON-CURRENT LIABILITIES		**1,299,321**	**1,372,687**
I. Long-term borrowings	**10**	**1,251,051**	**1,326,124**
1. Bonds and other marketable securities		74,750	74,650
2. Bank borrowings.		1,173,820	1,243,063
3. Derivatives		2,437	8,368
4. Other financial liabilities		44	43
II. Long-term debt with group companies and associates	**9 and 15**	**33,500**	**33,500**
III. Deferred tax liabilities.	**12**	**14,770**	**13,063**
C) CURRENT LIABILITIES		**272,142**	**505,149**
I. Current payables.	**9**	**265,216**	**200,254**
1. Bonds and other marketable securities		1,634	1,634
2. Bank borrowings.		259,991	194,860
3. Derivatives		3,591	3,713
4. Other financial liabilities			47
II. Short-term debt with group companies and associates	**9**	**74**	**285,350**
III. Trade and other payables	**9**	**6,852**	**19,545**
1. Suppliers.		1,052	1,335
2. Suppliers, group companies and associates.			
3. Sundry payables.		333	35
4. Personnel (remunerations pending payment).		4,932	2,698
5. Current tax liabilities	12		
6. Other debts with Public Administrations.	12	535	15,477
TOTAL EQUITY AND LIABILITIES		**2,801,194**	**2,934,069**

The accompanying Notes 1 to 17 are an integral part of these financial statements.

2. STATEMENTS OF PROFIT OR LOSS OF ACERINOX, S.A.

(Amounts in thousands of euros at 31 December 2021 and 2020)

A.1) CONTINUING OPERATIONS	Note	2,021	2,020
1. Revenue.	**13.2**	**319,435**	**824,837**
a) Services rendered.		30,776	23,744
b) Dividends received from group companies	**9.2.8**	277,178	782,295
c) Financial income from group companies	**15.2**	11,481	18,798
2. Other operating income.	**13.2**	**512**	**689**
a) Ancillary income and other current operating expenses.		509	689
b) Operating subsidies included in income for the period		3	
3. Staff costs.	**13.1**	**-20,504**	**-14,263**
a) Wages, salaries and similar.		-18,053	-12,886
b) Employee benefits.		-2,451	-1,377
4. Other operating expenses.		**-8,327**	**-23,375**
a) Outside services	**13.3**	-7,998	-17,432
b) Taxes.		-329	-5,943
c) Other current expenses			
5. Depreciation of fixed assets.	**5.6 and 7**	**-654**	**-686**
6. Impairment and gain or loss on disposal of fixed assets.		**45,289**	**-101,827**
a) Gains (losses) on disposals and other.	**6**	-15	
b) Impairment of equity instruments	**9.2.7**	45,304	-101,827
A.2) OPERATING INCOME		**335,751**	**685,375**
1. Finance income.		**604**	**60**
a) Of holdings in equity instruments.	**9.2.8**	56	60
a1) In third parties.		56	60
a2) In Group companies and associates			
b) Marketable securities and other financial instruments.		548	
b1) In third parties.		548	
b2) In Group companies and associates			
2. Finance costs.		**-24,546**	**-29,712**
a) For debts with group companies and associates.	**15.2**	-1,203	-5,861
b) For debts with third parties		-23,343	-23,851
3. Changes in fair value of financial instruments.	**9.2.2**	**-272**	**-9,005**
a) Trading portfolio and others.		-272	-9,005
b) Recognition in profit or loss of financial assets at fair value through equity			
4. Exchange differences.	**11**	**-304**	**10,752**
5. Impairment and gain (loss) on disposal of financial instruments			
A.3) FINANCIAL RESULT		**-24,518**	**-27,905**
A.4) PROFIT (LOSS) BEFORE TAX		**311,233**	**657,470**
1. Income tax.	**12**	-2,212	-908
2. Other taxes	**9.2.8**	-463	-1,210
A.5) INCOME FOR THE YEAR FROM CONTINUING OPERATIONS		**308,558**	**655,352**
A.6) DISCONTINUED OPERATIONS			
A.7) PROFIT/(LOSS) FOR THE YEAR		**308,558**	**655,352**

The accompanying Notes 1 to 17 are an integral part of these financial statements.

3. STATEMENT OF CHANGES IN EQUITY

3.1 STATEMENTS OF RECOGNISED INCOME AND EXPENSE

(Amounts in thousands of euros at 31 December 2021 and 2020)

	Note	2021	2020
A) RESULTS OF THE STATEMENT OF PROFIT OR LOSS		**308,558**	**655,352**
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
I. For valuation of financial instruments.		2,908	-2,294
1. Financial assets at fair value through equity.	**9.2.4**	2,908	-2,294
II. Arising from cash flow hedges.	**9.2.3**	3,766	-6,569
III. Arising from actuarial gains and losses and other adjustments.			
IV. Tax effect.	**12**	-1,669	2,216
B) TOTAL INCOME AND EXPENSES CHARGED DIRECTLY TO EQUITY (I+II+III+IV+V)		**5,005**	**-6,647**
TRANSFERS TO THE STATEMENT OF PROFIT OR LOSS			
I. For valuation of financial instruments			
1. Financial assets at fair value through equity			
II. Arising from cash flow hedges	**9.2.3**	3,627	2,957
III. Tax effect.	**12**	-907	-739
C) TOTAL TRANSFERRED TO THE STATEMENT OF PROFIT OR LOSS		**2,720**	**2,218**
TOTAL RECOGNISED INCOME AND EXPENSE (A + B + C)		**316,283**	**650,923**

The accompanying Notes 1 to 17 are an integral part of these financial statements.

3.2. STATEMENT OFCHANGES IN EQUITY

(Amounts in thousands of euros at 31 December 2021 and 2020)

	Registered capital	Share premium	Reserves	Profit/(loss) for the year	Other equity instruments	Treasury shares	Adjustments for changes in value	TOTAL
Balance as of 31 December 2019	**67,637**	**27,313**	**12,278**	**438,828**	**1,472**	**-1,062**	**-6,617**	**539,849**
I. Total recognised income and expenses				**655,352**			**-4,429**	**650,923**
1. Results of the statement of profit or loss				655,352				**655,352**
2. For valuation of financial instruments							-5,905	**-5,905**
3. Tax effect							1,476	**1,476**
II. Transactions with partners or owners.		**-27,055**	**330,610**	**-438,828**	**736**			**-134,537**
1. Capital increase								
2. Dividends paid		-27,055	-108,218					**-135,273**
3. Application of retained earnings			438,828	-438,828				
4. Acquisition of treasury shares								
5. Disposal of treasury shares								
5. Long-term incentive plan for senior executives					736			**736**
III. Other changes in equity			**-2**					**-2**
Balance as of 31 December 2020	**67,637**	**258**	**342,886**	**655,352**	**2,208**	**-1,062**	**-11,046**	**1,056,233**
I. Total recognised income and expenses				**308,558**			**7,725**	**316,283**
1. Results of the statement of profit or loss				308,558				**308,558**
2. For valuation of financial instruments							10,301	**10,301**
3. Tax effect							-2,576	**-2,576**
II. Transactions with partners or owners.			**520,754**	**-655,352**	**913**	**-9,189**		**-142,874**
1. Capital increase								
2. Dividends paid			-135,226					**-135,226**
3. Application of retained earnings			655,352	-655,352				
4. Acquisition of treasury shares						-9,418		**-9,418**
5. Amortisation of treasury shares								
6. Long-term incentive plan for senior executives			628		913	229		**1,770**
III. Other changes in equity		**10**	**79**					**89**
Balance as of 31 December 2021	**67,637**	**268**	**863,719**	**308,558**	**3,121**	**-10,251**	**-3,321**	**1,229,731**

The accompanying notes 1 to 17 are an integral part of these financial statements.

3.3. STATEMENTS OF CASH FLOWS OF ACERINOX, S.A.

(Amounts in thousands of euros at 31 December 2021 and 2020)

	Notes	2021	2020
A) CASH FLOWS FROM OPERATING ACTIVITIES		**-11,056**	**-15,642**
1. EBT		**311,233**	**657,470**
2. Adjustments to the result		**-296,484**	**-651,081**
a) Depreciation of fixed assets (+)		654	686
b) Valuation corrections for impairment (+/-)		-45,304	101,827
c) Change in provisions (+/-)			
d) Results from retirements and disposals of fixed assets (+/-)		15	
e) Finance income (-)		-604	-60
f) Finance expenses (+)		24,545	29,712
g) Exchange differences (+/-)		-9,497	-10,261
h) Changes in fair value of financial instruments (+/-)		9,602	8,756
i) Other income and expenses		-275,895	-781,741
3. Changes in working capital		**-26,814**	**1,911**
a) Trade and other receivables (+/-)		-3,905	-1,169
b) Other current assets (+/-)		-1,940	-8,708
c) Trade and other payables (+/-)		-12,708	14,909
d) Other current liabilities (+/-)		-8,261	-3,121
e) Other non-current assets and liabilities (+/-)			
4. Other cash flows from operating activities		**1,009**	**-23,942**
a) Interest payments (-)		-23,105	-28,376
b) Dividend collections (+)			
c) Interest income (+)		548	
d) Income tax payments (collections) (+/-)		23,566	4,434
B) CASH FLOWS FROM INVESTING ACTIVITIES		**-8,164**	**154,326**
5. Payments for investments (-)		**-31,600**	**-352,825**
a) Group companies and associates		-31,067	-352,427
b) Intangible assets		-264	-202
c) Property, plant and equipment		-248	-194
d) Other financial assets		-21	-2
e) Other assets (Group loans)			
6. Proceeds from divestitures (+)		**11,079**	**9,615**
a) Group companies and associates			
b) Property, plant and equipment		4	
c) Other financial assets			
d) Other assets (Group loans)		11,075	9,615
7. Dividend collection (+)		**12,357**	**497,536**
a) Other collections/payments for investment activities		12,357	497,536
C) CASH FLOWS FROM FINANCING ACTIVITIES		**-150,390**	**37,797**
8. Payments for investments (-)		**-9,418**	
a) Issuance of equity instruments (-)			
b) Acquisition of own equity instruments (-)			
c) Acquisition of own equity instruments (-)		-9,418	
d) Disposal of own equity instruments (+)			
9. Receivables and payments for financial liability instruments		**-5,746**	**173,070**
A) Issuance		**355,004**	**605,000**
1. Bonds and other marketable securities (+)			
2. Bank borrowings (+)		355,000	605,000
3. Payables to group companies and associates (+)		4	
B) Reimbursement and amortisation of:		**-360,750**	**-431,930**
1. Bonds and other marketable securities (+)			
2. Bank borrowings (-)		-360,454	-299,563
3. Payables to group companies and associates (-)			-132,367
4. Other debts		-296	
9. Payments for dividends and remuneration of other equity instruments		**-135,226**	**-135,273**
A) Dividends (-)		-135,226	-135,273
B) Remuneration of other equity instruments (-)			
D) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS		**-169,610**	**176,481**
Cash and cash equivalents at the beginning of the year		**180,915**	**4,434**
Cash and cash equivalents at the end of the year		**11,305**	**180,915**

The accompanying Notes 1 to 17 are an integral part of these financial statements.

CONTENTS: CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS OF ACERINOX, S.A.

5. NOTES TO THE FINANCIAL STATEMENTS OF ACERINOX, S.A.

NOTE 1 – COMPANY ACTIVITIES

Name of the Company: Acerinox, S.A. ("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, tax domicile and location in which its business activities are performed: the Company's registered office and tax domicile are located at calle Santiago de Compostela, no. 100, Madrid, Spain.

Company object and main business activities: the Company's object, as described in its bylaws, consists of the manufacture and sale of stainless steel and other derivative or similar products, either by the Company itself or indirectly through the ownership of shares or other equity interests in companies with an identical or similar company object. The Company'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.

As indicated in **Note 9.2.7**, the Company holds ownership interests in subsidiaries and associates. The Company is therefore the parent of a group of companies. 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 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 industry, hydrocarbons and renewable energy, water treatment and emissions control.

Note 9.2.7 includes detailed information on this transaction.

The presentation of consolidated financial statements is obligatory, pursuant to generally accepted accounting principles and standards, in order to present fairly the financial position, results of operations, changes in equity and cash flows of the Group.

At 31 December 2021, Acerinox, S.A. did not form part of a decision-making unit with other companies with registered office in Spain other than those included in Note 9.2.7**.**

Fiscal year: The fiscal year of Acerinox, S.A. covers 12 months. It begins on 1 January and ends on 31 December.

Authorisation for issue of the financial statements: These financial statements were authorised for issue by the Board of Directors of Acerinox, S.A. on 24 February 2022.

On that same date, the directors also authorised for issue the consolidated financial statements of Acerinox, S.A. and Subsidiaries for 2021, which present consolidated profit attributable to the Company of EUR 571,882 thousand (2020: loss of EUR -49,049 thousand) and consolidated equity of EUR 2,214,862 thousand (2020: EUR 1,614,980 thousand).

NOTE 2 –BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Fair presentation

In accordance with current legislation, the Company's directors formally prepared these financial statements, in order to present fairly its equity and financial position at 31 December 2021 and the results of its operations, the changes in its equity and the cash flows in the year then ended.

The financial statements have been prepared from the Company's accounting records and are presented in accordance with current mercantile legislation, with the rules established in the General Chart of Accounts approved by Royal Decree 1514/2007 and the amendments incorporated, the latest being those introduced by Royal Decree 1/2021, dated 12 January, effective for years beginning on or after 1 January 2021.

The Company's directors consider that the financial statements for 2021 will be approved by the shareholders at the Annual General Meeting without any changes.

2.2 Comparative information

For comparison purposes the accompanying financial statements present, in addition to the figures for 2021 for each item in the balance sheet, statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements, the figures for 2020, which formed part of the financial statements for 2020 approved by the shareholders at the Annual General Meeting on 15 April 2021. As explained in **Note 2.3**, this year the Group has applied for the first time the amendments to the Spanish National Chart of Accounts introduced by Royal Decree 1/2021 of 12 January, making use of some of the exceptions allowed by the standard in relation to its retroactive application.

These financial statements are presented in euros, which is the Company's functional and presentation currency, and the figures are rounded off to the nearest thousand.

2.3 First application of the amendments to the General Chart of Accounts introduced by Royal Decree 1/2021, of 12 January

This year the Company has begun to apply the amendments introduced in the General Chart of Accounts through Royal Decree 1/2021, dated 12 January, which seek to adapt the measurement standards to the international accounting principles and criteria included in the International Financial Reporting Standards.

When the Group applied International Financial Reporting Standards (IFRS) in the preparation of its consolidated financial statements, the Group had already adapted its policies in order to make a homogeneous application under IFRS, and therefore the modifications introduced have had no impact.

The amendments relate to the following chapters: determination of fair value, financial instruments and revenue recognition.

In accordance with section 1) of the First Transitional Provision of Royal Decree 1/2021, the Company has opted not to restate the 2020 figures but to apply RD 1/2021 nomenclature to the financial instruments not restated.

The analyses carried out by the Company were as follows:

a) Financial instruments

Financial instruments are classified as from 1 January 2021 based on the management or business model followed by the Company to manage the financial assets and the contractual terms of the cash flows thereof.

Financial assets are classified under the following categories:

- <u>Fair value through profit or loss:</u> This category includes all financial assets except those that should be classified in another category. It groups financial assets held for trading and other financial assets at fair value through profit or loss statement. The Company has classified in this category the derivatives that do not qualify for hedge accounting.

- Fair value through profit or loss: This category includes equity instruments that were not held for trading or to be measured at cost for which the entity has made an irrevocable choice, at the time of initial recognition, to present subsequent changes in fair value directly in equity. Specifically, the Company classifies under this category the equity instruments it had classified as available for sale.
- Amortised cost: This category includes the previous portfolios of "Loans and receivables" to the extent that they are held for the purpose of receiving cash flows arising from the performance of the contract, and the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely collections of principal and interest on the principal amount outstanding. Also included in this category are trade receivables and non-trade receivables.
- Cost: This category comprises the following financial assets:
    - investments in group companies and associates;
    - those financial assets where a reliable estimate of their fair value cannot be obtained.

The classification of financial liabilities falls into the following main categories:

- Amortised cost: This category includes all financial liabilities except those that must be measured at fair value through profit or loss. Therefore, it includes the previous portfolios of "Loans and payables" and "Debits and payables" for both trade and non-trade operations.
- Fair value through profit or loss: The Company has classified in this category the derivatives that do not qualify for hedge accounting.

At the date of initial application of RD 1/2021, of 12 January 2021, the Company has opted to apply second Transitional Provision and include comparative information without restating the items of the year 2020 to show the balances of that year adjusted to the new presentation criteria.

In applying the new criteria for financial instruments, the Company has availed itself of the following exceptions contemplated in the Second Transitional Provision of Royal Decree 1/2021:

- The Company has opted to consider the carrying amount at the end of the previous year for assets and liabilities that follow the amortised cost method as their amortised cost at the beginning of the year in which the new criteria have been applied, in application of the exception in section 6.b) of the second Transitional Provision
- The Company has opted to consider the carrying amount at the end of the previous year for assets and liabilities that follow the cost or cost plus method as their cost or cost plus at the beginning of the year in which the new criteria have been applied, in application of the exception in section 6.b) of the second Transitional Provision.

The changes in the classification of the Company’s financial instruments as a result of the application of the amendments to the General Chart of Accounts, which in no case have led to a change in the measurement criteria, are as follows:

	Measurement category		Measurement as of 1 January 2021	
	Previous regulation (RD 1514/2007)	**After modification (RD 1/2021)**	**Previous regulation**	**After modification**
Loans and receivables	Loans and receivables	Financial assets at amortised cost	1,008,916	1,008,916
Equity instruments	Available-for-sale assets	Financial assets at fair value through equity	7,821	7,821
Long term investments in Group companies and associates equity	Cost	Cost	1,682,731	1,682,731
Derivatives not recorded under hedge accounting	Derivatives at fair value through profit or loss	Derivatives at fair value through profit or loss	171	171
Hedging derivatives	Hedging instruments	Hedging instruments	-12,053	-12,053
Cash and cash equivalents	Amortised cost	Amortised cost	180,915	180,915
Loans and payables	Amortised cost	Amortised cost	-1,837,215	-1,837,215

The table does not include any receivables from or payables to Public Authorities.

The new standard establishes a series of rules for the derecognition of financial liabilities in cases of debt renegotiations. According to the latter, when debt instruments are exchanged on substantially different terms, the original liability is derecognised and a new liability is recognised. To determine whether the conditions are substantially different, not only quantitative factors (the 10% test) but also qualitative factors will be taken into account, such as the modification of a variable interest rate loan into a fixed one, or the change in the currency of the loan, among others. The Group has taken these circumstances into account when determining whether to derecognise liabilities in the debt renegotiations carried out.

With regard to the hedging relationships for those contracts in force at 1 January 2021 and which met the requirements for hedge accounting in accordance with the previous wording of the 2007 Chart of Accounts and which also meet the requirements established in RD 1/2021, after taking into account any new rebalancing of the hedging relationship at 1 January 2021, the Company has considered such contracts as a continuation of the hedging relationships already existing at the transition date.

a) Revenue recognition: income from the rendering of services

Acerinox, S.A. is a holding company, parent of the Acerinox Group. The main activity is that of a holding company. Also, the Company provides legal, accounting and advisory services to all Group companies and performs financing activities within the Group.

In accordance with the amendment introduced by RD 1/2021, the Company will recognise revenue from a contract when control over the committed goods or services is transferred to the customer. Control refers to the ability to decide fully on the use of that asset and obtain substantially all of its remaining benefits.

Under this standard, 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 standard establishes a five-step model for the recognition of revenue derived from a contract:

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.

As stated in the new revenue standard, a contract is an agreement between two or more parties that creates enforceable rights or obligations. A contract does not exist if the parties can unilaterally terminate an unexecuted contract without compensating the other party. The standard requires accounting for a contract with a customer when all of the following criteria are met:

a) The parties to the contract have approved the contract and undertake to fulfil their respective obligations
b) The rights of each party can be identified
c) Payment terms can be identified with respect to the goods or services to be transferred
d) The contract has a commercial basis
e) It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services to be transferred to the customer.

The Group has evaluated the moment of fulfilment of all these conditions to determine the moment at which the existence of a contract begins.

For each obligation to be fulfilled, the Company will determine, at the beginning of the contract, whether the obligation assumed will be fulfilled at a specific time or over time. Revenues from service commitments that are fulfilled over time will be recognised based on the stage of completion, provided that reliable information is available for measurement.

Revenue is measured at the fair value of the consideration received.

In the case of the services provided by Acerinox, S.A., these are generic advisory and management services in various business areas, which are provided to Group companies on a monthly basis, as needs arise, as such there are no compliance milestones. The cost is clearly identified in the contracts and based on the entity's costs. Therefore, the Group recognises revenue on a monthly basis based on the consideration to be received. The new standard has not entailed any change in the recognition criteria.

2.4 Key issues in relation to the measurement and estimation of uncertainty

Preparation of the financial statements in accordance with the Spanish National Chart of Accounts approved by Royal Decree 1514/2007 requires Company management to make certain judgements, estimates and assumptions that affect the application of the accounting policies and, therefore, the figures presented in these 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. Any changes in estimates are recognised in the financial statements prospectively, as established in Recognition and Measurement Standard 22 of the Spanish National Chart of Accounts. The accounting estimates and judgements are reviewed regularly.

The most significant are as follows:

a. Fair value of derivatives and other financial instruments

The Company acquires derivative financial instruments to hedge its exposure to the risk of exchange rate and interest rate fluctuations. 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 9.2** includes information on all of the Company's financial instruments.

b. Impairment losses on investments in Group companies and associates

If there are any indications that the Company's investments in Group companies and associates may have become impaired, it assesses whether their cost exceeds their recoverable amount, which is usually determined on the basis of value in use (present value of the cash flows expected to be generated by the investee) or at their fair value less costs to sell. These calculations require the use of assumptions, for example in relation to sales, margins, discount rates and perpetuity growth rates, which involve a high degree of judgement. **Note 9.2.7** details the analyses conducted by the Company in 2021 and 2020.

c. Recoverability of tax loss and tax credit carryforwards

Separately from tax legislation, which in Spain allows the recovery of tax losses without limitation, as established in the related accounting policy (**Note 4.7**), the Company recognises in the balance sheet 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 Company has set at ten years. The Company 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 Company also takes into account the limitations on the offset of tax losses stipulated in legislation. **Note 12.3** details the Company's existing tax assets and the assumptions used to determine the recoverability of recognised tax assets. Following the impairment last year, the Company has no recognised tax assets.

The Company files consolidated income tax returns, together with the other Spanish entities that form part of the Group (with the exception of the entities established in the regions of Álava, Vizcaya and Guipúzcoa). The Company takes this circumstance into consideration when determining earnings projections and the recoverability of the tax assets.

Based on the analyses carried out this year and taking into account the tax consolidation mentioned above and the contribution of all companies to the Group's taxable income, the management does not consider it necessary to recognise the tax assets existing in the parent company. As the Company is a holding company whose results are largely derived from the dividends of the subsidiaries, most of which are tax exempt, the application of the taxable income of the parent company is highly dependent on the contributions of the subsidiaries to the consolidated tax group. During the year, tax credits of EUR 5,493 thousand were recognised in one of the companies in the consolidated tax group.

NOTE 3 – DISTRIBUTION OF PROFIT AND SHAREHOLDER REMUNERATION

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 for the year	308,558,304.89
Application:	
Dividends	135,273,096.00
To voluntary reserves	173,285,208.89

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 for the year	655,351,828.00
Application:	
Dividends	135,273,096.00
To voluntary reserves	520,078,732.00

The Annual General Meeting approved a dividend of EUR 0.50 per share.

NOTE 4 –ACCOUNTING POLICIES

The Company has taken into account the amendments introduced in the General Chart of Accounts through Royal Decree 1/2021, dated 12 January. The amendments are included in these policies, specifically in the references to fair value and in the sections on financial instruments and revenue recognition.

4.1 Intangible assets

a) 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 Company, 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.

Computer software is amortised on a straight-line basis over the three-year period in which it is expected to be used.

Note 5 includes detailed information on intangible assets.

4.2 Property, plant and equipment

a) Owned assets

Property, plant and equipment acquired before 31 December 1996 are measured at acquisition cost and are revalued in accordance with the provisions of the applicable legal regulations, less any accumulated depreciation and impairment losses.

Subsequent additions were measured at acquisition cost less any accumulated depreciation and impairment losses.

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.

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

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 cost less residual value. The Company 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.

Land is not depreciated.

Property, plant and equipment are depreciated over the following years of useful life:

- Buildings: 50 years
- Other items of property, plant and equipment: 5-10 years

The residual value, the depreciation method and the useful life of the assets are reviewed, and adjusted if necessary, at each reporting date. Any modifications to the estimates initially made are accounted for as a change in estimate (see **Note 2.4**).

Note 6 includes detailed information on property, plant and equipment.

4.3 Investment property

"Investment Property" consists of Company-owned buildings not occupied by the Company which are held to earn returns, either through rental or through capital appreciation and subsequent disposal of the buildings.

The Company 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, including the depreciation period.

Lease income is recognised as indicated in **Note 4.8**.

4.4 Impairment of non-financial assets

The carrying amount of 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 Company 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.).

Valuation adjustments for 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. The provisions for losses on an asset are recognised as an expense in the 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. 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.

Valuation adjustments for impairment on an asset which was recognised in prior years is reversed 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.

4.5 Financial instruments

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.

4.5.1 Classification

The Company classifies financial instruments in the different categories based on the characteristics and business model used to manage them and the contractual terms of their cash flows.

The Group does not generally reclassify any financial assets or liabilities unless the business model changes.

4.5.2 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:

Acquisitions and disposals of financial assets are recognised at the date on which the Company 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 Company has transferred substantially all the risks and rewards of their ownership. The derecognition of a financial asset involves the recognition in profit or loss of the difference between its carrying amount and the sum of the consideration received, net of transaction costs.

The detail of the accounting policies relating to the Company's financial assets is as follows:

a) Financial assets at amortised cost

This category includes financial assets which, while not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market. Specifically, included in this category are trade receivables and non-trade receivables. 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, unless there is evidence to the contrary, is the transaction price plus any directly attributable transaction costs. 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 Company recognises the necessary impairment losses whenever there is evidence that a receivable has become impaired. 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 statement of profit or loss and are reversed when the causes of their original recognition cease to exist. The amount of the reversal is recognised as income in profit or loss.

b) **Financial liabilities at fair value through profit or loss**

The Company includes derivative financial instruments in this category, provided that they have not been designated as hedging instruments.

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.

c) Financial assets at cost

This category includes investments in Group companies and associates.

Investments in Group companies and associates are initially recognised at cost, i.e. the fair value of the consideration given plus any directly attributable transaction costs. They are subsequently measured at cost net of any accumulated impairment losses.

The Company recognises the necessary impairment losses whenever there is evidence that the carrying amount of an investment exceeds its recoverable amount. Such evidence of impairment losses is considered to exist when the carrying amount of the investee is lower than the carrying amount of the ownership interest recognised in the financial statements of Acerinox, S.A. less any unrealised gains, taking into account the budgets approved for the next financial year or when the investee reports repeated losses over various years.

The Company recognises impairment on an ownership interest whenever its carrying amount exceeds its recoverable amount.

The recoverable amount of an investment is the higher of fair value less costs of disposal and the present value of the future cash flows from the investment.

The present value of the future cash flows may be determined either by estimating the cash flows expected to be received as a result of the distribution of dividends and from the sale or derecognition of the investment, or by estimating the Company's share of the cash flows that are expected to be generated by the investee from its ordinary activities.

Valuation adjustments are recognised as operating expenses in profit or loss statements, or as operating income when reversed.

d) Financial assets at fair value through equity

This category includes the Company'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.

They are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at fair value, provided that this can be measured reliably, recognising the gain or loss in equity (statement of recognised income and expense). 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.

In the case of the sale of available-for-sale financial assets, cumulative gains or losses arising from changes in fair value and recognised in comprehensive income are reclassified to profit or loss statement.

When the decrease in the fair value of an available-for-sale financial asset has been recognised in comprehensive income and there is objective evidence that the asset has suffered impairment, the cumulative loss is reclassified from equity to profit or loss. The amount reclassified to profit or loss shall be the difference between the acquisition cost and the present fair value, less any previously recognised impairment losses on that asset. Impairment losses recognised in profit or loss are not reversed in profit or loss, but rather in equity. Any increase in fair value following the recognition of impairment is recognised as a valuation adjustment in comprehensive income.

At the end of each year, the Company assesses whether there is any objective evidence of impairment, which occurs when there is a sustained decrease in the market price of the asset or a significant decrease in market price below its cost. To do this, the Company evaluates the historical market prices of the securities and the period during which the market price is below cost.

4.5.3 Financial liabilities

For measurement purposes, the Company's financial liabilities are classified under the following categories:

a) Financial liabilities at amortised cost

This category includes non-derivative financial liabilities with fixed or determinable payments. This category includes loans, bonds issued by the Company and trade and other payables.

The financial liabilities classified in this category 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. Accrued interest 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 Company derecognises a financial liability when the obligation specified in the contract is either discharged or cancelled or expires.

The Company 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.

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.

b) Financial liabilities at fair value through profit or loss

The Company 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. Any changes in fair value are recognised in profit or loss statement.

4.5.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits at banks. This line item also includes other short-term, highly liquid investments that are readily convertible to specified amounts of cash and subject to an insignificant risk of changes in value. For these purposes, cash and cash equivalents include investments maturing in less than three months from the date of acquisition.

In the statement of cash flows, the Company 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.

4.5.5 Guarantees provided and received

As regards guarantees provided or received for operating leases or for the rendering of services, the difference between their fair value and the amount paid is treated as an advance payment or collection for the lease or service rendered. In estimating the fair value of guarantees, the residual term is taken to be the minimum contractual term agreed during which the amount of the guarantee cannot be refunded.

Short-term guarantees are measured at their nominal value.

4.5.6 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. By means of a hedge, one or more financial instruments, known as hedging instruments, are designated to hedge a specifically identified risk that could affect the statement of profit or loss as a result of changes in the fair value or cash flows of one or more hedged items.

A hedging relationship qualifies for hedge accounting 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 hedge must be effective throughout the expected life to offset the changes in fair value or cash flows attributable to the hedged risk, in accordance with the original documented risk management strategy.

The Company considers that the hedge is highly effective if:

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.

The Company designates as hedging instruments only derivatives whose fair value or future cash flows offset changes in the fair value or future cash flows of items that qualify as hedged items.

The Company only undertakes cash flow hedges.

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 maintained to negotiate, thus, at fair value through profit or loss statements. 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 statement of recognised income and expense and is subsequently recognised in profit or loss in the year or years in which the hedged transaction affects profit or loss.

The Company 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.

4.6 Foreign currency transactions

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 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.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated to the corresponding functional currency at the exchange rates prevailing at the date on which the fair value was determined. 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 statement of cash flows, cash flows arising from transactions in a foreign currency are translated to euros 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.

4.7 Income tax

The Company took into account the Resolution of 9 February 2016 of the Spanish Accounting and Audit Institute (ICAC) establishing the rules for the recognition, measurement and preparation of financial statements to account for 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 taxable profit or tax loss for the year, using tax rates enacted at the balance sheet date and applicable to the 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 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 equity.

Deferred tax liabilities are always recognised. Deferred tax assets are recognised only 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 Company recognises in the balance sheet 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. Management has deemed a period of ten years to be reasonable.

In order to determine the recoverability of the tax assets, future earnings projections approved by management are performed. These take into account present macroeconomic and market circumstances. As the Company files consolidated tax returns, it takes into account the earnings projections of all the entities that form part of its tax Group.

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.

In accordance with the option provided for in the Spanish National Chart of Accounts, the Company may offset current or deferred tax assets and liabilities if it has a legally enforceable right to do so and intends either to settle the liabilities on a net basis or to realise the assets and settle the liability simultaneously. However, the Company has not availed itself of this option.

Deferred tax assets and liabilities are recognised in the Company balance sheet 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.

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. Under this regime, mutual credits and debits may arise between the companies forming part of the consolidation perimeter. Reciprocal receivables and payables between Group companies may arise as a result of the application of this regime. In this connection, if a company in the tax group incurs a tax loss in the year and the companies in the tax group as a whole offset all or a portion thereof in the consolidated income tax return, a reciprocal receivable and payable arises between the Group companies in relation to the portion of the tax loss that was offset. Also, the tax credits and tax relief relating to the income tax charge shall affect the calculation of the tax payable at each company for the effective amount thereof applicable under the consolidated tax regime and not for the amount (whether higher or lower) that would correspond to each company if individual tax returns were filed.

The amount of the payables or receivables in this connection is recognised under "Payables to Group Companies" in the balance sheet.

4.8 Income and expenses

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 Company 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 amount recorded is determined by deducting from the amount of the consideration for the transfer of goods or services committed to customers or other income corresponding to the Company's ordinary activities, the amount of discounts, returns, price reductions, incentives, as well as value-added tax and other taxes directly related thereto that must be passed on.

The income of Acerinox, S.A. arises mainly from its ownership interests in the Group companies, as well as from the provision of services to its subsidiaries and the performance of financing activities within the Group, which constitute its ordinary activities. Consequently, and in accordance with ruling number 2 published in Official Gazette No. 79 of the Spanish Accounting and Audit Institute (ICAC), the income earned from these activities is included under "Revenue" in the statement of profit or loss.

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

- **Income from services rendered**

In the case of the services provided by Acerinox, S.A., these are generic advisory and management services in various business areas, which are provided to Group companies on a monthly basis, so there are no compliance milestones. The cost is clearly identified in the contracts and based on the entity's costs. Therefore, the Group recognises revenue on a monthly basis based on the consideration to be received.

a) **Dividend income**

Dividend income is recognised when the right to receive payment is established.

b) Leases

Lease income and expenses are recognised in profit or loss on a straight-line basis over the term of the lease.

4.9 Provisions and contingencies

The Company 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 financial statement corresponds 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.

4.10 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.
- Other long-term employee benefits: defined benefit plans
- Severance indemnities

A defined benefit plan is an obligation acquired by the Company to its employees to remunerate services rendered.

The Company has obligations to certain of its employees when they reach retirement age. Defined benefit liabilities are recognised at the present value of the obligations existing at the reporting date less the fair value of the plan assets at that date. 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.

4.10.1 Share-based payment transactions

The Group applies Recognition and Measurement Standard 17 of the Spanish National Chart of Accounts, in relation to equity-settled transactions with employees, 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 goods or services received, as well as the corresponding increase in equity, are measured at fair value on the date the equity instruments are granted. 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). For this purpose, the Group uses the valuation of an independent expert, who used a valuation method accepted in accordance with customary market techniques.

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 recognises an increase in the value of its interest in the subsidiary, with a credit to its own equity instruments, and measures 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.

4.11 Related party transactions

The Company's financial statements include transactions performed with the following related parties:

- Group companies;
- key executives of the Group, members of the Board of Directors and persons related to them; and
- significant shareholders of the Company.

All the transactions performed with related parties are performed under market conditions. It was not necessary to make value judgements or estimates in relation to related party transactions.

The transactions performed by the Company with related parties are detailed in **Note 15**.

4.12 Classification of assets and liabilities between Current/Non-current

In the balance sheet the Company classifies assets and liabilities as current and non-current items. For such purpose, assets and liabilities are classified as current when they are expected to be settled, realised, sold or consumed in the normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised or settled within 12 months after the reporting date, or when they are cash or cash equivalents.

NOTE 5 – INTANGIBLE ASSETS

The detail of the main classes of intangible assets and of the changes therein in 2021 and 2020 is as follows:

(Amounts in thousands of euros)

COST	Computer software	Advances for computer software	TOTAL
Balance as of 31 December 2019	**14,064**	**69**	**14,133**
Procurements	95	117	212
Disposals	-10		-10
Transfers			
Balance as of 31 December 2020	**14,149**	**186**	**14,335**
Procurements	210	54	264
Transfers			
Balance as of 31 December 2021	**14,359**	**240**	**14,599**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Computer software	Advances for computer software	TOTAL
Balance as of 31 December 2019	**13,542**		**13,542**
Allocation	321		321
Disposals	-10		-10
Allowance for impairment losses			
Balance as of 31 December 2020	**13,853**		**13,853**
Allocation	264		264
Allowance for impairment losses			
Balance as of 31 December 2021	**14,117**		**14,117**

NET VALUE	Computer software	Advances for computer software	TOTAL
Cost at 31 December 2019	14,064	69	14,133
Accumulated amortisation and impairment losses	-13,542		-13,542
Carrying amount as of 31 December 2019	**522**	**69**	**591**
Cost at 31 December 2020	14,149	186	14,335
Accumulated amortisation and impairment losses	-13,853		-13,853
Carrying amount as of 31 December 2020	**296**	**186**	**482**
Cost at 31 December 2021	14,359	240	14,599
Accumulated amortisation and impairment losses	-14,117		-14,117
Carrying amount as of 31 December 2021	**242**	**240**	**482**

The amortisation charge for the year is included under "Depreciation and Amortisation Charge" in the statement of profit or loss.

Fully depreciated goods

In 2021, the Company’s fully amortised intangible assets amounted to EUR 13,652 thousand (2020: EUR 13,267 thousand).

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The detail of the various categories 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	Buildings	Other items of property, plant and equipment	TOTAL
Balance as of 31 December 2019	**2,718**	**5,065**	**7,647**	**15,430**
Additions	0	0	184	184
Disposals	0	0	-61	-61
Balance as of 31 December 2020	**2,718**	**5,065**	**7,770**	**15,553**
Additions	0	56	192	248
Disposals	0	-46	-40	-86
Balance as of 31 December 2021	**2,718**	**5,075**	**7,922**	**15,715**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Land	Buildings	Other items of property, plant and equipment	TOTAL
Balance as of 31 December 2019	**0**	**2,963**	**7,262**	**10,225**
Allocation	0	77	182	259
Disposals	0	0	-61	-61
Balance as of 31 December 2020	**0**	**3,040**	**7,383**	**10,423**
Allocation	0	77	207	284
Disposals	0	-26	-40	-66
Balance as of 31 December 2021	**0**	**3,091**	**7,550**	**10,641**

NET VALUE	Land	Buildings	Other items of property, plant and equipment	TOTAL
Cost at 31 December 2019	2,718	5,065	7,647	15,430
Accumulated depreciation	0	-2,963	-7,262	-10,225
Carrying amount as of 31 December 2019	**2,718**	**2,102**	**385**	**5,205**
Cost at 31 December 2020	2,718	5,065	7,770	15,553
Accumulated depreciation	0	-3,040	-7,383	-10,423
Carrying amount as of 31 December 2020	**2,718**	**2,025**	**387**	**5,130**
Cost at 31 December 2021	2,718	5,075	7,922	15,715
Accumulated depreciation	0	-3,091	-7,550	-10,641
Carrying amount as of 31 December 2021	**2,718**	**1,984**	**372**	**5,074**

Disposals of property, plant and equipment

In 2021, there were disposals of property, plant and equipment with a net carrying amount of EUR 19 thousand, of which EUR 40 thousand were fully depreciated (2020: EUR 61 thousand). The gain or loss on disposal of property, plant and equipment is recognised in the income statement under "Gains (losses) on disposals and other" and amounts to EUR 15 thousand.

Fully depreciated goods

At 31 December 2021, the Company had fully depreciated items of property, plant and equipment amounting to EUR 7,158 thousand (2020: EUR 6,911 thousand).

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.

Insurance

The Company has taken out several insurance policies to cover the risks to which its property, plant and equipment are subject. It is considered that these policies sufficiently cover such risks.

Environment

The Company does not have any items of property, plant and equipment aimed at minimising environmental impact.

In 2021, as in 2020, the Company did not incur any environmental expenses.

NOTE 7 – INVESTMENT PROPERTY

The detail of the changes in "Investment Property" in 2021 and 2020 is shown in the following table:

(Amounts in thousands of euros)

COST	Land	Buildings	TOTAL
Balance as of 31 December 2019	**2,853**	**5,318**	**8,171**
Balance as of 31 December 2020	**2,853**	**5,318**	**8,171**
Balance as of 31 December 2021	**2,853**	**5,318**	**8,171**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Land	Buildings	TOTAL
Balance as of 31 December 2019	**0**	**3,305**	**3,305**
Allocation		106	106
Balance as of 31 December 2020	**0**	**3,411**	**3,411**
Allocation		106	106
Balance as of 31 December 2021	**0**	**3,517**	**3,517**

NET VALUE	Land	Buildings	TOTAL
Cost at 31 December 2019	2,853	5,318	8,171
Accumulated depreciation		3,305	3,305
Carrying amount as of 31 December 2019	**2,853**	**2,013**	**4,866**
Cost at 31 December 2020	2,853	5,318	8,171
Accumulated depreciation		-3,411	-3,411
Carrying amount as of 31 December 2020	**2,853**	**1,907**	**4,760**
Cost at 31 December 2021	2,853	5,318	8,171
Accumulated depreciation		-3,517	-3,517
Carrying amount as of 31 December 2021	**2,853**	**1,801**	**4,654**

The lease income obtained by the Company in 2021 amounted to EUR 328 thousand (2020: EUR 336 thousand). The associated operating expenses, including repair and maintenance expenses, amounted to EUR 295 thousand (2020: EUR 240 thousand).

There are no contractual obligations to acquire, construct or develop investment property or to perform repairs, maintenance or improvement work.

Insurance

The Company has taken out several insurance policies to cover the risks to which the investment property is subject. It is considered that these policies sufficiently cover such risks.

NOTE 8 – LEASES AND OTHER SIMILAR TRANSACTIONS

The Company only has operating leases.

8.1 Lease expenses (as lessee)

In 2021 the Company's operating lease expenses amounted to EUR 213 thousand (2020: EUR 124 thousand).

The present value of the minimum lease payments is EUR 250 thousand and relates to lease terms ending within five years.

There were no changes in leases in 2021 as a result of the pandemic.

NOTE 9 – FINANCIAL INSTRUMENTS

9.1 General considerations

For measurement purposes, the Company classifies its financial instruments under the categories detailed in **Note 4.5**.

As detailed in **Note 2.3**, this year the Company has begun to apply the amendments introduced in the General Chart of Accounts through Royal Decree 1/2021, dated 12 January, which seek to adapt the measurement standards to the international accounting principles and criteria included in the International Financial Reporting Standards. The changes concern, among other things, the classification and valuation of financial instruments. As described, the change had no effect on the valuation, but did have an effect on the classification. The changes in classification are included in the same note.

9.2 Information on the importance of financial instruments to the Company's financial position and its results

9.2.1 Categories of financial assets and liabilities

The Company's financial assets, excluding investments in equity instruments of Group companies and associates, at year-end 2021 and 2020 are as follows, according to the new classification introduced by the amendment to the Spanish Chart of Accounts in Royal Decree 1/2021 of 12 January:

(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**
Liabilities at fair value through profit or loss												
- Trading portfolio											1,089	199
- Others												
Financial assets at amortised cost or cost					20,079	314,882					712,950	694,034
Financial assets at cost												
Assets at fair value through equity	10,729	7,821										
Hedging derivatives					980							
TOTAL	**10,729**	**7,821**			**21,059**	**314,882**					**714,039**	**694,233**

No debts with Public Administrations are included either as of 31 December 2021 or in 2020

At 2021 and 2020 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**
Liabilities at amortised cost or cost	1,173,820	1,243,063	74,750	74,650	33,544	33,543	259,991	194,860	1,634	1,634	6,391	289,465
Liabilities at fair value through profit or loss												
- Trading portfolio											421	28
- Others												
Hedging derivatives					2,437	8,368					3,170	3,685
TOTAL	**1,173,820**	**1,243,063**	**74,750**	**74,650**	**35,981**	**41,911**	**259,991**	**194,860**	**1,634**	**1,634**	**9,982**	**293,178**

No debts with Public Administrations are included either as of 31 December 2021 or in 2020

9.2.2 Derivative financial instruments

The detail of the derivative financial instruments, classified by category, is as follows:

(Amounts in thousands of euros)

	2021		2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives at fair value through profit or loss	1,089	421	199	28
Hedging derivatives	980	5,607		12,053
TOTAL	**2,069**	**6,028**	**199**	**12,081**

9.2.2.1 Determination of fair value

As set out in the accounting policies, the Company measures derivative financial instruments and financial assets at fair value through other comprehensive income.

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**
Assets at fair value through equity	10,729			7,821		
Financial derivatives (assets)		2,069			199	
TOTAL	**10,729**	**2,069**	**0**	**7,821**	**199**	**0**
	LEVEL 1	**LEVEL 2**	**LEVEL 3**	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**
Financial derivatives (liabilities)		6,028			12,081	
TOTAL	**0**	**6,028**	**0**	**0**	**12,081**	**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 Company and its counterparty, i.e. the financial institutions with which it operates.

9.2.2.2 Financial instruments at fair value through profit or loss

The Company has classified in this category the derivative financial instruments that do not qualify for hedge accounting. Specifically, the Company classifies as financial instruments at fair value through profit or loss the currency forwards arranged to hedge the flows of its financing transactions and other operations performed with Group companies in foreign currency.

Based on the Group's hedging strategy, none of the aforementioned derivatives arranged at 31 December 2021 were considered to be a hedge, since they are all used to hedge positions of monetary assets and liabilities denominated in foreign currency. Any exchange differences that arise from such translation are recognised in the consolidated statement of 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. Similarly, changes in the derivative are recognised in the same way 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".

All of the Company's foreign currency purchase and sale forward contracts have a term of less than one year.

At 31 December 2021, the Company has contracts for foreign currency transactions amounting to EUR 282 million for foreign currency sales (2021: EUR 301 million). These foreign currency transactions enable the Company to hedge its foreign currency collection rights with Group companies in US dollars and Malaysian ringgits.

The detail of these foreign currency forward contracts, by currency and amount used, is as follows:
(Amounts in thousands)

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
USD	300,000		349,500	
MYR	80,000		85,000	

At 31 December 2021, 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.

9.2.2.3 Hedging derivatives

At 31 December 2021 and 2020, the Company had only classified interest rate swaps as hedging derivatives.

In order to hedge the interest rate risk on a portion of its current and non-current bank borrowings, the Company had arranged the following interest rate swaps at 31 December 2021:

	Notional contracted	Amount outstanding	Expiration
From variable to fixed	EUR 30 million	EUR 25 million	2023
From variable to fixed	EUR 70 million	EUR 70 million	2028
From variable to fixed	EUR 50 million	EUR 20 million	2022
From variable to fixed	EUR 100 million	EUR 85 million	2026
From variable to fixed	EUR 50 million	EUR 50 million	2024
From variable to fixed	EUR 160 million	EUR 160 million	2024
From variable to fixed	EUR 80 million	EUR 80 million	2025
From variable to fixed	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.

At the end of 2021 and 2020, no interest rate hedges in USD had been arranged.

No new swap transactions were concluded during the year.

The detail at 31 December 2020 was as follows:

	Notional contracted	Amount outstanding	Expiration
From variable to fixed	EUR 30 million	EUR 30 million	2023
From variable to fixed	EUR 70 million	EUR 70 million	2028
From variable to fixed	EUR 50 million	EUR 40 million	2022
From variable to fixed	EUR 100 million	EUR 95 million	2026
From variable to fixed	EUR 50 million	EUR 50 million	2024
From variable to fixed	EUR 160 million	EUR 160 million	2024
From variable to fixed	EUR 80 million	EUR 80 million	2025
From variable to fixed	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:

(Amounts in thousands of euros)

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Non-current	980	2,437		8,368
Current		3,170		3,685
TOTAL	**980**	**5,607**		**12,053**

At 31 December 2021 and 2020, the derivatives arranged to hedge the interest rate risk qualified as cash flow hedging instruments and, therefore, the unrealised loss of EUR 2,825 thousand on their measurement at fair value was recognised in the statement of recognised income and expense (2020: EUR -4,927 thousand, after tax).

In 2021 EUR 2,720 thousand, after tax, were transferred from the statement of recognised income and expense to profit or loss for the year (2020: EUR 2,218 thousand).

The Company has documented the effectiveness of the derivatives arranged to be recognised as hedging instruments, as detailed in **Note 4.5.6**. 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.

9.2.3 Financial assets at amortised cost

Loans and receivables include trade and other receivables, such as loans granted to Group companies, which appear in the balance sheet under "Current Investments in Group Companies" and "Non-Current Investments in Group Companies", excluding equity instruments, for a non-current amount of EUR 20,000 thousand (2020: EUR 314,818 thousand) and a current amount of EUR 432,945 miles (2020: EUR 397,956 thousand). Equity instruments in Group companies are not included, as they are measured at cost and are included in **Note 9.2.7**.

The reduction in the long-term loans granted to Group companies, due mainly to the capital increase at the Malaysian entity Bahru Stainless, with no cash contribution, through the conversion into capital of USD 349.5 million from the loan granted by the Company to its subsidiary. This capital increase is explained in **Note 9.2.7**.

Note 15.2 includes the breakdown of the balances with Group companies.

The finance income earned in 2021 on these loans to the group companies amounted to EUR 11,481 thousand (2020: EUR 18,798 thousand).

No interest was earned on impaired financial assets in 2021 or 2020.

No valuation adjustments were recognised for uncollectible receivables from related parties

9.2.4 Financial assets at fair value through equity

This item includes the shares that the Company 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 10,729 thousand and relate 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. For 2020, the value of financial assets at fair value through equity amounted to EUR 7,821 thousand.

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).

Between 2017 and 2018 Nippon acquired 100% of shares of Nisshin Steel Co. Limited (Nisshin). Accordingly, based on the agreements reached at the Extraordinary General Meeting called by Nisshin Steel Co., Ltd., it was determined that effective from 1 January 2019 the shares of Nisshin Steel Co., Ltd. would be exchanged for shares of Nippon Steel & Sumitomo Metal Corporation (Nippon). As a result of these agreements, Acerinox received 0.71 shares of Nippon Steel & Sumitomo Metal Corporation for each share of Nisshin Steel Co. Ltd., which amounts to 747.346 shares. Nisshin's shares were delisted on 26 December 2018.

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.

9.2.5 Accounts payable

The liabilities classified in this category by the Company (excluding bank borrowings and bonds issued, which are detailed in **Note 9.2.6**), include the amounts classified in the balance sheet under "Trade and Other Payables" as well as non-current and current payables to Group companies amounting to EUR 33,500 thousand in non-current payables (2020: EUR 33,500 thousand) and EUR 74 thousand in current payables (2020: EUR 285,350 thousand).

Payables to Group companies per company are detailed in **Note 15.2**.

The decrease in short-term loans from Group companies is due to the dividend agreed for 2020 from the Group company North American Stainless, which was partly paid by cancelling this loan.

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 and additional disclosures required are detailed as follows:

	2021	2020
Average supplier payment period	52 days	51 days
Ration of operations settled	53 days	52 days
Ratio of transactions pending payment	23 days	30 days
(Amounts in thousands of euros)	**Amount**	**Amount**
Total payments made	18,215	27,633
Total outstanding payments	672	1,028

This table includes the payments made to any supplier, whether domestic or foreign.

9.2.6 Bank borrowings and bonds issued

The detail of the financial debt line items in the 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
Bank borrowings	1,173,820	1,243,063	259,991	194,860
Total financial debt	**1,248,570**	**1,317,713**	**261,625**	**196,494**

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 long-term maturity of the outstanding debt at 31 December 2021 is as follows:

(Amounts in thousands of euros)

	2023	2024	2025	2026 and thereafter	TOTAL
Bank borrowings	242,746	269,663	368,216	293,195	1,173,820
Bonds issued	0	74,750	0	0	74,750
Total long-term debt	**242,746**	**344,413**	**368,216**	**293,195**	**1,248,570**

The detail of the long-term maturity of the outstanding debt at 2020 is as follows:

(Amounts in thousands of euros)

	2022	2023	2024	2025 and thereafter	TOTAL
Bank borrowings	220,137	333,592	427,485	261,849	1,243,063
Bonds issued			74,650		74,650
Total long-term debt	**220,137**	**333,592**	**502,135**	**261,849**	**1,317,713**

At 31 December 2020 and 2021, all bank borrowings and bond issues had been arranged in euros.

The changes in non-current and current payables relating to bank borrowings, excluding bonds issued, are as follows:

(Amounts in thousands of euros)

	Long-term bank borrowings		Short-term bank borrowings	
	2021	2020	2021	2020
Opening balance	**1,243,063**	**943,237**	**194,860**	**188,013**
Additions	355,000	605,000		
Interest	1,279	850	63	387
Debt repayment	-173,351	-112,710	-187,103	-186,854
Short-term transfers	-252,171	-193,314	252,171	193,314
Balance as of 31 December	**1,173,820**	**1,243,063**	**259,991**	**194,860**

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	558,727	608,995	58,184	147,570
Variable	689,843	708,718	203,441	48,924
TOTAL	**1,248,570**	**1,317,713**	**261,625**	**196,494**

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.

The fair value of fixed-rate bank borrowings and private placements was EUR 616,911 thousand at 31 December 2021, and their carrying amount was EUR 618,200 thousand. The fair value of these borrowings at 31 December 2020 amounted to EUR 756,565 thousand (carrying amount of EUR 645,175 thousand).

The interest rates of the floating-rate loans are reviewed at least once a year.

The average interest rate on non-current bank borrowings in force is 1.09% (2020: 1.13%).

The average interest rate prevailing on current bank borrowings is 0.91% (2020: 1.10%).

At 31 December 2021, accrued interest payable on bank borrowings amounted to EUR 1,471 thousand (2020: EUR 1,410 thousand). In addition, accrued interest payable on bonds issued amounted to EUR 1,634 thousand (2020: EUR 1,634 thousand).

The total borrowing costs calculated using the effective interest rate on loans at amortised cost amounted to EUR 1,279 thousand (2020: EUR 990 thousand).

The interest accrued in 2021 calculated using the effective interest method amounted to EUR 23,343 thousand (2020: EUR 23,851 thousand).

At 31 December 2021, the Company had arranged credit facilities with banks with a maximum available limit of EUR 1,947 million (2020: EUR 2,014 million), against which EUR 1,510 million had been drawn down at 31 December 2021 (2020: EUR 1,514 million). The fair value of the current borrowings is equal to their carrying amount.

Main financing transactions undertaken in the year

The Group's most significant financing transactions during the year were as follows:

- At the start of 2021 the conversion of two long-term loans with Caixabank and Banco Sabadell, arranged in 2020, sustainable loans in the amount of EUR 80 million each, to finance the purchase of the VDM Metals Group.

- 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 maturing in 2028; EUR 100 million with Banco Santander maturing in 2023; EUR 85 million with Kutxabank maturing in 2026; EUR 60 million with Unicaja maturing in 2028; and EUR 30 million with Grupo Caja Rural maturing 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.

- Signing of a credit facility with Liberbank for EUR 10 million and maturing in 3 years, under the guarantee of the ICO, in order to provide the Acerinox Group with sufficient liquidity to mitigate the economic effects of Covid-19.

- In addition, in order to continue the Group's liquidity, all credit facilities in euros and dollars have been renewed, improving the financing conditions and extending the term for an additional year.

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 4.5.3**, 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 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:

- In June 2020, a long-term loan of EUR 20 million, with a five-year final maturity, was arranged with Banco Cooperativo Español.
- 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.

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.

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.

At 2021 year-end (as in 2020) Acerinox, S.A. has achieved all the ratios required under the aforementioned agreements.

9.2.7 Investments in Group companies and associates

At 31 December 2021, the Company's investments in Group companies were as follows:

	2021					
		OWNERSHIP INTEREST				
FULLY CONSOLIDATED COMPANIES	COUNTRY	Value of investment (thousands of euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	327	100%		ACERINOX S.A.	PWC
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	10%	ACERINOX S.A.	Chinen, Morbelli y Asociados
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%	0.001%	ACERINOX S.A.	
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%	0.02%	ACERINOX S.A.	PWC
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.	Gümüşsuyu / Beyoğlu - Turkey	150	99.73%	0.27%	ACERINOX S.A.	
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%	0.02%	ACERINOX S.A.	PWC
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

	2021					
		OWNERSHIP INTEREST				
FULLY CONSOLIDATED COMPANIES	**COUNTRY**	**Value of investment (thousands of euros)**	**% direct ownership interest**	**% indirect ownership interest**	**Holder of ownership interest**	**AUDITORS**
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	205,140	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			100%	INOXCENTER	PWC
INOXCENTER, S.L.U	Barcelona - Spain	17,758	100%		ACERINOX S.A.	PWC
INOXFIL S.A.	Igualada (Barcelona) - Spain			100%	ROLDAN S.A	PWC
INOXIDABLES DE EUSKADI S.A.U.	Vitoria - Spain			100%	ACERINOX EUROPA, S.A.U	PWC
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Trofa - Portugal			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			100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico			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			100%	VDM METALS HOLDING, GMBH.	PWC
VDM METALS GMBH	Werdohl - Germany			100%	VDM METALS HOLDING, GMBH.	PWC
VDM (SHANGHAI) HIGH PERFORMANCE METALS TRAD. CO. LTD.	Shanghai - China			100%	VDM METALS, GMBH.	Pan-China Certified Public Accounts
VDM HIGH PERFORMANCE METALS NANTONG CO. LTD.	Nantong - China			100%	VDM METALS HOLDING, GMBH.	Pan-China Certified Public Accounts
VDM METALS AUSTRALIA PTY. LTD.	Mulgrave - Australia			100%	VDM METALS, GMBH.	
VDM METALS AUSTRIA G.M.B.H.	Brunn am Gebirge - Austria			100%	VDM METALS, GMBH.	
VDM METALS BENELUX B.V.	Zwijndrecht - Belgium			100%	VDM METALS, GMBH.	BDO
VDM METALS CANADA LTD.	Vaughan - Canada			100%	VDM METALS, GMBH.	
VDM METALS DE MEXICO S.A. DE C.V.	Naucalpan de Juarez - Mexico			100%	VDM METALS, GMBH.	Grant Thornton
VDM METALS FRANCE S.A.S.	Saint-Priest - France			100%	VDM METALS, GMBH.	
VDM UNTERSTÜTZUNGSKASSE GMBH	Werdohl - Germany			100%	VDM METALS HOLDING, GMBH.	

	2021					
		OWNERSHIP INTEREST				
FULLY CONSOLIDATED COMPANIES	COUNTRY	Value of investment (thousands of euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
VDM METALS ITALIA S.R.L.	Sesto San Giovanni - Italy			100%	VDM METALS, GMBH.	
VDM METALS JAPAN K.K.	Tokyo - Japan			100%	VDM METALS, GMBH.	
VDM METALS KOREA CO. LTD.	Seoul - Korea			100%	VDM METALS, GMBH.	
VDM METALS UK LTD.	Claygate-Esher - UK			100%	VDM METALS, GMBH.	BDO
VDM METALS USA LLC	Florham Park - USA			100%	VDM METALS, GMBH.	PWC
TOTAL		**2,022,140**				

At 31 December 2020, the Company's investments in Group companies were as follows:

	2020					
			OWNERSHIP INTEREST			
FULLY CONSOLIDATED COMPANIES	COUNTRY	Value of investment (thousands of euros)	% direct ownership interest	% indirect ownership interest	Holder of ownership interest	AUDITORS
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	327	100%		ACERINOX S.A.	PWC
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	10%	ACERINOX S.A.	Chinen, Morbelli y Asociados
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%	0.001%	ACERINOX S.A.	
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	341,381	100%		ACERINOX S.A.	PWC
ACERINOX FRANCE S.A.S	Paris - France	18,060	99.98%	0.02%	ACERINOX S.A.	PWC
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.	Gümüşsuyu / Beyoğlu - Turkey	150	99.73%	0.27%	ACERINOX S.A.	
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	7,466	100%		ACERINOX S.A.	PWC
ACERINOX POLSKA, SP Z.O.O	Warsaw - Poland	25,174	99.98%	0.02%	ACERINOX S.A.	PWC
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		98.15%		ACERINOX S.A.	PWC
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	159,697	76%		ACERINOX S.A.	PWC

	2020					
			OWNERSHIP INTEREST			
FULLY CONSOLIDATED COMPANIES	**COUNTRY**	**Value of investment (thousands of euros)**	**% direct ownership interest**	**% indirect ownership interest**	**Holder of ownership interest**	**AUDITORS**
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			100%	INOXCENTER	PWC
INOXCENTER, S.L.U	Barcelona - Spain	17,758	100%		ACERINOX S.A.	PWC
INOXFIL S.A.	Igualada (Barcelona) - Spain			100%	ROLDAN S.A	PWC
INOXIDABLES DE EUSKADI S.A.U.	Vitoria - Spain			100%	ACERINOX EUROPA, S.A.U	PWC
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Trofa - Portugal			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			100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico			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			100%	VDM METALS HOLDING, GMBH.	PWC
VDM METALS GMBH	Werdohl - Germany			100%	VDM METALS HOLDING, GMBH.	PWC
VDM (SHANGHAI) HIGH PERFORMANCE METALS TRAD. CO. LTD.	Shanghai - China			100%	VDM METALS, GMBH.	Pan-China Certified Public Accounts
VDM HIGH PERFORMANCE METALS NANTONG CO. LTD.	Nantong - China			100%	VDM METALS HOLDING, GMBH.	Pan-China Certified Public Accounts
VDM METALS AUSTRALIA PTY. LTD.	Mulgrave - Australia			100%	VDM METALS, GMBH.	
VDM METALS AUSTRIA G.M.B.H.	Brunn am Gebirge - Austria			100%	VDM METALS, GMBH.	
VDM METALS BENELUX B.V.	Zwijndrecht - Belgium			100%	VDM METALS, GMBH.	BDO
VDM METALS CANADA LTD.	Vaughan - Canada			100%	VDM METALS, GMBH.	
VDM METALS DE MEXICO S.A. DE C.V.	Naucalpan de Juarez - Mexico			100%	VDM METALS, GMBH.	Grant Thornton
VDM METALS FRANCE S.A.S.	Saint-Priest - France			100%	VDM METALS, GMBH.	
VDM UNTERSTÜTZUNGSKASSE GMBH	Werdohl - Germany			100%	VDM METALS HOLDING, GMBH.	
VDM METALS ITALIA S.R.L.	Sesto San Giovanni - Italy			100%	VDM METALS, GMBH.	
VDM METALS JAPAN K.K.	Tokyo - Japan			100%	VDM METALS, GMBH.	
VDM METALS KOREA CO. LTD.	Seoul - Korea			100%	VDM METALS, GMBH.	
VDM METALS UK LTD.	Claygate-Esher - UK			100%	VDM METALS, GMBH.	BDO
VDM METALS USA LLC	Florham Park - USA			100%	VDM METALS, GMBH.	PWC
TOTAL		**1,682,731**		**-**		

At 31 December 2021 and 2020, the Company's investments in associates were as follows:

ASSOCIATES	COUNTRY	Investment value	OWNERSHIP INTEREST % direct ownership interest	% indirect ownership interest	Theoretical carrying value direct ownership interest
BETINOKS	Turkey		25%		
MOL Katalysator technik GmbH	Germany	390		20%	
Evidal Schmöle Verwaltungsgesellschaft mbH	Germany			50%	

At 31 December 2020, Acerinox, S.A. held a 25% ownership interest in the Turkish company.

The activities of the Group companies are as follows:

- Acerinox, S.A.: holding company of the Acerinox Group. It 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.

None of the Group companies and associates are officially listed.

Changes in investments in Group companies and associates

The changes in investments in Group companies and associates in 2021 and 2020 were as follows:

(Amounts in thousands of euros)

Company		2021	2020
Capital increases/Reductions			
	Bahru Stainless Sdn Bhd.	293,535	
Procurements			
	VDM Metals Holding GmbH		313,315
Other contributions			
	Bahru Stainless Sdn Bhd.	72	
	North American Stainless	305	134
	Columbus Stainless	140	49
	Acerinox Europa, S.A.U.	28	
	Acerinox, U.K.	25	
Total		**294,105**	**313,498**

Changes in 2021

The most significant capital increase carried out during the year was the capital increase in the Malaysian company Bahru Stainless, Sdn. Bhd.

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.

Changes in 2020

As explained in Note 1 to these consolidated financial statements, 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 of the share purchase 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.

The detail of the acquiree's assets and liabilities measured at fair value at the time of the business combination 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.

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 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.

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.

The acquiree 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%

Other contributions

"Other contributions" relates to the obligation to deliver own equity instruments arising from the multi-year remuneration or long-term incentive (LTI) plan approved for the CEO and senior executives of the Acerinox Group. The details of this plan are included in **Note 14.3**. 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.

Equity position

The equity position of the Group companies at 31 December 2021, obtained from the separate financial statements furnished by the respective companies, is as follows:

(Amounts in thousands of euros)

GROUP COMPANIES	Capital	Reserves	Other equity items	Operating income	Gains (losses) from continued activities	Total shareholders' equity
ACERINOX (SCHWEIZ) A.G.	678	1,805		143	143	2,626
ACERINOX ARGENTINA S.A.	6	1,060		1,306	648	1,714
ACERINOX AUSTRALASIA PTY. LTD.	384	199		-101	-99	484
ACERINOX BENELUX S.A. - N.V.	211	115		750	551	877
ACX DO BRASIL REPRESENTAÇOES, LTDA	108	213		12	22	343
ACERINOX CHILE, S.A.	4,397	832		2,413	1,852	7,081
ACERINOX COLOMBIA S.A.S	39	419		-121	-72	386
ACERINOX DEUTSCHLAND GMBH	45,000	-20,286		3,499	2,343	27,057
ACERINOX EUROPA, S.A.U	62,028	194,079	28	37,329	27,797	283,904
ACERINOX FRANCE S.A.S	265	6,108		5,997	5,323	11,696
ACERINOX INDIA PVT LTD	122	-20		-50	-53	49
ACERINOX ITALIA S.R.L.	40,000	3,740		1,358	877	44,617
ACERINOX METAL SANAYII VE TICARET LIMITED SIRKETI	26	661		290	686	1,373
ACERINOX MIDDLE EAST DMCC (DUBAI)	12	994		-80	-80	926
ACERINOX PACIFIC LTD.	10,861	-9,811		-361	-364	686
ACERINOX POLSKA, SP Z.O.O	21,754	3,193		1,253	1,017	25,964
ACERINOX RUSSIA LLC.	49	554		-10	-48	555
ACERINOX SCANDINAVIA AB	27,804	-2,992		1,537	1,608	26,420
ACERINOX SC MALAYSIA SDN. BHD	33,062	-37,157		2,009	1,277	-2,818
ACERINOX SHANGAI CO., LTD.	2,687	1,015		569	442	4,144
ACERINOX (SEA), PTE LTD.	247	1,189		-190	-259	1,177
ACERINOX U.K, LTD.	23,826	4,566	25	736	299	28,691
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	15,000	-194		975	954	15,760
BAHRU STAINLESS, SDN. BHD	939,731	-637,634	194	4,477	-952	301,145
COLUMBUS STAINLESS (PTY) LTD.	138,408	40,063	285	81,812	55,023	233,494
CORPORACIÓN ACERINOX PERU S.A.C	214	-155		31	15	74
INOX RE, S.A.	1,225	762		-238		1,987
INOXCENTER CANARIAS, S.A.U	270	948		163	123	1,341
INOXCENTER, S.L.U.	492	2,669		3,393	2,509	5,670
INOXFIL S.A.	4,812	-2,145		2,284	1,636	4,303
INOXIDABLES DE EUSKADI S.A.U.	2,705	4,783		1,413	1,041	8,529
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	10,693	1,961		147	116	12,770
METALINOX BILBAO, S.A.U	72	18,628		2,046	1,557	20,257
NORTH AMERICAN STAINLESS INC.	513,168	455,243	721	628,493	483,373	1,451,784
NORTH AMERICAN STAINLESS CANADA, INC	5,298	42,279		6,360	6,197	53,774
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	18	-9,536		9,536	9,536	18
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	22,073	13,148		5,666	4,108	39,329
ROLDAN S.A.	11,936	33,218		12,844	9,897	55,051
VDM METALS GROUP	25	185,204		38,393	18,245	203,474

The equity position of the Group companies at 31 December 2020, obtained from the separate financial statements furnished by the respective companies, is as follows:

(Amounts in thousands of euros)

GROUP COMPANIES	Capital	Reserves	Other equity items	Operating income	Gains (losses) from continued activities	Total shareholders' equity
ACERINOX (SCHWEIZ) A.G.	648	2,062		-309	-335	2,375
ACERINOX ARGENTINA S.A.	7	581		595	230	818
ACERINOX AUSTRALASIA PTY. LTD.	377	252		-56	-56	573
ACERINOX BENELUX S.A. - N.V.	211	833		379	281	1,325
ACX DO BRASIL REPRESENTAÇOES, LTDA	107	143		45	68	318
ACERINOX CHILE, S.A.	4,917	449		488	482	5,848
ACERINOX COLOMBIA S.A.S	42	442		-9	7	491
ACERINOX DEUTSCHLAND GMBH	45,000	-21,595		1,640	1,309	24,714
ACERINOX EUROPA, S.A.U	62,000	259,190		-57,590	-65,111	256,079
ACERINOX FRANCE S.A.S	265	6,280		-121	-172	6,373
ACERINOX INDIA PVT LTD	114	53		-70	-71	96
ACERINOX ITALIA S.R.L.	40,000	2,614		1,575	1,126	43,740
ACERINOX METAL SANAYII VE TICARET LIMITED SIRKETI	44	677		350	418	1,139
ACERINOX MIDDLE EAST DMCC (DUBAI)	11	847		70	72	930
ACERINOX PACIFIC LTD.	10,084	-8,910		-202	-199	975
ACERINOX POLSKA, SP Z.O.O	21,931	2,411		388	808	25,150
ACERINOX RUSSIA LLC.	46	362		81	155	563
ACERINOX SCANDINAVIA AB	28,403	-2,969		116	-88	25,346
ACERINOX SC MALAYSIA SDN. BHD	31,617	-35,928		1,333	394	-3,917
ACERINOX SHANGAI CO., LTD.	2,410	802		1,514	1,143	4,355
ACERINOX (SEA), PTE LTD.	232	1,152		8	-32	1,352
ACERINOX U.K, LTD.	22,247	3,899		401	369	26,515
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	15,000	-168		-155	-25	14,807
BAHRU STAINLESS, SDN. BHD	582,544	-502,133	113	-74,321	-86,396	-5,985
COLUMBUS STAINLESS (PTY) LTD.	138,720	60,365	146	-21,590	-20,212	178,873
CORPORACIÓN ACERINOX PERU S.A.C	218	-227		86	68	59
INOX RE, S.A.	1,225			653	762	1,987
INOXCENTER CANARIAS, S.A.U	270	1,816		-230	-367	1,719
INOXCENTER, S.L.U.	492	7,949		3,450	-5,280	3,161
INOXFIL S.A.	4,812	2,543		-2,289	-4,688	2,667
INOXIDABLES DE EUSKADI S.A.U.	2,705	4,824			-41	7,488
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	11,043	1,840		156	121	13,004
METALINOX BILBAO, S.A.U	72	18,627			1	18,700
NORTH AMERICAN STAINLESS INC.	473,649	450,631	371	266,216	214,141	1,138,421
NORTH AMERICAN STAINLESS CANADA, INC	4,890	35,411		4,741	3,613	43,914
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	16	-8,149		8,149	8,149	16
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	20,373	10,354		3,356	1,782	32,509
ROLDAN S.A.	11,936	41,748		1,120	-8,530	45,154
VDM METALS GROUP	25	161,539		20,106	8,754	170,318

Impairment losses

At least at each reporting date, any necessary impairment losses are recognised whenever there is objective evidence that the carrying amount of an investment will not be recovered.

Since Acerinox, S.A. is a holding company, its assets comprise mainly ownership interests in, and balances with, Group companies. The Company assesses whether there is objective evidence of impairment on a yearly basis. Such evidence is considered to exist when the carrying amount of the investee is lower than the value of the interest in Acerinox, S.A.'s accounts, taking into account the latest budget approved, or when the investee shows continuous losses for several years, in addition to deviating significantly from the budgets prepared by management or in the case of having impairment in previous years. In such cases, the Company calculates the recoverable amount of the investment, understood to be the higher of fair value less costs of disposal and the present value of the future cash flows from the investment.

During the year, despite the good results obtained by the Group companies, there are signs of impairment at Bahru Stainless Sdn Bhd, Acerinox SC Malasia, Sdn. Bhd. and Acerinox Pacific, Ltd., having not yet reached a level of equity equivalent to ownership interest. In addition, an analysis has been carried out in Columbus Stainless Ltd, to review the impairments incurred in previous years. The key assumptions used are detailed below:

Millions of euros	2021				2020			
	WACC before tax	WACC after tax	EBIT (1)	g	WACC before tax	WACC after tax	EBIT (1)	g
Bahru Stainless, Sdn. Bhd. (2)	----	9,8%	1,8%	----	----	9,3%	1,6%	----
Columbus Stainless, Pty. Ltd.	19,9%	13,5%	5,8%	4,2%	17,2%	13,4%	3,7%	4,7%
Acerinox SC Malasia, Sdn. Bhd.	10,3%	8,9%	3,2%	2,0%	9,5%	8,2%	5,2%	2,1%
Acerinox Pacific, Ltd	8,5%	7,4%	----	2,0%	7,6%	6,7%	----	1,9%

(1) Five-year budgeted average EBIT margin. EBIT is defined as profit or loss from operations and expressed as a margin or percentage of revenue.
(2) The post-tax WACC is used to calculate the recoverable amount based on fair value.
(3) Since Acerinox Pacific, Ltd. is a broker, the EBIT-to-sales ratio is not a suitable performance metric.

To determine the present value of the cash flows, the estimate of future cash flows that the entity expects to obtain from the investment, calculated using a discount rate, i.e. the weighted average cost of capital (WACC), was taken in account.

The estimation of future cash flows was based on reasonable and well-founded assumptions. These assumptions consisted mainly of:

a) Five-year cash flow projections approved by management.

These projections reflect the financial and macroeconomic circumstances and those of the stainless steel market itself, adapted to the specific operating environment of each entity analysed. Consequently, the various parameters used (expected growth, use of installed production capacity, prices, working capital items, etc.) are projected on the basis of historical figures, particularly those from the previous year, and the targets set by management.

The projections reflect these circumstances each year, in addition to the best estimates performed by management. In this connection, other significant 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.

The factories prepare the budget taking the 2022 budget as a starting point and maintaining the bases for calculation established therein. Each factory estimates the performance of its domestic and export production and sales, individual product margins and prices, based at all times on the cost structure established in the 2022 budget and on the guidelines set out in the approved Strategic Plan.

The budgets for the other commercial subsidiaries are also prepared on the basis of the 2022 budget. The projection for the remaining years is performed by maintaining the estimated margins, variable costs per tonne and fixed costs, and by increasing the tonnes sold according to each supplier's budget (Group factories). In any event, the estimates of the subsidiaries are reviewed in accordance with management's expected sales targets for each market.

b) Projected cash flows are extrapolated into the future using a growth rate that is consistent with the country and the main markets in which the entities mainly operate.

   The Company is confident that the flows to perpetuity will materialise, mainly in terms of its use of production capacity and margins.

c) The cash flows are discounted to present value at a discount rate that represents a risk-free rate of return, adjusted by the risks specific to the asset which any market participant would consider when investing in an asset that generates cash flows involving similar amounts and timing and a similar risk profile. In this regard, the discount rate was estimated as the weighted average cost of capital (WACC) for each investment.

   The interest rates of the sovereign debt of each country in which the subsidiary operates, and a capital structure, market risk premiums and ratios of similar companies are considered in order to determine this discount rate.

The aforementioned process was generally used for all the companies, except for Bahru Stainless, Sdn. Bhd. The Company decided to request the assistance of an independent valuation firm and, together with this firm, adapted the main assumptions of the budgeted cash flows and the impairment test calculations from the perspective of a market participant, as detailed below.

In the other analyses conducted, the recoverable amount of the investments was higher than the carrying amount and, accordingly, it was not necessary to recognise any impairment losses.

In the case of Columbus Stainless, Pty. Ltd. reversed an impairment loss of EUR 45,304 thousand on the value of its investment as explained below.

The following are the impairment tests carried out at Bahru Stainless Sdn. Bhd and Columbus Stainless Ltd.

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 Company recorded valuation adjustments amounting to EUR 479,096 thousand (155,454 in 2018, 237,313 in 2019 and 86,329 in 2020) in relation to the carrying amount of its interests, 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): 9.8% (9.25%)
- EBIT margin (profit or loss from operations as a percentage of revenue): 1.8% (1.6%)

As a result of the exercise described above, it has been determined that the recoverable value of Bahru Stainless Sdn. Bhd. as at 31 December 2021 is close to the carrying amount of the Company's investment in Bahru Stainless Sdn. Bhd. amounting to EUR 293,606 thousand. A sensitivity analysis has been conducted, varying the discount rate (WACC) and budgeted EBIT margin, concluding that it is not appropriate to record any additional impairment or reversal of the valuation adjustment recorded in previous years.

Columbus Stainless Pty. Ltd.

Columbus Stainless is the leader in the African continent with more than 80% of the South African market share and 50% of the entire continent, in addition to being the only integral stainless steel factory in Africa.

The plant is the main supplier to the domestic market (South Africa is the most important market in the area), as well as the main supplier to the different consumption areas on the continent, in addition to supplying flat product semi-products to other Group plants.

During 2021, the South African stainless steel market experienced a strong recovery above 20% after the initial shutdown restrictions due to the pandemic. GDP growth was predicted at 5.2% and the actual rate fell several points short of that figure. The expected GDP growth rate for 2022 is 1.9%. Stainless steel sales recovered to pre-Covid levels in all sectors.

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.

Columbus' results for the year, therefore, have reflected all these factors in results that have significantly exceeded the budgets approved by management.

The Company is confident that the flows to perpetuity will materialise, mainly in terms of its use of production capacity and margins, maintaining the growth rate(g) used. In its calculation, estimated growth rates for the country and the industry have been used, without overlooking the historical growth of stainless steel consumption.

The key assumptions used to calculate the value of use were as follows:

	2021	2020
Budgeted EBIT margin (*)	5.8%	3.7%
Weighted average growth rate, g (**)	4.2%	4.7%
Pre-tax discount rate (***)	19.9%	17.2%
After-tax discount rate (***)	13.5%	13.4%

(*) EBIT margin, defined as profit or loss from operations (as a percentage of revenue).
Average value budgeted period.

(**) Used to extrapolate cash flows beyond the budgeted period.

(***) Weighted average cost of capital, WACC (Weighted Average Cost of Capital)

The average EBIT margin stated for this budgetary period was achieved in various prior periods, surpassed by that obtained in 2021, considering the current diversified production mix, which is improving the company's margins.

The discount rate (WACC or weighted average cost of capital) was calculated on the basis of the interest rates of the South African sovereign debt (ten-year swap of the South African rand) and a capital structure, market risk premiums and ratios of similar companies. The reference currency in this connection was the South African rand, since all the cash flows are estimated in this currency.

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 growth rate (g), like the discount rate, is estimated on the basis of the South African rand and calculated in accordance with the expected long-term inflation in that currency. At terminal value, the EBIT margin considered is lower than the average of the explicit budgeting period.

Other assumptions are the ZAR/EUR exchange rate (17.1 ZAR/EUR) and the price of raw materials (Nickel USD 19,500/t), which are established when drawing up the budget. Both are extrapolated and kept constant during the period of analysis. The variables used in 2020 were 17.5 ZAR/EUR for the exchange rate and USD 18,391/t for the price of the raw materials.

Due to the uncertain environment clouding the markets in which Columbus operates, the Group analysed the probability of occurrence of the key assumptions, adjusting the estimated budgets, as well as those of the terminal year, to normalised values that mainly take into account the results obtained in the past, in addition to the company's new production mix. The residual value considered in the test represents 43% of the total recoverable amount.

The impairment test conducted at 31 December 2021 reflects a recoverable amount of EUR 205,142 thousand (2020: EUR 159,698 thousand), which is EUR 45,304 thousand above the carrying amount of EUR 159,838 thousand (2020: EUR 175,195 thousand; an impairment of EUR 15,498 thousand). The Company has therefore reversed the impairment recognised in 2020 and part of the impairment recognised in 2019 for a total of EUR 45,304 thousand.

Other companies

For the other companies, mainly trading companies and/or subsidiaries of the main factories, as indicated above, a budgetary exercise was also performed for the relevant period, in line with the budgets of the Group factories that supply the materials necessary for the Group's sales activities. The results of the tests conducted in 2021, together with their key assumptions, are detailed below:

Euros million	2021						
	WACC before tax	WACC after tax	EBIT (1)	g	Recoverable amount	Carrying amount of the ownership	(-) Impairment
Acerinox SC Malasia, Sdn. Bhd.	10.3%	8.9%	3.2%	2.0%	21,945	19,475	2,470
Acerinox Pacific, Ltd	8.5%	7.4%	----	2.0%	8,259	7,467	792

Summary of impairment losses recognised in 2021

The detail of the changes in impairment losses on investments in Group companies and associates in 2021 is as follows:

(Amounts in thousands of euros)

	Accumulated balance at 31/12/20	Period endowment	Reversal of the period	Accumulated balance at 31/12/2021
Acerinox SC Malaysia, Sdn. Bhd.	18,081			18,081
Acerinox Pacific, Ltd.	19,358			19,358
Betinoks Palanmaz Çelik, A.S.	354			354
Bahru Stainless Sdn Bhd.	479,096			479,096
Columbus Stainless (Pty) Ltd.	120,063		-45,304	74,759
TOTAL	**636,952**		**-45,304**	**591,648**

Impairment losses recognised in 2020

Based on the analyses performed in 2020, the recoverable amount of the investments was lower than the carrying amount in the case of the following companies:

- Bahru Stainless, Sdn. Bhd.: an impairment loss of EUR 86,329 thousand was recognised on the Company's investment.

- Columbus Stainless, Pty. Ltd.: an impairment loss of EUR 15,498 thousand was recognised on the Company's investment.

The detail of the changes in impairment losses on investments in Group companies and associates in 2020 is as follows:

(Amounts in thousands of euros)

	Accumulated balance at 31/12/2019	Period endowment	Reversal of the period	Accumulated balance at 31/12/20
Acerinox SC Malaysia, Sdn. Bhd.	18,081			18,081
Acerinox Pacific, Ltd.	19,358			19,358
Betinoks Palanmaz Çelik, A.S.	354			354
Bahru Stainless Sdn Bhd.	392,767	86,329		479,096
Columbus Stainless (Pty) Ltd.	104,565	15,498		120,063
TOTAL	**535,125**	**101,827**	**0**	**636,952**

Dividends

In 2021 the Company received dividends amounting to EUR 277,178 thousand, as detailed below:

(Amounts in thousands of euros)

	2021	2020
Acerinox Shanghai Co. Ltd.	1,124	935
North American Stainless Financial Investments Ltd.	9,546	8,154
Acerinox Benelux S.A. - N.V.	1,000	
North American Stainless Inc.	265,508	773,206
TOTAL	**277,178**	**782,295**

Dividends from Group companies are recognised under "Revenue".

9.2.8 Other disclosures

At 31 December 2021 and 2020:

There were no firm commitments to purchase financial assets.
There were no financial assets pledged as security for liabilities or contingent liabilities.
No guarantees had been received on financial or non-financial assets.

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.

Information on the nature and level of risk of financial instruments

The Company is exposed to various financial risks, mainly market risk (foreign exchange risk, interest rate risk), credit risk and liquidity risk. However, since the main activity of the Group to which it belongs is the manufacturing and marketing of stainless steel, the Company is also indirectly exposed to the risks inherent to the industry. The Company 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.

The Company does not acquire financial instruments for speculative purposes.

9.3.1 Direct risks

The Company's main business activities are those of a holding company. It provides legal, accounting and advisory services to all the Group companies and carries out financing activities within the Group.

The Company is exposed to the following risks, arising mainly from its financing activities:

9.3.1.1 Foreign currency risk

The Company is primarily financed in euros and US dollars, and it invests in and lends funds to Group companies mainly in these currencies. The Company hedges exchange rate volatility risk by arranging currency forwards.

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. To avoid fluctuations in the statement of profit and loss due to changes in exchange rates, and to ensure the expected cash flows, the Company uses derivative financial instruments to hedge most of its financial transactions performed in currencies other than the euro.

The derivative financial instruments used to hedge this risk consist of foreign currency purchase and sale forward contracts negotiated by the Group's Treasury Department in accordance with policies approved by management.

Where necessary, the Company 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.

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, however, 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".

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 9.2.2 details the financial instruments arranged by the Company to hedge this type of risk at 31 December 2021 and 2020.

9.3.1.2 Interest rate risk

The Company finances itself mainly in euros, with different maturities and the loans are mostly at variable interest rates.
The Company'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 Company would receive or pay to terminate the swap at the reporting date, taking into account interest and exchange rates at that date and the credit risk associated with the swap counterparties.

In addition, when considered appropriate, the Company 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, amounts to EUR 618,200 thousand.

In 2021, as in 2020, the Group Company continued to reduce the cost of its long-term loans by renegotiating the fixed interest rate or margin and extending the maturity. Note 9.2.6 explains all new loan negotiations undertaken throughout the year. Of the six renegotiated loans, four have fixed interest rates.

No new interest rate swaps were contracted during the year.
During 2020, the Company 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 9.2.2 details the financial instruments arranged by the Company 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 5.3 million lower (2020: EUR 1.8 million lower) 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 17.9 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.

9.3.1.3 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 Company in Nippon Steel & Sumitomo Metal Corporation (Nippon). The Company does not hedge this risk with derivative financial instruments. The impact of the fluctuations in listed securities in 2021 is explained in **Note 9.2.4**.

9.3.1.4 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 Company 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 Company's cash resources are centrally managed in order to optimise resources. The Group's net 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.

In 2021 and 2020 no defaults occurred on the principal or interest of the Group's various financing facilities.

At 31 December 2021, the Company had arranged credit facilities with banks with a maximum available limit of EUR 1,947 million (2020: EUR 2,014 million), against which EUR 1,510 million had been drawn down at 31 December 2021 (2020: EUR 1,514 million). The fair value of the current borrowings is equal to their carrying amount.

The most noteworthy financing transactions performed in 2021 and 2020 are detailed in **Note 9.2.6**.
Cash and cash equivalent balances are available and there is no restriction on their use.

In addition, the Company 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:

- Two long-term loans with Caixabank and Banco Sabadell, entered into in 2020 to finance the acquisition of VDM Metals Group, were converted into sustainable loans of EUR 80 million each.
- 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.

- 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.
- In addition, in order to continue the Group's liquidity, all credit facilities in euros and dollars have been renewed, improving the financing conditions and extending the term for an additional year

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.

9.3.1.5 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.

All of the Company's accounts receivable relate to Group companies. As mentioned previously, the Group's cash is centrally managed in order to optimise resources, and loans are granted to Group companies on the basis of their financing requirements.

9.3.2 Indirect risks

As the Parent of the Acerinox Group, which engages mainly in the manufacture and marketing of stainless steel, the Company is exposed to risks inherent to the industry:

9.3.2.1 Price risk

The industry-inherent risks of price changes are as follows:

1. Risk arising from regional crises

Acerinox's global presence, with factories in four geographical areas and an active commercial presence in five continents, enables it to reduce its area-specific exposure.

2. Risk due to supply price fluctuation.

Throughout the year, the Group had to face sharp increases in the price of supplies, primarily 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 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

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.

3.3. 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.

3.4. 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.

9.4 Insurance

The geographical diversification of the Company's factories (with three integrated 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 production. This guarantees the continuity of the business, 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 55.18% 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.

9.5 Cash

The detail of the amount of cash at 31 December 2021 and 2020 is as follows:
(Amounts in thousands of euros)

	2021	2020
Cash on hand	18	16
Banks	11,287	180,899
TOTAL	**11,305**	**180,915**

NOTE 10 – EQUITY

10.1 Subscribed capital, share premium and treasury shares

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 2020 nor 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%.

With regard to the share premium, this 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.

10.2 Reserves

The detail of the reserves at 31 December is as follows:

(Amounts in thousands of euros)

	Legal reserve	Voluntary reserve and prior years' losses	Reserve for redeemed shares	Reserves for revaluation of non-current assets	TOTAL RESERVES
Balance as of 31 December 2019	**13,399**	**-9,839**	**3,475**	**5,243**	**12,278**
Capital increase					
Application of retained earnings	128	330,480			330,608
Dividend charged to Reserves					
Amortisation of treasury shares					
Balance as of 31 December 2020	**13,527**	**320,641**	**3,475**	**5,243**	**342,886**
Capital increase					
Acquisition of treasury shares					
Application of retained earnings		655,352			655,352
Dividend charged to Reserves		-135,226			
Other movements		707			707
Balance as of 31 December 2021	**13,527**	**841,474**	**3,475**	**5,243**	**863,719**

"Other movements" mainly comprise the difference between the value of own shares delivered under the long-term equity compensation plan and the equity instruments deferred based on the estimates made. The details of these agreements are explained in Note 14.3.

10.2.1. Legal reserve

Appropriations were made to the legal reserve in accordance with Article 274 of the Spanish Limited Liability Companies Law, which requires that 10% of net profit for each year be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the 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.

10.2.2. Voluntary Reserves

Pursuant to Article 273 of the Spanish Limited Liability Companies Law, voluntary reserves are unrestricted as to their use, provided that the distribution thereof does not reduce equity to below share capital.

10.2.3. Redeemed shares reserve and 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 Company revalued its items of property, plant and equipment. The amount of the property, plant and equipment revaluation 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 could be used to eliminate losses or increase the Company's share capital. After ten years had passed, the depreciated or transferred revaluation gains were taken to unrestricted reserves, or the revalued items were derecognised. The outstanding balance relates to land.

The balance of this account may only be distributed, either directly or indirectly, once the gain has been realised.

10.3 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. At year-end the Group holds 908,669 treasury shares with a value of EUR 10,251 thousands (31 December 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 14.3**, 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.

10.4 Earnings per share

The basic earnings per share are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding in the year.

(Amounts in thousands of euros)

	2021	2020
Net Profit	308,558	655,352
Weighted average number of common shares outstanding	270,435,907	270,546,193
Profit/(loss) per share (in euros)	**1.14**	**2.42**

Although there were other equity instruments that gave access to capital at 31 December 2021, as indicated in **Note 14.3**, 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.

10.5 Distribution of dividends

The Board of Directors of Acerinox, S.A. in its meeting held on 16 December, has decided to propose to the Ordinary General Meeting of the Company a dividend of EUR 0.50 per share to be charged to the results of 2021.

With regard to the previous year, the Annual General Meeting held on 15 April 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.

NOTE 11 – FOREIGN CURRENCY

The detail of the main items in the balance sheet and statement of profit or loss denominated in a foreign currency is as follows:

(Amounts in thousands of euros)

	2021		2020	
	USD	**MYR**	**USD**	**MYR**
Trade and other receivables	110		201	
Dividend receivable	264,877		284,818	
Payable to suppliers and other payables				
Loans to group companies		17,087	284,939	17,360
Bank borrowings				
Loans from Group companies			284,813	

The detail, by class of financial instrument, of the exchange differences recognised in profit or loss is as follows:

(Amounts in thousands of euros)

	2021		2020	
	Realised exchange differences	**Unrealised exchange differences**	**Realised exchange differences**	**Unrealised exchange differences**
Trade and other receivables	470	-794	26,715	1,463
Bank borrowings	-12	0	-660	0
Payable to suppliers and other payables	19,413	-18,773	8,921	-47,191
TOTAL	**19,871**	**-19,567**	**34,976**	**-45,728**

Losses are shown as positive figures and gains as negative.

These exchange differences were offset by the gain arising from the changes in fair value of financial instruments (currency forwards), amounting to EUR -272 thousand (2020: EUR -9,005 thousand). The differences between the two amounts are due mainly to the interest rate differentials between the currencies involved in the currency forward arranged.

NOTE 12 – TAX MATTERS

Acerinox, S.A. files consolidated tax returns. 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.

12.1 Legislative amendments

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 tax loss carryforwards) 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 Company 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 Company performs an annual analysis of the recoverability of both recognised tax losses and tax asset carryforwards. The Company has taken into account the change in regulations in its year-end analyses.

In regards to 2020, the legislative amendments enacted i 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.

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. With respect to the Company, the exemption applicable to dividends obtained from qualifying subsidiaries will be limited, for tax periods beginning on or after 1 January 2021, to 95% of the amount of the dividends. The Company was taxed this year on 5% of dividends received from its subsidiaries as non-deductible expenses for the management of shareholdings, resulting in taxation of EUR 13,382 thousand at a rate of 25%.

12.2 Income tax expense on earnings

The income tax expense recognised was as follows:

(Amounts in thousands of euros)

	2021	2020
Adjustments from prior years	-34	-276
Adjustments for tax assessments	-131	
Impairment of tax credits		-4,298
Current tax for the year	2,421	54
Deferred taxes	-4,468	3,612
Income tax	**-2,212**	**-908**

Note 12.3.1 explains the recoverability analyses conducted by the Group in 2021, which led to the recognition of an impairment loss of EUR 4,298 thousand in 2020.

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 payments	340	1,108
Other taxes	**463**	**1,210**

The Company received dividends from its subsidiaries in the amount of EUR 277 million, most of which were exempt from tax withholdings (2021: 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.

Due to the different treatment permitted under tax legislation for certain transactions, the accounting profit or loss for the year differs from the tax base. Below is a reconciliation of the accounting profit for the year to the tax loss that the Company expects to contribute to the consolidated tax return following the requisite approval of the financial statements:

(Amounts in thousands of euros)

2021	**Statement of profit or loss**			**Income and expenses recognised directly in equity**		
Balance of income and expenses for the year			**308,558**			**7,725**
	Increases	**Decreases**	**Net**	**Increases**	**Decreases**	**Net**
Corporate income tax	2,675		2,675	2,576		2,576
Permanent differences	146	299,555	-299,409			
Temporary differences						
- arising in the year	3,033	5,137	-2,104	-3,766	6,535	-10,301
- arising in prior years		32	-32			
Taxable income			**9,688**			
Offsetting of taxable income from prior years			-2,422			
Taxable income (Tax result)			**7,266**			

2020	**Statement of profit or loss**			**Income and expenses recognised directly in equity**		
Balance of income and expenses for the year			**655,352**			**-5,765**
	Increases	**Decreases**	**Net**	**Increases**	**Decreases**	**Net**
Corporate income tax	2,118		2,118	-1,922		-1,922
Permanent differences	102,035	774,140	-672,105			
Temporary differences						
- arising in the year	2,314	4,808	-2,494	5,430	1,528	3,902
- arising in prior years	12,191	32	12,159			
Taxable income			**-4,970**			**-3,785**
Offsetting of taxable income from prior years			218			
Taxable income (Tax result)			**-4,752**			**-3,785**

The permanent differences include:

- Decreases include dividends from Group companies to which the exemption from double taxation applies, with a limit of 95% this year. This year also includes the reversal of the impairment of the investment made, which is detailed in **Note 9.2.7** and which is not taxed for tax purposes as the impairments previously made were non-deductible.
- Increases, consisting mainly of the impairment losses recognised on investments made in 2020, as detailed in Note 9.2.7. Law 16/2013, of 29 October, repealed Article 12.3 which allowed impairment losses on investments in Group companies to be deducted.

The most significant temporary differences are as follows:

- Arising in the year:

Increases:

- An adjustment of EUR 1,751 thousand was included in 2021 in relation to the contributions made to insurance companies to cover the obligations assumed with respect to certain employees. (2020: EUR 1,760 thousand).
- EUR 1,282 thousand, arising from the long-term incentive plan approved in 2020, were also included (2020: EUR 553 thousand).

Decreases:

- Goodwill: a negative adjustment of EUR 3,917 thousand was made to the tax base under Transitional Provision Fourteen of the Spanish corporate income tax law.
- EUR 235 thousand derived from the delivery of treasury shares to certain employees as a result of the settlement of the first cycle of the Incentive Plan.
- EUR 985 thousand for payments made to employees as a result of obligations assumed (EUR 891 thousand in 2020).

- Arising in prior years:

Increases:

- In 2020, all the impairments that would have been deductible for tax purposes were reversed within a maximum of 5 years. The amount reversed in 2020 was EUR 12,191 thousand.

Below is a reconciliation of the tax expense and the accounting profit or loss for 2021 and 2020:

(Amounts in thousands of euros)

	2021		
	Recognised in profit or loss	**Recognised directly in equity**	**Total recognised income and expenses**
Balance of income and expenses for the year	**308,558**	**7,725**	**316,283**
Income tax	2,212	2,576	4,788
Other taxes	463		463
Profit (loss) before tax	**311,233**	**10,301**	**321,534**
Income tax using the local tax rate ((a)+(b) at 25%)	-77,808	-2,575	-80,383
Effects on tax charge:			
Deductions			
Adjustments from prior years	-34		-34
Deductions in the quota			
Adjustments for tax assessments	-131		-131
Use of unrecognised tax credits	636		636
Tax incentives not recognised in the income statement	406		406
Tax effect of permanent differences in the taxable income	74,852	2,575	77,428
Other	-133		-133
Total income tax for the year	**-2,212**		**-2,212**

The tax incentives not recognised in the statement of profit or loss relate mainly to the removal of double taxation tax credits and R&D&i activities.

In this financial year, the Company was able to offset carry-forward tax losses of EUR 2,422 thousand due to the good results of the consolidated tax group. As the Company had not recognised any tax assets at the end of last year, this resulted in income of EUR 636 thousand.

(Amounts in thousands of euros)

	2020		
	Recognised in profit or loss	**Recognised directly in equity**	**Total recognised income and expenses**
Balance of income and expenses for the year (a)	**655,352**	**-4,429**	**650,923**
Income tax (b)	908	-1,476	-568
Other taxes	1,210		1,210
Profit (loss) before tax	**657,470**	**-5,905**	**651,565**
Income tax using the local tax rate ((a)+(b) at 25%)	-164,368	1,476	-162,892
Effects on tax charge:			
Deductions			
Adjustments from prior years	-276		-276
Deductions in the quota			
Adjustments for double taxation elimination agreements			
Tax credits not capitalised	-1,188		-1,188
Tax incentives not recognised in the income statement	1,197		1,197
Tax effect of permanent differences in the taxable income	168,025	-1,476	166,549
Impairment of tax credits	-4,298		-4,298
Total income tax for the year	**-908**		**-908**

12.3 Deferred taxes

The changes in deferred tax assets and liabilities were as follows:

(Amounts in thousands of euros)

	Deferred tax assets	Deferred tax liabilities
Balance as of 31 December 2019	**15,261**	**15,706**
Temporary differences for the year recorded in profit or loss	345	-2,069
Adjustment of tax rates on tax reform carried against earnings		
Temporary differences from prior years' adjustments	-165	
Adjustments from prior years	110	
Temporary differences taken directly to equity		
- Changes in value of financial instruments	902	-574
- Changes in the actuarial value of defined benefits		
Credits for tax loss carryforwards and deductions	1,199	
Impairment of tax credits	-4,298	
Balance as of 31 December 2020	**13,355**	**13,063**
Temporary differences for the year recorded in profit or loss	443	980
Adjustment of tax rates on tax reform carried against earnings		
Temporary differences from prior years' adjustments	-31	
Adjustments from prior years	-36	
Temporary differences taken directly to equity		
- Changes in value of financial instruments	-1,848	727
- Changes in the actuarial value of defined benefits		
Credits for tax loss carryforwards and deductions	-4,568	
Use of unrecognised tax credits	636	
Balance as of 31 December 2021	**7,951**	**14,770**

The origin of the deferred tax assets and liabilities is as follows:

(Amounts in thousands of euros)

	2021			2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Goodwill		15,668	-15,668		14,688	-14,688
Investments in Group companies and associates						
Financial assets at fair value through equity	1,574	-125	1,699	1,574	-852	2,426
Non-deductible financial expenses						
Non-deductible amortisation	29		29	39		39
Other liabilities for pensions and other incentives	5,365	-773	6,138	5,069	-773	5,842
Financial instruments	983		983	2,831		2,831
Tax credit for tax loss carryforwards to be offset						
Deductions pending application				3,842		3,842
Prepaid / deferred taxes	**7,951**	**14,770**	**-6,819**	**13,355**	**13,063**	**292**

The origin of the deferred tax assets and liabilities is as follows: Although the Spanish Income Tax Law (Law 27/2014) provides that tax loss carryforwards do not have a time limit for offset, pursuant to Royal Decree-Law 3/2016, companies whose revenue exceeds EUR 60 million may only use 25% of their taxable profit for the year to offset prior years' losses. At 31 December 2021, the Company had tax loss carryforwards amounting to EUR

64,974 thousand. None of these tax assets were recognised at 2021 year-end. As of 31 December 2020, it also had no activated tax assets.

The Company files consolidated tax returns and, accordingly, when assessing the recoverability of its tax assets, takes into account the results of the whole tax group. Following the recoverability analyses performed at year-end and explained in the following section, the Group did not have to impair tax assets (EUR 4,298 thousand impaired in 2020).

The Group has tax assets not recognised for accounting purposes arising from temporary differences amounting to EUR 148 million (2020: EUR 159 million) as a result of impairment losses recognised for accounting purposes that had not been deducted for tax purposes. These tax assets arise from the impairment losses recognised for accounting purposes on Acerinox, S.A.'s investments in certain of its investees that are not deductible until the investments giving rise to the related temporary difference are settled.

12.3.1 Analysis of the recoverability of deferred tax assets

As stated in the accounting policies, the Company recognises deferred tax assets in the balance sheet provided that those assets are recoverable within a reasonable period, also taking into consideration the legally established limitations on their use. Management deems a period of approximately ten years to be reasonable.

To assess the recoverability of the unused tax assets, the Company prepares a five- to ten-year budget based on which it performs the tax adjustments necessary to determine the tax bases. Also, the Company takes into account the limitations on the offset of tax bases established by legislation. Additionally, it assesses the existence of deferred tax liabilities against which tax losses may be offset in the future.

Since the Company files consolidated tax returns, it takes into account the earnings projections of all the entities that form part of the tax group. The tax group had tax assets arising from unrecovered tax losses amounting to EUR 143 million at year-end.

In preparing budgets, management 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.

At 31 December 2020, tax assets arising from tax loss carryforwards not yet claimed by the Company amount to EUR 66 million, which are not recognised for accounting purposes. 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 consolidated tax 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 in the Group 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 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.

Taking into account all of these variables, the 5-year budgets prepared by management extrapolated to 10 years based on estimates of historical revenues and margins, as well as taking into account the tax consolidation system and the contribution of all companies to the Group's taxable income, management does not consider it necessary to capitalise the tax credits available at the Parent Company. As the Company is a holding company whose income is largely derived from the dividends of the subsidiaries and is largely tax exempt, the application of tax loss carryforwards at the Parent Company is largely dependent on the contributions of the subsidiaries to the consolidated tax group. During the year, tax assets amounting to EUR 5,493 thousand were recognised in one of the companies included in the consolidated tax group.

Based on forward-looking estimates in the previous year, the Group tax recorded 23.6 million as impairment in 2020, recognising an expense in the income statement's "income tax" item. (EUR 4,298 thousand in the Company).

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.

12.4 Current tax

Current tax assets recognised at 2021 year-end amounted to EUR 3,277 thousand (2020 year-end: EUR 29,362 thousand).

The balance of assets mainly includes the amount receivable in Spain resulting from the 2021 tax settlement and payments made on account. The resulting amount in 2020, which amounted to EUR 29,360 thousand, corresponds to the amount to be rebated from the 2019 settlement of euros that had not been collected at the end of 2020. The balance receivable arises from the minimum tax prepayment of 23% of the earnings generated in the period, as established by Spanish legislation. This minimum 23% tax prepayment became applicable when the Parent received a dividend of EUR 134 million in April 2019.

Balances receivable from Group companies, amounting to EUR 4,456 thousand, were generated in 2021 (2020: EUR 1,250 thousand receivables and EUR 1,208 thousand payables) as a result of the consolidated tax regime. The receivables from companies belonging to the consolidated tax group as a result of the offset of tax loss carryforwards between Group companies amount to EUR 16,526 thousand (2020: EUR 12,311 thousand), and no amount payable in 2021 (2020: EUR 116 thousand).

12.5 Tax audits and years open for review

Pursuant to the Spanish Income Tax Law, tax loss carryforwards 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

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 25 June 2020 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.

12.6 Balances with the Public Administrations

At 31 December 2021 and 2020, the following were the Company's balances with the Public Administrations:

(Amounts in thousands of euros)

	2021		**2020**	
	Receivables	Payables	Receivables	Payables
Social Security payable		140	7	112
Personal income tax		395		365
Taxes on Asset Capital				14,925
Corporate income tax				
Value added tax	484		363	75
TOTAL	**484**	**535**	**370**	**15,477**

NOTE 13 – INCOME AND EXPENSES

13.1 Staff costs

The detail of "Staff Costs" is as follows:

(Amounts in thousands of euros)

	2021	2020
Wages, salaries and similar	18,053	12,886
Social security	1,425	1,100
Other employee benefits	1,026	277
Staff costs	**20,504**	**14,263**

13.2 Revenue and other operating income

The detail of revenue is as follows:

(Amounts in thousands of euros)

	2021	2020
Dividends received from Group companies	277,178	782,295
Provision of services	30,776	23,744
Interest on loans to Group companies	11,481	18,798
Revenue	**319,435**	**824,837**

"Other Operating Income" in the statement of profit or loss includes mainly lease income amounting to EUR 328 thousand (2020: EUR 336 thousand).

13.3 Outsourced services

The detail of outside services is as follows:

(Amounts in thousands of euros)

	2021	2020
Repairs and maintenance	940	824
Freelance services	3,126	13,215
Supplies	86	64
Travel expenses	91	72
Communications	916	908
Insurance	921	258
Advertising	65	163
Other	1,853	1,928
Outside services	**7,998**	**17,432**

The professional services item in 2020 includes EUR 8,623 thousand from the acquisition of the VDM Group.

"Taxes Other than Income Tax" in the statement of profit or loss includes in 2020 EUR 5,571 thousand paid in relation to capital gains on property as a result of the transaction.

NOTE 14 – PROVISIONS AND CONTINGENCIES

14.1 Long-term provisions

No long-term provisions had been recognised at 31 December 2021 or 2020.

14.2 Contingent liabilities

Guarantees

At 31 December 2021, the Company had provided guarantees totalling EUR 1.7 million to third parties, mainly public authorities and suppliers (2020: EUR 1.8 million) which correspond mainly to guarantees presented to the Public Administration and suppliers.

Company management does not expect any significant liabilities to arise as a result of these guarantees and, accordingly, no provision was recognised in these financial statements in this connection.

14.3 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 Company 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 Company 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.

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.

Upon conclusion of the cycles and authorisation for issue of the consolidated financial statements for the year, the Company has 30 days in which to determine the number of shares to be delivered to each of the employees signed up to the plan. 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.

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 1,282 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 3,121 thousand (2020: EUR 2,208 thousand).

14.4 Employee benefits and other obligations

The Company has assumed retirement commitments vis-à-vis its senior executives, giving rise to obligations of 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

NOTE 15 – RELATED PARTY BALANCES AND TRANSACTIONS

15.1 Identification of related parties

The Company's financial statements include transactions performed with the following related parties:

- Group companies
- Associates
- Key executives of the Group and members of the Boards of Directors, as well as persons related thereto, of the various Group companies
- Significant shareholders of the Company.

All the transactions performed with related parties are performed under market conditions.

15.2 Balances and transactions with Group companies

The detail of the trade balances with Group companies at 31 December is as follows:

(Amounts in thousands of euros)

COMPANY	2021 Receivables	2021 Payables	2020 Receivables	2020 Payables
Acerinox Australasia PTY. LTD	3		5	
Acerinox do Brasil Representaçoes Ltda.	23		15	
Acerinox Benelux, S.A.-N.V.	9		6	
Acerinox Argentina, S.A.	274		224	
Acerinox Chile, S.A.	26		35	
Acerinox Colombia S.A.S.	5		3	
Acerinox Deutschland GmbH	147		112	
Acerinox Europa, S.A.U.	4,611		3,466	
Acerinox France S.A.S.	59		45	
Acerinox India Pte. Ltd.	14		17	
Acerinox Italia S.R.L.	139		93	
Acerinox Metal Sanayii Ve Ticaret, Ltd Sirketi	16		27	
Acerinox Middle East Dmcc	3		28	
Acerinox Pacific Ltd	14		7	
Acerinox Polska, SP.Z.O.O.	70		55	
Acerinox Russia Llc	5		7	
Acerinox Scandinavia, A.B.	89		64	
Acerinox (Schweiz) Ag.	10		11	
Acerinox SC Malaysia Sdn Bhd	983		718	
Acerinox Shanghai Co. Ltd.	26		102	
Acerinox (S.E.A.) Pte. Ltd.	81		10	
Acerinox U.K. Ltd.	78		66	
Acerol Comercio e Industria de Aços Inoxidaveis Unipersoal, Ltda.	40		63	
Bahru Stainless Sdn Bhd.	679		517	
Columbus Stainless (Pty) Ltd.	3,254		2,604	
Corporación Acerinox Peru, S.A.C.	15		25	
Inoxcenter, S.L.U.	268		164	
Inoxcenter Canarias, S.A.U.	9		5	
Inoxfil, S.A.	163		168	
Inoxidables Euskadi, S.A.	73		51	
Metalinox Bilbao, S.A.U.	54		32	
North American Stainless, Inc.	2,354		1,342	
Roldan, S.A.	653		345	
VDM Metals Holding Gmbh	19		89	
TOTAL	**14,266**		**10,521**	

The detail of the short- and long-term loans granted to Group companies and associates at 31 December 2021 and 2020 is as follows:

(Amounts in thousands of euros)

	Short-term loans granted		Long-term loans granted	
	2021	2020	2021	2020
Acerinox Europa, S.A.U.	409,710	376,835		
Acerinox SC Malaysia Sdn. Bhd.	17,087	17,359		
Bahru Stainless, Sdn. Bhd.		22		284,818
Corporación Acerinox Perú S.A.	107	99		
Inoxcenter Canarias S.L.	118	91		
Inoxcenter S.L.U.	1,529	1,105	20,000	30,000
Inoxfil, S.A.	51			
Roldan, S.A.	4,343	2,445		
TOTAL	**432,945**	**397,956**	**20,000**	**314,818**

The detail of the short- and long-term loans received from Group companies and associates at 31 December 2021 and 2020 is as follows:

(Amounts in thousands of euros)

	Short-term loans received		Long-term loans received	
	2021	2020	2021	2020
Inox Re S.A.	74	77	33,500	33,500
Inoxcenter, S.L.U.		291		
Inoxfil, S.A.		166		
North American Stainless G.P.		284,813		
Acerinox Scandinavia AB		3		
TOTAL	**74**	**285,350**	**33,500**	**33,500**

The interest rates set are in all cases market interest rates which take into account both the currency in which the loans are granted and the risk of the associate, as well as the interest rates on the financing obtained by the Group from banks.

The transactions performed with Group companies are as follows:

(Amounts in thousands of euros)

	2021	2020
Income from services rendered and other operating income	30,776	23,744
Interest income	11,481	18,798
Income from ownership interest	277,178	782,295
Interest expenses	1,203	-5,861

"Interest Income" includes mainly the interest at market rates charged by the Company on the loans granted to Group companies.

"Interest Expenses" includes mainly the interest at market rates on loans received from Group companies, primarily North American Stainless G.P.

15.3 Transactions and balances with associates

The Company did not perform any transactions or recognise any balances with associates in 2021 or 2020.

15.4 Directors and key management personnel

The remuneration received in 2021 by the six senior executives (2020: four), who do not hold positions on the Board of Directors of Acerinox, S.A., amounts to EUR 2,860 thousand. Of this amount, EUR 1,970 thousand relate to salaries, EUR 711 thousand to variable remuneration based on the previous year's results and EUR 179 thousand to remuneration in kind. There have been no per diems in this financial year. In 2020 the four senior executives received EUR 2,601 thousand, of which EUR 1,739 thousand related to salaries, EUR 96 thousand to daily subsistence allowances, EUR 703 thousand to variable remuneration based on the previous year's results and EUR 69 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 (2020: EUR 1,760 thousand). 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 15.1.3**, the expense incurred in the year in relation to the CEO and senior executives, the balancing entry of which is recognised under "Other Equity Instruments", amounts to EUR 1,282 thousand, of which EUR 352 thousand relate to the CEO (2020: EUR 553 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, 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 xx thousand, has been recorded against equity under the "reserves" caption.

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).

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.

15.5 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.

In 2020, the dividends received by Acerinox, S.A. from Nippon Steel & Sumitomo Metal Corporation amounted to EUR 60 thousand.

The directors have no conflict of interest with the Company's interests.

NOTE 16 – OTHER DISCLOSURES

16.1 Average number of employees in the year

	2021		2020	
	Men	Women	Men	Women
Senior Vice President	7	0	7	
Director	5	4	4	4
Manager	13	5	13	2
Analyst / Supervisor	15	14	10	11
Specialist	4	2	3	2
Administrative staff	8	15	1	13
TOTAL	52	40	38	32

At 31 December 2021,the Company complies with the provisions of the Spanish General Law on the Rights and Social Integration of Disabled Persons.

16.2 Breakdown, by gender, of personnel and directors at 31 December 2021 and 2020

	2021		2020	
	Men	Women	Men	Women
Board Members	9	4	8	4
Senior Vice President	7		7	
Director	5	4	4	4
Manager	12	6	14	3
Analyst / Supervisor	14	14	10	11
Specialist	5	4	4	2
Administrative staff	8	14	1	13
TOTAL	60	46	48	37

16.3 Fees paid to auditors

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 the respective services rendered in 2021 and 2020 is as follows:

(Amounts in thousands of euros)

	2021	2020
For audit services	188	182
For other verification services	66	66
TOTAL	254	248

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 verification 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 ICO.

NOTE 17 – 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.

2021 MANAGEMENT REPORT ACERINOX, S.A.

Contents

Acerinox, S.A.

Acerinox, S.A. is the Parent company of the Group and is the main holder of the shares of each of its subsidiaries.

Its activity is typical of a holding company and, in addition to the tasks deriving from this role (such as legal, financial, commercial, technical, management and communication services), Acerinox, S.A. also facilitates access to new stainless markets and promotes the exchange of best practices among the various subsidiaries of the Group, providing accounting and advisory services to all Group companies and carrying out financing activities within the Group.

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 135.2 million. The dividend was paid on 3 June 2021.

Balance Sheet

ASSETS

Million €	2021	2020	Variation
Non-current assets	**2,072.09**	**2,029.16**	**2.1%**
Current assets	**729.10**	**904.91**	**-19.4%**
- Inventories	0.00	0.00	0.0%
- Receivables	18.14	40.35	-55.0%
Trade receivables	*14.27*	*10.52*	*35.6%*
Other receivables	*3.88*	*29.83*	*-87.0%*
- Cash and other current assets	710.96	864.56	-17.8%
TOTAL ASSETS	**2,801.19**	**2,934.07**	**-4.5%**

LIABILITIES

Million €	2021	2020	Variation
Equity	**1,229.73**	**1,056.23**	**16.4%**
Non-current liabilities	**1,299.32**	**1,372.69**	**-5.3%**
- Interest-bearing loans and borrowings	1,248.57	1317.71	-5.2%
- Other non-current liabilities	50.75	54.97	-7.7%
Current liabilities	**272.14**	**505.15**	**-46.1%**
- Interest-bearing loans and borrowings	261.62	196.49	33.1%
- Trade payables	1.38	1.37	1.0%
- Other current liabilities	9.13	307.28	-97.0%
TOTAL EQUITY AND LIABILITIES	**2,801.19**	**2,934.07**	**-4.5%**

	January - December		
Million €	2021	2020	Variation
Net sales	**319.43**	**824.84**	**-61.3%**
Gross margin	319.43	824.84	-61.3%
% over sales	100.0%	100.0%	
EBITDA	291.10	787.89	-63.1%
% over sales	91.1%	95.5%	
EBIT	**290.45**	**787.20**	**-63.1%**
% over sales	90.9%	95.4%	
Profit before taxes	311.23	657.47	-52.7%
Profit after taxes	**308.56**	**655.35**	**-52.9%**

Human Resources

At 31 December 2021, Acerinox, S.A. had 105 employees, of which 59 were male and 46 were female.

In 2021, by professional category, Acerinox, S.A. had a total of 12 members of the Board Directors, 7 members of Senior Management, 9 Directors, 18 Managers, 28 Analysts, 9 Specialists and 22 Administrative Staff.

The average number of employees, by professional category, of the Parent Company was as follows:

	2021		2020	
	Men	**Women**	**Men**	**Women**
Senior Vice President	7	-	7	-
Director	5	4	4	4
Manager	13	5	14	3
Analyst	15	14	10	11
Specialist	4	2	4	2
Administrative staff	8	15	1	13
Total	**52**	**40**	**40**	**33**

Acerinox, S.A. is not required to include the full Statement of Non-Financial Information in this document; instead it is presented as a separate document, and which has been published for your reference.

Stock Market Evolution

Acerinox, S.A. shares

On 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 the Company's 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:

	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%

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 2021, 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.

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

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

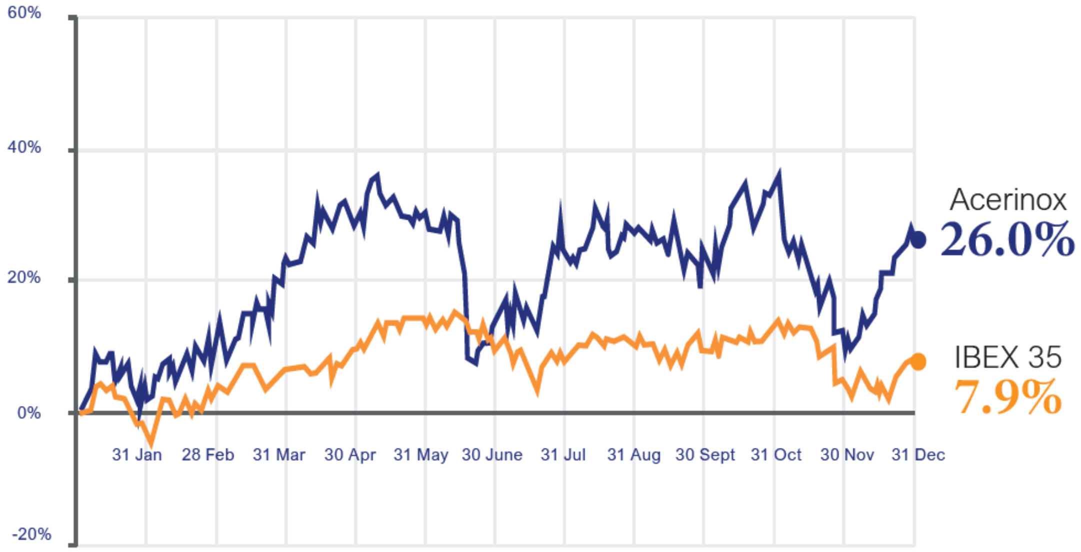
Acerinox shares ended 2021 with a 26% gain. The Acerinox shares recognised prices above those of the IBEX 35 during virtually all of 2021. It was observed that during the year investors rotated their portfolios towards sectors and industries more exposed to the economic cycle in order to take advantage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

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.

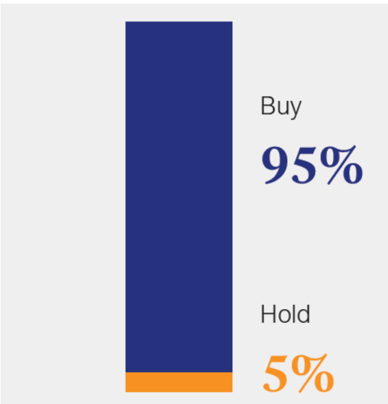
Stock market evolution of Acerinox and the IBEX 35

Daily percentage data, 2021 Source: Bloomberg



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

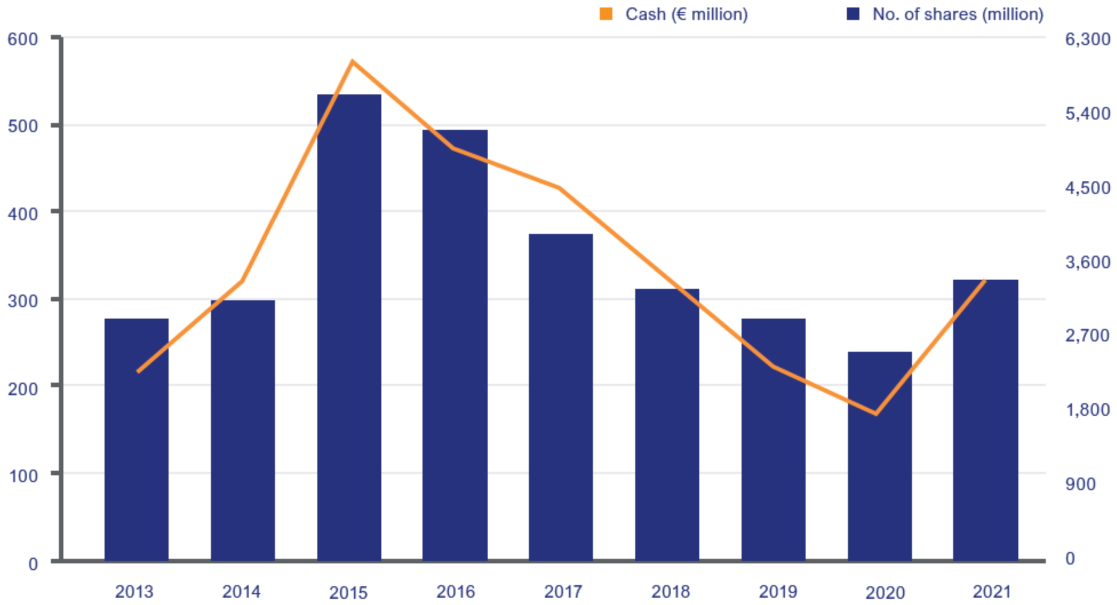
Analysts' recommendations



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.

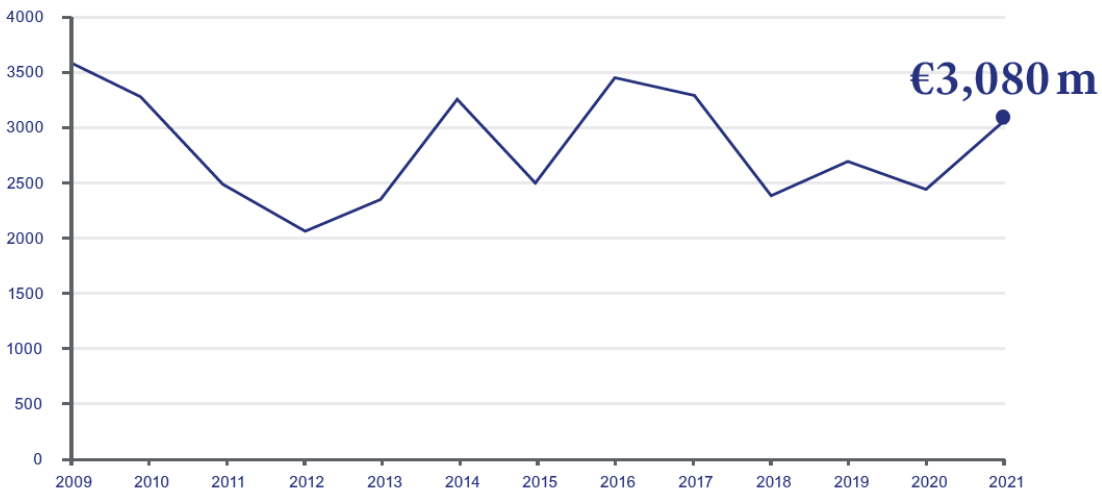
Share trading



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

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

EUR million



Shareholder remuneration

Acerinox held the General Shareholders' Meeting by electronic means on 15 April 2021. The agreements approved included a shareholder remuneration of EUR 0.50 per share.

Shareholder remuneration: EUR 135,273 thousand.

Average period of payment 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 and the additional information required is as follows:

	2021	2020
Average period of payment to suppliers	52 days	51days
Ratio of transactions settled	53 days	52 days
Ratio of transactions not yet settled	23 days	30 days
Figures in € thousand	**Amount**	**Amount**
Total payments made	18,215	27,633
Total payments outstanding	672	1,028

Risks

The Acerinox Group has a Risk Management and Control Policy that establishes the basic principles and general framework for the control and management of all types of risks faced by the Company and the Group.

This policy can be found under the Corporate Governance section of the Group's website: www.acerinox.com

Based on the aforementioned policy, the Acerinox Group's Board of Directors and Senior Management have promoted the Risk Management Model. This model is designed to identify, classify, and assess potential events that could affect all significant organisational units and functions. The main objective of this model is to manage the risks and provide reasonable security in the achievement of its objectives, whether these are strategic, operational, compliance or information-related.

Once the model has been defined, managing the risks enables the mechanisms and basic principles to be established for the management of opportunities and risks, enabling:

- The strategic objectives determined by the Group to be achieved
- Full guarantees for the shareholders to be provided
- The Group's results and reputation to be protected

- The interests of the Group's key stakeholders to be defended
- Business stability and financial solidity in a sustained manner over time to be guaranteed

The main risks are as follows:

- **Economic cycles**
- **Trade barriers**
- **Competition**
- **Strategic plans**
- **Cybersecurity**
- **Customers (trade receivables)**
- **Environmental and CO2 emissions legislative changes**
- **Legislation**
- **Overcapacity**
- **Commodity price volatility**
- **Financial**
- **Reputational risks**

Nonetheless, it is important to highlight the risks that are particularly affected by the ecological transition and climate change.

Accordingly, new manufacturing technologies and improvements in the production processes contribute to operational excellence, and they are key in enhancing efficiency and competitiveness and providing excellent opportunities to achieve more efficient energy and resource consumption, thus advancing towards carbon neutrality.

In addition, since it is a metal that can be almost completely recycled on an indefinite basis, stainless steel contributes to lower emission levels than other products made from non-reusable materials.

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

The main opportunities include:

- The possibility of introducing products in emerging markets, for example in hydrogen production and its entire value chain or in already firmly established renewable energies.

- The cost savings associated with the consumption of electricity from renewable sources.

- Improvements in the efficiency of the supply network.

- Implementation of the Best Available Techniques (BATs) for iron, steel and ferrous metals enables the incorporation of energy efficiency improvement measures in the production chain, with the subsequent reduction of consumption and emissions.

- Strong market positioning through the offering of a low-emission product with a high recycling rate (it is a fully recyclable product).

Research, Development and Innovation (R&D&I)

In 2021 the Parent, Acerinox, S.A. did not carry out any activities relating to R&D&I.

The Environment

Committed to the environment

The Group believes that its growth must be linked to a low-carbon economy, to a drive towards a circular economy, and to environmental protection to the highest extent.

This vision is based on achieving an efficient production system at all levels (energy, with low emissions, promoting a business model that is committed to the circular economy, reducing water consumption, etc.). All this is possible thanks to a system of continuous improvement, where performance converges with the internal productivity, competitiveness and environmental objectives.

The identification and management of environmental risks is essential for Acerinox. Section 5 of this report (Risks) includes more information in this connection. In addition to legislative obligations, the Group's factories have environmental risk control procedures in place, with the corresponding assessment of probability and severity.

All Acerinox Group factories have an environmental management system according to the ISO 14001 standard.

The Group believes that the innovation and R&D&I strategy must go hand in hand with the environmental challenges in order to manufacture a sustainable product and face all these challenges. Eco-efficient management of production processes, from the source to the end of the product's life cycle, is an example of competitiveness and sustainability.

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.

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.

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.

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 and the eight vectors on which it is based. **(Communication & awareness, Recruitment & hiring, Classification, promotion and under-representation of women, Professional training and development, Gender pay gap, Joint responsibility and reconciliation, Prevention of occupational hazards and all types of harassment, Addressing gender-based violence).**

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

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 29% of its workforce is over 50 years of age.

Acerinox offers comprehensive careers where young people can design their career path 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

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.

Corporate Governance

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 developed and adopted.

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

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 at the end of 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.

Internal regulation

In 2021, the Board of Directors modified its own Regulation and approved new wordings of the Policy for the Selection of Directors and the General Policy for Communication, Contact and Engagement with Shareholders, Institutional Investors, Asset Managers, Financial Intermediaries and Proxy Advisers of Acerinox, S.A. and its Group of Companies, as a consequence of the entry into force of the Shareholders' Involvement Directive. Similarly, the new wording of the Internal Regulation for Conduct in the Security Markets came into force for its first full year, adapting this regulation to the new standards in this area and including therein the content of the former General Policy of Conduct in Treasury Shares.

Changes to the Board of Directors

In 2021 there were no changes to the Board of Directors.

Committees

		RAFAEL MIRANDA ROBREDO	BERNARDO VELÁZQUEZ HERREROS	ROSA MARÍA GARCÍA PIÑEIRO	LAURA G. MOLERO	FRANCISCO JAVIER GARCÍA SANZ	PABLO GÓMEZ GARZÓN	TOMÁS HEVIA ARMENGOL	LETICIA IGLESIAS HERRAIZ	DONALD JOHNSTON	IGNACIO MARTÍN SAN VICENTE	MARTA MARTÍNEZ ALONSO	SANTOS MARTÍN EZ-CONDE	LUIS GIMENO VALLEDOR
POSITION		CHAIRMAN	CEO	DIRECTOR	DIRECTOR	DIRECTOR	DIRECTOR	DIRECTOR	DIRECTOR	DIRECTOR	DIRECTOR	DIRECTOR	DIRECTOR	SECRETARY
DIRECTOR	EXECUTIVE		✔											
	PROPRIETARY						✔	✔					✔	
	INDEPENDENT	✔		✔	✔	✔			✔	✔	✔	✔		
COMMITTEE	**EXECUTIVE**	✔ - C	✔	✔		✔		✔		✔	✔		✔	**SEC**
	AUDIT				✔		✔		✔	✔ - C				**SEC**
	APPOINTMENTS AND REMUNERATION	✔			✔ - C	✔							✔	**SEC**
	SUSTAINABILITY		✔	✔ - C			✔				✔	✔		**SEC**
Other	FIRST APPOINTMENT	2014	2010	2017	2017	2020	2019	2016	2020	2014	2018	2017	2002	-

C: Chairs the Committee

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 Appointments, Remuneration and Corporate Governance Committee

Comprised of four members, held seven meetings in 2021.

The Sustainability Committee

Comprised of five members, held six meetings in 2021.

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

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.

Independent

Rosa María García Piñeiro

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

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

Francisco Javier García Sanz

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

Independent

Leticia Iglesias Herraiz

- 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.

Dominical

Tomás Hevia Armengol

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

Independent

Marta Martínez Alonso

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

Independent

Ignacio Martín San Vicente

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

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Scan to view the CV of each Director

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Scan to see the Regulation of the Board of Directors

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**

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.

Agreements of the Acerinox General Shareholders' Meeting held 15 April 2021

	Votes in favour %	Votes against %
1. Approval of the Financial Statements and Management Reports of ACERINOX, S.A. and its subsidiaries, for the year ended 31 December 2020.	99.94	0.00
2. Approval of the Consolidated Statement of Non-Financial Information for 2020	99.97	0.03
3. Approval of the distribution of profit of ACERINOX, S.A. relating to the year ended 31 December 2020.	98.22	1.78
4. Approval of the management of the Board of Directors for the year ended 31 December 2020.	99.66	0.00
5. Approval of the distribution of a dividend of EUR 0.50 per share, to be paid on 3 June 2021.	98.23	1.77
6. Approval of the Remuneration Policy of Directors for 2021, 2022 and 2023.	90.19	2.68
7.1. Reappointment of Mr Tomás Hevia Armengol as Proprietary Director.	99.13	0.44
7.2. Reappointment of Ms Laura González Molero as Independent Director.	97.24	2.33
7.3. Reappointment of Ms Rosa Mª García Piñeiro as Independent Director.	97.32	2.34
7.4. Reappointment of Ms Marta Martínez Alonso as Independent Director.	98.05	1.55
8. Re-election of the Auditor, of both ACERINOX, S.A. and its subsidiaries, for the 2021 financial year.	93.25	0.02
9. Delegation to the Board of Directors of the precise powers to issue bonds, debentures, convertible bonds, or other income securities fixed in any market, for a total amount of up to six hundred million euros. If the interests of the Company so require, the Board of Directors may exclude the right of preferential subscription on issues of debentures and convertible securities, up to a maximum of 20% of the share capital.	42.75	27.50
10. Delegation to the Board of Directors of the precise powers to issue bonds, bonds, convertible bonds or other fixed income securities, in any market, for a total amount of up to one billion euros.	63.86	6.31
11. Authorisation to the Company's Board of Directors for the acquisition of treasury shares for a period of two years, either by the Company itself or by any of the Group's subsidiaries.	99.53	0.00
12. Authorisation to the Board of Directors for the acquisition of shares of Acerinox, S.A. for the payment of the Second Cycle (2022-2024) of the Second Multiannual Remuneration Plan or Long Term Incentive Plan (LTI) established for Executive Directors and the remaining members of the Group's Senior Management.	92.63	0.27
13. Advisory vote on the Annual Report on Remuneration of Directors of ACERINOX, S.A., corresponding to the year ended 31 December 2020.	91.09	1.73
14. Delegation of powers to the Board of Directors for the execution, correction and authorisation of the resolutions adopted at the General Shareholders' Meeting, and granting of powers to convert such resolutions into a public deed.	99.99	0.00
15. Information from the Chairman on the most relevant aspects regarding Corporate Governance of the Company.	---	--
16. Information for the General Shareholders' Meeting, in accordance with article 528 of the Capital Companies Act, regarding the amendment to the Regulations of the Board of Directors made in December 2020.	---	--

Events after the Reporting Period

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