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

Acerinox, S.A. and its subsidiaries

Auditor´s report
Consolidated annual accounts at December 31, 2022
Consolidated management report

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the consolidated annual accounts

To the shareholders of Acerinox, S.A.,

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Acerinox, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2022, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
VDM Metals Group goodwill recovery	
As indicated in notes 2.7, 2.11 and 7.1 of the attached consolidated annual report, as of December 31, 2022, there is goodwill that mostly includes the arising from the acquisition of 100% of the company VDM Metals Holding, Gmbh to an amount of 49,829 thousand euros. The Group Management has estimated the goodwill recoverable value (note 2.11 of the attached consolidated report). For the recoverable value calculations, Group Management has used cash flow projections based on financial budgets approved by Management that have required relevant judgments and estimates that include, among others, the operating result on sales and discount and growth rates in the long term. The most significant assumptions used by the Group Management and the sensitivity analysis performed are summarized in note 7.1 of the attached consolidated report. Deviations in these Management's variables and estimates can determine important variations in the calculations made and, therefore, in the analysis of the goodwill recovery. This fact, together with the relevance of the financial statements line item, motivates it to be a key audit matter.	First, we have understood the relevant processes and controls related to the goodwill impairment assessment prepared by the Group Management, including those related to the preparation of budgets and the analysis and monitoring of projections, which constitute the basis for the main judgments and estimates made by the Group Management. In relation to the estimated cash flows, we have analyzed the methodology of the calculations made, we have compared the projected annual flows with those actually achieved in fiscal year 2022, and we have contrasted the key assumptions used by the Group Management with historical results, available comparable, relevant industry factors and other external sources. For this we have relied on out internal firm valuation experts. Additionally, we have evaluated the reasonableness of the sensitivity disclosed in the accompanying consolidated annual accounts. As a result of the analysis performed, we consider that the conclusions of the Group Management regarding the estimates made and the information disclosed in the accompanying consolidated annual accounts are adequately supported and are consistent with the information currently available.
Bahru Stainless Sdn. Bhd. and Acerinox Europa, S.A. property, plant and equipment recovery	
As indicated in notes 2.11 and 8.1 of the accompanying consolidated annual report, the Group Management assesses at the end of each fiscal year if there are indications of impairment of assets. In the event of such an indication, the Group Management estimates its recoverable amount. Note 8.1 details the Cash Generating Units (CGUs) that show signs of impairment, Bahru Stainless Sdn. Bhd. and Acerinox Europa, S.A.	As a starting point for our procedures, we have understood the relevant processes and controls linked to the assessment of impairment in property, plant and equipment prepared by the Group's Management, including those related to the preparation of budgets and the analysis and monitoring of projections, which constitute the basis for the main judgments and estimates made by the Group Management.

For the calculations of the recoverable value through the value in use, the Management of the Group uses cash flow projections based on financial budgets that require judgments and relevant estimates that include, among others, the operating result on sales, future curves of energy, and long-term discount and growth rates, considering that the projected flows are subject to uncertainty. For the calculation of the recoverable value of Bahru Stainless Sdn. Bhd, as mentioned in note 8.1 of the attached consolidated report, the Management of the Group has relied on an expert to determine the recoverable value based on fair value less costs to sell in the context of an impairment test analysis from the perspective of a market participant. The most significant assumptions used in the previously described model and the sensitivity analyzes performed are summarized in note 8.1 of the attached consolidated annual report.

As mentioned in note 8.1, in financial year 2022 an impairment of 203,905 thousand euros of the net assets of the CGU Bahru Stainless Sdn. Bhd has been recorded.

Deviations in the variables and estimates of Management can determine important variations in the conclusions reached and, therefore, in the analysis of the recovery of property, plant and equipment.

This fact, together with the relevance of this financial statement line item and the consequent impairment registered, motivates it to be a key audit matter.

In relation to the estimated cash flows from Acerinox Europa, S.A., we have analyzed the methodology of the calculations made, we have compared the projected annual flows with those actually achieved in the year 2022 and we have contrasted the key assumptions used by the Group's Management with historical results, available comparable, relevant industry factors and other external sources. For this we have relied on internal firm valuation experts.

In relation to the valuation exercise carried out on the recovery of the property, plant and equipment of Bahru Stainless Sdn. Bhd., we have analyzed the methodology of the calculations made and we have contrasted the key assumptions used by the Group Management with available comparable, relevant industry factors and other external sources. For this we have relied on internal firm valuation experts. Moreover, we have evaluated the competence, capacity, objectivity and conclusions of the expert hired by the Group Management, as well as the adequacy of their work as audit evidence.

Additionally, we have evaluated the reasonableness of the sensitivity analysis disclosed in the accompanying consolidated annual accounts.

As a result of the procedures performed, we consider that the conclusions of the Group Management on the estimates made and the consequent impairment registered, as well as the information disclosed in the accompanying consolidated annual accounts, are adequately supported and are consistent with the information currently available.

Recognition of deferred tax assets

As of December 31, 2022, the accompanying consolidated annual accounts reflect an amount of 101,225 thousand euros of deferred tax assets, net of an amount of 55,104 thousand euros of deferred tax liabilities, the recovery of which depends on the generation of positive taxable income bases in the Corporate Tax in future years (notes 2.19, 3.j and 19.3.3 of the attached consolidated report). Likewise, note 19.3.2 of the attached consolidated annual accounts discloses the unrecognized tax credits.

First, we have proceeded to understand and evaluate the criteria used by the Group Management to estimate the possibilities of using and recovering deferred tax assets in the following years, related to business plans.

The recognition of these deferred tax assets is analyzed by the Group Management by estimating the tax bases for the coming years, based on the business plans of the different Group companies, and on the planning possibilities that allow the tax legislation applicable to each company and to the consolidated tax group headed by the parent company. Consequently, the conclusion on the recognition of the deferred tax assets shown in the attached consolidated statement of financial position is subject to significant judgments and estimates by the Group Management both with respect to future tax results and to the applicable tax regulations in the different jurisdictions where it operates. Given the relevance of the amount recognized and pending recognition, the significant judgments required and estimates necessary for the calculation of future tax bases, the recognition of deferred tax assets is a key matter of our audit.	Based on the business plans prepared by the Group Management, we have compared the projected annual cash flows with those actually achieved in 2022 and we have contrasted the key assumptions, estimates and calculations made for their preparation, comparing them with the historical, comparable performance available, relevant industry factors and other external sources. As part of the analysis, we have also evaluated the tax adjustments considered for the estimation of tax bases, the applicable tax regulations, as well as the decisions about the possibilities of using the tax benefits corresponding to the different companies of the Group. The analysis performed have made it possible to verify that the calculations and estimates made by the Group Management, as well as the conclusions reached, in relation to the recognition of deferred tax assets, are consistent with the current situation, with the expectations of future results of the Group and with its tax planning possibilities available in the current legislation.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2022 financial year, the formulation of which is the responsibility of the Parent company´s directors and does not form an integral part of the consolidated annual accounts.

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

a) Verify only that the consolidated statement of non-financial information, certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, have been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company´s directors are responsible for assessing the Group´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company´s audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

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

- Conclude on the appropriateness of the Parent company´s directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company´s audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company´s audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company´s audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Acerinox, S.A. and its subsidiaries for the 2022 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Acerinox, S.A. are responsible for presenting the annual financial report for 2022 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the consolidated management report.

Our responsibility is to examine the digital files prepared by the Parent company´s directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the Parent company´s audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated March 28, 2023.

Appointment period

The General Ordinary Shareholders' Meeting held on June 16, 2022 appointed us as auditors of the Group for a period of one year, for the year ended December 31, 2022.

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 December 31, 2017.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 21 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Jon Toledano Irigoyen (20518)

March 30, 2022

ACERINOX, S.A. AND SUBSIDIARIES

Annual Accounts
of the Consolidated Group

for the year ended 31 December 2022

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.

CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of euros at 31 December 2022 and 2021)

ASSETS	Note	2022	2021
Non-current assets			
Goodwill	7	51,064	51,064
Other intangible assets	7	43,437	46,578
Property, plant and equipment	8	1,649,607	1,820,308
Investment property	9	9,916	13,215
Rights of use assets	10	16,207	14,400
Investments accounted for using the equity method	5.3	390	390
Financial assets at fair value through other comprehensive income	12	394	11,125
Deferred tax assets	19	101,225	105,848
Other non-current financial assets	12	30,188	4,499
TOTAL NON-CURRENT ASSETS		1,902,428	2,067,427
Current assets			
Inventories	11	2,155,542	1,776,610
Trade and other receivables	12	637,833	839,607
Other current financial assets	12	51,534	15,352
Current income tax assets	19	22,770	10,297
Cash and cash equivalents	13	1,548,040	1,274,929
TOTAL CURRENT ASSETS		4,415,719	3,916,795
TOTAL ASSETS		6,318,147	5,984,222

The accompanying Notes 1 to 22 are an integral part of these Consolidated Annual Accounts.

(Amounts in thousands of euros at 31 December 2022 and 2021)

	Note	2022	2021
LIABILITIES			
Equity			
Subscribed capital	14	64,931	67,637
Share premium	14	268	268
Reserves	14	1,920,753	1,532,610
Profit/(loss) for the year	14	556,054	571,882
Interim dividend	14	-74,799	0
Translation differences	14	93,923	-10,154
Other equity instruments	14	3,695	3,048
Shares of the Parent	14	-90,728	-10,251
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		2,474,097	2,155,040
Non-controlling interests	14	73,596	59,822
TOTAL EQUITY	14	2,547,693	2,214,862
Non-current liabilities			
Deferred income	15	27,465	18,684
Issuance of debentures and other marketable securities	12	74,850	74,750
Bank borrowings	12	1,319,182	1,293,494
Long-term provisions	16	159,058	196,540
Deferred tax liabilities	19	227,784	200,051
Other non-current financial liabilities	12	14,971	18,275
TOTAL NON-CURRENT LIABILITIES		1,823,310	1,801,794
Current liabilities			
Issuance of debentures and other marketable securities	12	1,634	1,634
Bank borrowings	12	592,858	483,271
Trade and other payables	12	1,181,440	1,446,680
Current income tax liabilities	19	58,295	23,467
Other current financial liabilities	12	112,917	12,514
TOTAL CURRENT LIABILITIES	12	1,947,144	1,967,566
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12	6,318,147	5,984,222

The accompanying Notes 1 to 22 are an integral part of these Consolidated Annual Accounts.

2. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Amounts in thousands of euros at 31 December 2022 and 2021)

	Note	2022	2021
Revenue	17	8,688,494	6,705,739
Other operating income	17	41,025	44,763
Own works capitalized	17	27,371	2,187
Changes in inventories of finished goods and work in progress		211,473	441,136
Supplies		-5,844,532	-4,717,322
Staff costs	17	-653,763	-591,425
Depreciation and amortisation charge	7,8,9,10	-192,935	-179,103
Other operating expenses	17	-1,197,459	-896,268
Impairment of assets	7.8	-203,905	0
OPERATING INCOME		875,769	809,707
Finance income	18	26,073	2,921
Finance costs	18	-62,799	-45,280
Exchange differences	18	-4,624	1,610
Revaluation of financial instruments at fair value	18	-3,141	-3,229
Impairment and loss on disposal of financial instruments	18	-3	0
PROFIT FROM ORDINARY ACTIVITIES		831,275	765,729
Income tax	19	-260,412	-179,710
Other taxes	19	-477	-512
PROFIT/(LOSS) FOR THE YEAR		570,386	585,507
Attributable to:			
NON-CONTROLLING INTERESTS		14,332	13,625
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP		556,054	571,882
Basic and diluted earnings per share (in euros)	14.9	2.16	2.11

The accompanying Notes 1 to 22 are an integral part of these Consolidated Annual Accounts.

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of euros at 31 December 2022 and 2021)

	Note	2022	2021
A) RESULTS OF THE STATEMENT OF PROFIT OR LOSS		570,386	585,507
B) OTHER COMPREHENSIVE INCOME - ITEMS NOT RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD		30,008	10,514
1. Arising from valuation of equity instruments at fair value through other comprehensive income	12.2.5	502	2,908
2. Arising from actuarial gains and losses and other adjustments	16.1	43,999	12,391
3. Tax effect	19	-14,493	-4,785
C) OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD		142,522	129,263
1. Arising from cash flow hedges			
- Valuation gains / (losses)	12.2.6	55,500	7,908
- Amounts transferred to the statement of profit or loss	12.2.6	-1,776	3,471
2. Translation differences			
- Valuation gains / (losses)		103,481	121,050
- Amounts transferred to the statement of profit or loss			
3. Tax effect	19	-14,683	-3,166
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		742,916	725,284
a) Attributed to the parent company		729,173	711,987
b) Attributed to non-controlling interests		13,743	13,297

The accompanying Notes 1 to 22 are an integral part of these Consolidated Annual Accounts.

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in thousands of euros at 31 December 2022 and 2021)

		Equity attributable to shareholders of the parent company													
	Note	Subscribed capital	Share premium	Retained earnings reserves (includes profit/(loss) for the year)	Reserves for revaluation of non-current assets	Cash flow hedge reserves	Fair value adjustments to financial assets	Reserve for actuarial adjustments	Translation differences	Other equity instruments	Treasury shares	Interim dividend	TOTAL	Non-controlling interests	TOTAL EQUITY
Equity 31/12/2020		67,637	258	1,643,237	5,242	-8,485	-2,553	-2,511	-131,919	2,170	-1,062		1,572,014	42,966	1,614,980
Profit/(loss) for the year 2021				571,882									571,882	13,625	585,507
Financial assets at fair value through other comprehensive income (net of tax)	12.2.5						2,183						2,183		2,183
Cash flow hedges (net of tax)	12.2.6					8,213							8,213		8,213
Actuarial valuation of employee benefit obligations (net of tax)	16.1							8,331					8,331		8,331
Translation differences	14.4								121,378				121,378	-328	121,050
Income and expenses recognised in equity		0	0	0	0	8,213	2,183	8,331	121,378	0	0	0	140,105	-328	139,777
Total comprehensive income		0	0	571,882	0	8,213	2,183	8,331	121,378	0	0	0	711,987	13,297	725,284
Dividends paid	14.2			-135,226									-135,226		-135,226
Transactions with shareholders		0	0	-135,226	0	0	0	0	0	0	0	0	-135,226	0	-135,226
Acquisition of treasury shares	14.1										-9,418		-9,418		-9,418
Acquisition of non-controlling interests	5.2			-3,912					387				-3,525	3,525	
Long-term incentive plan for senior executives	16.1.3			628						878	229		1,735	34	1,769
Hyperinflation adjustments	14.6			342									342		342
Other changes	14.4		10	17,121									17,131		17,131
Equity 31/12/2021		67,637	268	2,094,072	5,242	-272	-370	5,820	-10,154	3,048	-10,251		2,155,040	59,822	2,214,862
Profit/(loss) for the year 2022				556,054									556,054	14,332	570,386
Financial assets at fair value through other comprehensive income (net of tax)	12.2.5						370						370		370
Cash flow hedges (net of tax)	12.2.6					39,041							39,041		39,041
Actuarial valuation of employee benefit obligations (net of tax)	16.1							29,631					29,631	7	29,638
Translation differences	14.4								104,077				104,077	-596	103,481
Income and expenses recognised in equity		0	0	0	0	39,041	370	29,631	104,077	0	0	0	173,119	-589	172,530
Total comprehensive income		0	0	556,054	0	39,041	370	29,631	104,077	0	0	0	729,173	13,743	742,916
Interim dividend												-74,799	-74,799		-74,799
Dividends paid	14.2			-129,850									-129,850		-129,850
Transactions with shareholders		0	0	-129,850	0	0	0	0	0	0	0	-74,799	-204,649	0	-204,649
Acquisition of treasury shares	14.1										-206,005		-206,005		-206,005
Amortisation of treasury shares	14.1	-2,706		-121,588							124,294				
Long-term incentive plan for senior executives	16.1.3			-810						647	1,234		1,071	31	1,102
Hyperinflation adjustments	14.6			973									973		973
Result of sale of financial assets at fair value through other comprehensive income	12.2.5			-803									-803		-803
Other changes	14.4			-703									-703		-703
Equity 31/12/2022		64,931	268	2,397,345	5,242	38,769		35,451	93,923	3,695	-90,728	-74,799	2,474,097	73,596	2,547,693

The accompanying Notes 1 to 22 are an integral part of these Consolidated Annual Accounts.

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of euros at 31 December 2022 and 2021)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		831,275	765,729
Adjustments to the result:			
Depreciation of fixed assets	7,8,9,10	192,935	179,103
Impairment losses	8.11	290,561	-4,019
Changes in provisions		19,130	19,515
Allocation of subsidies	15	-7,522	-5,583
Gain or loss on disposal of fixed assets	8.9	150	-2,078
Gain (loss) on disposal of financial instruments		3	
Changes in fair value of financial instruments		3,238	14,404
Finance income	18	-26,074	-2,921
Finance costs	18	62,799	45,280
Other income and expenses		-14,715	15,303
Variations in working capital:			
(Increase)/decrease in trade and other receivables		194,322	-306,348
(Increase) / decrease in inventories		-432,423	-560,381
Increase / (decrease) in trade and other payables		-306,199	406,943
Other cash flows from operating activities			
Interest payments		-50,050	-42,976
Interest income		24,890	2,709
Income tax paid		-238,237	-136,866
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES		544,083	387,814
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		-134,044	-99,451
Acquisition of intangible fixed assets		-2,673	-2,691
Acquisition of other financial assets		-1,811	-1,175
Proceeds from disposal of property, plant and equipment		2,004	12,699
Proceeds from disposal of other financial assets		10,158	116
Dividends received		866	66
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		-125,500	-90,436
Acquisition of treasury shares	14	-206,004	-9,418
Collection of third-party resources	12.2.3	1,028,740	740,799
Repayment of interest-bearing liabilities	12.2.3	-908,921	-585,841
Dividends paid	14	-129,850	-135,226
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		-216,035	10,314
NET INCREASE IN CASH AND CASH EQUIVALENTS		202,548	307,692
Cash and cash equivalents at beginning of year	13	1,274,929	917,118
Effect of changes in exchange rates		70,563	50,119
CASH AND CASH EQUIVALENTS AT YEAR-END	13	1,548,040	1,274,929

The accompanying Notes 1 to 22 are an integral part of these Consolidated Annual Accounts.

CONTENTS: NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

6. NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

NOTE 1 – GENERAL INFORMATION

Name of the Parent: Acerinox, S.A. (hereinafter, "the Company").

Incorporation: the Company was incorporated as a public limited liability company for an indefinite period of time on 30 September 1970.

Registered office: calle Santiago de Compostela, n° 100, Madrid - Spain.

Company object and main business activities: The Group's main business activities, which coincide with the Company object, consist of the manufacture, processing and marketing of stainless steel products and special alloys. These activities are performed through its subsidiaries.

The Acerinox Group is a leading global manufacturer of stainless steel, distinguished by its widespread presence in Europe, significant leadership across the United States and Africa, and the leader in high-performance alloys worldwide. Its activity is divided into two main divisions: the manufacture of stainless steel and the manufacturing of high-performance alloys.

The Group has six stainless steel plants on four continents, located in Campo de Gibraltar (Spain), Ponferrada (Spain) and Igualada (Spain), Ghent (Kentucky, USA), Middleburg (Mpumalanga, South Africa) and Johor Bahru (Malaysia). In addition, it has five high-performance alloy plants in Germany (Unna, Duisburg, Siegen, Werdohl and Altena) and two more in the USA (New Jersey and Nevada). The Group also has an extensive distribution network that enables it to sell in more than 80 countries. The Group boasts a steel production capacity of 3.5 million tonnes.

Note 5 details all the companies included in the scope of consolidation of Acerinox and the business activities they each perform.

The Parent's main business activity is that of a holding company, in its condition as the Parent of the Acerinox Group. Acerinox, S.A., approves and supervises the strategic business areas. It also provides various corporate services (including legal, accounting and consulting) and is responsible for the management and administration of financing within the Group.

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

Authorisation for issue of the financial statements: These consolidated annual accounts were authorised for issue by the Board of Directors of Acerinox, S.A., on 28 March 2023.

NOTE 2 – ACCOUNTING POLICIES

2.1 Statement of compliance

These consolidated annual accounts of the Group were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related interpretations (IFRICs) adopted by the European Union (EU-IFRSs hereinafter) and with the other provisions of the applicable regulatory financial reporting framework.

The Annual Accounts for 2022 were prepared using the same accounting principles (EU-IFRSs) as were used for 2021, except for the amendments adopted by the European Union and mandatorily applicable from 2022 onwards, which were as follows:

- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16): The amendments to the standard prohibit the deduction from the cost of property, plant and equipment of any proceeds from the sale of items produced while an entity is preparing the asset for its intended use. The proceeds from the sale of any such samples, together with the related production costs, must be recognised in profit or loss. The amendments also clarify that an entity is considered to be testing whether an asset functions correctly when it assesses the asset's physical and technical performance. That is to say, the asset's financial performance is not relevant to this assessment. Therefore, an asset could be ready to operate in the manner intended by management and be subject to depreciation before the level of operation expected by management is achieved. Until the reporting date, the Group had always recognised in profit or loss the proceeds from the sale of items produced while the assets were being readied for their intended use; accordingly, the application of these amendments did not have any impact on the Group. With regard to the date on which the items are ready for their intended use, as established in the Group's policies, an asset is considered to be ready for its intended use, and can therefore begin to be depreciated, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37): these amendments explain that the direct cost of fulfilling a contract includes the incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. They also clarify that before recognising a separate provision for an onerous contract, the entity shall recognise any impairment losses on the assets used to fulfil the contract, . The application of this standard has had no impact.

- Reference to the Conceptual Framework (Amendments to IFRS 3): IFRS 3 has been updated to refer to the 2018 Conceptual Framework in order to determine what constitutes an asset or a liability in a business combination. Also, a new exception was added in IFRS 3 for liabilities and contingent liabilities. The Group will take the amendments into consideration in future business combinations. No new business combinations took place during the year.

- Annual Improvements to IFRSs. 2018-2020 cycle: these amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual reporting periods beginning on or after 1 January 2022. No impact on the Group.

    - IFRS 1 "First-time adoption of IFRS": IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. This amendment allows entities that have taken this exemption to also measure cumulative translation differences using the amounts recorded by the parent company, based on the date of transition of the latter to IFRS. No impact on the Group as there are no entities that have adopted IFRS subsequent to the parent company.

    - IFRS 9 "Financial instruments": The amendment establishes that costs or fees paid to third parties should not be included in the 10% test for derecognition of financial liabilities. No impact on the Group as this type of expenditure has never been taken into account.

2.2 Assessment of the main standards, amendments and interpretations that will be mandatorily applicable the coming years.

There are new standards, amendments and interpretations which will be mandatorily applicable in the coming years and have not been applied early.

The standards, interpretations and amendments approved by the European Union and applicable as of 1 January 2023 which have not been adopted in advance by the Group and which could have an impact, are as follows:

- IAS 1 (Amendment) - Disclosure of accounting policies: IAS 1 has been amended to improve disclosures about accounting policies to provide more useful information to investors and other primary users of financial statements. The effective date of application of these amendments is 1 January 2023. The Group will apply the standard once it becomes mandatory.

- IAS 8 (Amendment) - Definition of accounting estimates: IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policies. The effective date of application of these amendments is 1 January 2023. The Group will apply the standard once it becomes mandatory, although it is not expected to have a significant impact.

- IAS 12 (Amendment) - Deferred tax related to assets and liabilities arising from a single transaction: In certain circumstances, under IAS 12, companies are exempt from recognising deferred taxes when they first recognise assets or liabilities ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which both an asset and a liability are recognised upon initial recognition. The amendment clarifies that the exemption does not apply and therefore, there is an obligation to recognise deferred taxes on such transactions. The amendment is effective for tax years beginning on or after 1 January 2023, although earlier application is permitted. No relevant impact on the Group.

The standards, interpretations and amendments that have not been adopted by the European Union and which have not been adopted in advance by the Group, but which could have an impact, are detailed below:

- Amendments to IFRS 10 and IAS 28: these amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures. The amendments only apply when an investor sells or contributes assets to its associate or joint venture. The Group does not expect the application of this standard to have any impact as the investments in associates are insignificant and no such contributions have been made to date.

- IFRS 16 (Amendment) - "Lease liability on sale and leaseback": IFRS 16 included requirements for accounting for sale and leaseback contracts at the time the transaction is completed. However, it did not specify how to account for the transaction after that date. This amendment now specifies this accounting method. The effective date of application of this amendment is 1 January 2024, although its early adoption is allowed. These amendments have not yet been approved for use in the European Union. The Group does not expect the application of these amendments to have any impact on its consolidated financial statements.

2.3 Basis of presentation of the consolidated annual accounts

These Consolidated Annual Accounts of the Group were formally prepared by the Parent's directors to present fairly the Group's consolidated equity and consolidated financial position as at 31 December 2022 and 2021, and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows of the Group for the years then ended.

The figures for 2022 are presented for comparison purposes with last financial year's figures for each item in the Annual Accounts.

These consolidated annual accounts were prepared in euros, rounding the figures off to the nearest thousand, and were prepared on a historical cost basis, except for the following assets and liabilities which were measured at fair value: derivative financial instruments, financial assets at fair value through other comprehensive income and the defined benefit plans. Inventories were measured at the lower of cost and net realisable value. For the Group's company in Argentina (Acerinox Argentina, S.A.), the rules relating to hyperinflationary economies are applied, as established in Note 14.6.

These consolidated annual accounts were prepared on the basis of the separate accounting records of the Parent and of each of the subsidiaries that make up the Acerinox Group. The consolidated annual accounts include certain adjustments and reclassifications made to unify the accounting and presentation policies applied by the Group companies with those applied by the Company. The consolidation principles applied are detailed in Note 2.5.

For the fiscal year beginning on 1 January 2022 and ending on 31 December 2022 the three German companies of the High Performance Alloys Division (VDM Metals Holding GmbH, VDM Metals GmbH and VDM Metals International GmbH) have availed themselves of the exemption permitted under section 291.1 HGB (Handelsgesetzbuch, German Commercial Law) and section 264.3 of the same Law. These exemptions free them from the obligation to present consolidated financial statements of the VDM subgroup, as they are part of a Group that consolidates and presents its financial statements, and also allow them certain simplifications in the authorisation for issue of separate financial statements.

Preparation of the consolidated annual accounts in accordance with EU-IFRS standards requires the Parent Company's directors to make certain judgements, estimates and assumptions that affect the application of the accounting policies and, therefore, the figures presented in the consolidated statement of financial position and consolidated statement of profit or loss. The estimates made are based on historical experience and other factors that are considered reasonable. The Group could revise such estimates if changes were to occur in certain events or circumstances. The areas requiring the greatest degree of judgement in applying EU-IFRSs and those involving estimates that are significant for the consolidated financial statements are disclosed in Note 3. Also, Note 4 provides qualitative and quantitative information on the risks assumed that could affect future years.

The Consolidated Annual Accounts for 2021 were approved by the shareholders at the Annual General Meeting held on 16 June 2022. The Group's Consolidated Annual Accounts for 2022 have not yet been approved by the shareholders at the Annual General Meeting. The Company's Board of Directors considers that these consolidated annual accounts will be approved by the shareholders at the Annual General Meeting without any changes.

2.4 Going concern and accrual bases of accounting

The consolidated annual accounts were prepared in accordance with the going concern basis of accounting. Revenue and expenses are recognised on an accrual basis and not on the basis of their dates of collection or payment.

2.5 Basis of consolidation

a) Subsidiaries

Subsidiaries are companies over which the Company directly or indirectly exercises control. The Company is deemed to exercise control when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Also, the Company is deemed to have power when it has existing substantive voting rights that give it the current ability to govern the financial and operating activities and policies of the subsidiary.

The financial statements of the subsidiaries are included in the annual consolidated annual accounts from the date on which the Group obtains control, and are excluded from consolidation on the date that control ceases to exist.

The Group assesses the date on which control is obtained, also taking into account the possible restrictions established in the contracts that prevent control from being obtained until circumstances that are beyond the Group's control arise, such as approval by an international body or any other condition precedent provided for in the contract.

The Group took into account potential voting rights to assess the degree of control it exercises over the Group companies.

The accounting policies of the subsidiaries were adapted to the Group's accounting policies.

All the subsidiaries that form part of the Acerinox Group and were included in the scope of consolidation at 31 December 2022 and 2021 are listed in Note 5.

b) Non-controlling interests

"Non-Controlling Interests" represents the portion of the Group's profit or loss and net assets attributable to non-controlling interests. The share of non-controlling interests both in the Group's net assets and in comprehensive income for the year are presented separately in consolidated equity, in the consolidated statement of profit or loss and in the consolidated statement of comprehensive income.

Non-controlling interests in the subsidiaries acquired are recognised at the date of acquisition at the proportionate share of the fair value of the net identifiable assets.

The profit or loss and each component of other comprehensive income are allocated to the equity attributable to shareholders of the Parent and to non-controlling interests in proportion to their relative interests, even if this results in the non-controlling interests having a deficit balance.

When the share of equity held by non-controlling interests changes, the Group adjusts the carrying amount of the controlling and non-controlling interests to reflect the changes that have arisen in its relative interests in the subsidiary. The Group recognises directly in equity the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attributes that difference to the owners of the Parent. The profit or loss attributable to the non-controlling shareholder from the date of acquisition is recognised as profit or loss attributable to non-controlling interests.

The Group assesses whether there are any clauses or financial instruments in contracts with non-controlling interests that could oblige the entity to deliver cash or another financial asset, or to settle it as if it were a financial liability, in order to determine its classification and measurement. For this purpose, all the terms and conditions agreed between the members of the Group and the holders of the instrument are considered. To the extent that there is an obligation or settlement provision, the instrument is classified as a financial liability in the consolidated financial statements.

These options are occasionally conditional on the occurrence of an uncertain future event beyond the control of both the issuer and the holder of the instrument. If, in addition, the issuer of such an instrument does not have the unconditional right to avoid delivering cash or another financial asset, it is deemed to be a financial liability of the issuer unless, inter alia, the part of the contingent settlement provision that could require settlement in cash or another financial asset is not genuine, i.e. is extremely exceptional, highly abnormal and very unlikely.

c) Associates

Associates are all entities over which the Group exercises significant influence in relation to financial and operating decisions, but over which it does not have control or joint control. In general terms, the Group is considered to exercise significant influence when it holds more than 20% of the voting power.

The financial statements of the associates are included in the consolidated financial statements using the equity method. The Group’s share of the post-acquisition profits or losses of its associates is recognised in profit or loss for each year with a credit or charge to “Share of Results of Companies Accounted for Using the Equity Method” in the consolidated statement of profit or loss.

Losses of associates attributable to the Group are limited to the value of the net investment, since the Group has not incurred legal or constructive obligations.

The Group does not have any significant investments in associates.

d) Business combinations

The Group applied IFRS 3, “Business Combinations” (revised 2008) to business combinations carried out on or after 1 January 2010.

The Group applies the acquisition method for business combinations.

The acquisition date is that on which the Group obtains control of the acquiree. The Group considers that control is obtained when the investor, due to its involvement with the acquiree, is exposed, or has rights, to variable returns and has the ability to affect those returns through its power over the investee. In an acquisition, the Group is generally deemed to have obtained control when the consideration is legally transferred and the assets and liabilities of the acquiree are acquired and assumed, respectively. However, control may be obtained at a prior date if, by means of a written agreement, a prior date of obtainment of control is envisaged. The Group considers all pertinent facts and circumstances in order to identify the acquisition date.

The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity interests issued and any contingent consideration that depends on future events or the fulfilment of certain conditions in exchange for control of the acquiree.

The consideration transferred excludes any amounts that are not part of the exchange for the acquiree. The costs associated with an acquisition are recognised as expenses on an accrual basis.

The Group recognises at their acquisition-date the fair value of assets acquired, the liabilities assumed and any non- controlling interest in the acquiree. The liabilities assumed also include contingent liabilities to the extent that they represent present obligations that arise from past events and their fair value can be measured reliably. In addition, at the acquisition date the Group recognises the indemnification assets granted by the seller following the same measurement criteria of the indemnification item of the acquired business, considering, where appropriate, the insolvency risk and any contractual limitation on the indemnified amount.

Until they are settled, cancelled or expire, contingent liabilities are measured at the higher of the amount initially recognised less the amounts that should be recognised in profit or loss in accordance with the standard on recognition of revenue from customers and the amount that would be recognised in accordance with the standard on measuring provisions.

The following are exempted from the application of the general measurement criteria: non-current assets and disposal groups classified as held for sale, long-term defined benefit obligation liabilities, share-based payment transactions, deferred tax assets and liabilities and intangible assets arising from the acquisition of previously granted rights, which shall be measured in accordance with their respective accounting policies.

The assets acquired and liabilities assumed are classified and designated for subsequent measurement on the basis of the contractual terms, economic conditions, operating and accounting policies and other pertinent conditions existing at the acquisition date, except in the case of leases in which the business acquired is the lessor, and insurance contracts.

The acquirer's application of the recognition principle and conditions may result in recognising some assets and liabilities that the acquiree had not previously recognised as assets and liabilities in its financial statements.

Any excess of the consideration transferred plus the value assigned to the non-controlling interests over the net amount of the assets acquired and the liabilities assumed is recognised as goodwill.

If the business combination can only be provisionally calculated, the identifiable net assets are initially recognised at their provisional amounts, recognising the valuation adjustments made in the measurement period as if they had been known at the acquisition date and restating, where applicable, the comparative figures for the previous year. In any event, adjustments to provisional amounts only reflect information on facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date. The measurement period will end as soon as the acquirer receives the information it was seeking about facts and circumstances that existed at the date of acquisition or concludes that no further information can be obtained. However, such measurement period shall not exceed one year from the date of acquisition.

After the measurement period ends, the initial accounting for a business combination is revised only to correct an error.

a) Balances and transactions eliminated on consolidation

Intra-Group balances and transactions, as well as unrealised gains or losses with third parties arising from such transactions, are eliminated on preparation of the consolidated annual accounts.

2.6 Translation differences

a) Functional and presentation currency

The items included in the annual accounts of each Group company are measured using the currency of the primary economic environment in which the company operates (its functional currency). The functional currency of the majority of the Group companies is the local currency, except for Bahru Stainless, NAS Canada and NAS México, the functional currency of which is the US dollar.

The consolidated annual accounts are presented in thousands of euros, since the euro is the functional and presentation currency of the Parent.

b) Foreign currency transactions, balances and cash flows

Foreign currency transactions are translated to the functional currency using the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date at the exchange rates then prevailing. Any exchange differences that arise from such translation are recognised in the consolidated statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies and recognised at historical cost are translated to the functional currency using the exchange rates prevailing at the date of the transaction. The historical cost of non-monetary assets belonging to countries considered to be hyperinflationary is remeasured at the end of each reporting period, applying a price index to express them in terms of the measuring unit current at the end of the reporting period. Section d) includes a detailed description of the measurement of line items corresponding to hyperinflationary economies.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated to the corresponding functional currency by applying the measurement date exchange rate. Exchange differences on non-monetary items measured at fair value are presented as a component of the fair value gain or loss.

In presenting the consolidated statement of cash flows, cash flows arising from transactions in a foreign currency are translated to the functional currency by applying the exchange rates prevailing at the date of the cash flow.

Exchange differences resulting from the settlement of foreign currency transactions and from translation to the functional currency of monetary assets and liabilities denominated in foreign currency are recognised in profit or loss.

c) Translation of foreign operations

For the preparation of the Group's Consolidated Financial Statements, the assets and liabilities of the companies whose functional currency is not the euro are translated to euros by applying the exchange rates prevailing at the reporting date; on the other hand, income and expenses are measured at the average exchange rate for the period. Any exchange differences arising from that measurement are recognised as a separate component of equity and of the consolidated statement of comprehensive income ("Translation Differences"). The translation differences are reclassified to profit or loss when the company that generates them ceases to form part of the Group.

The Group applied the exemption for first-time application provided for in IFRS 1 in relation to cumulative translation differences and, accordingly, the translation differences recognised in the consolidated annual accounts that were generated prior to 1 January 2004 are shown in retained earnings in reserves.

In presenting the consolidated statement of cash flows, cash flows, including the comparative balances of foreign subsidiaries, are translated to euros by applying the same criteria as those applied for the restatement of the financial statements.

d) Restatement of financial information concerning hyperinflationary economies

On 1 July 2018, Argentina was declared to be a hyperinflationary economy, as it met the classification requirements established in IAS 29. The Acerinox Group has an entity in Argentina, as detailed in Note 5.

The financial statements of an entity that reports in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the reporting date. Both the comparative figures for the previous year and the information for prior periods are restated only when they are significant for the Group, in terms of the measuring unit current at the end of the reporting period. Since most of the non-monetary items are recognised at historical cost, the restated cost of each item is determined by applying to the historical cost and to the accumulated depreciation and amortisation charge the change in a general price index from the date of acquisition until the end of the reporting period. The Group did not restate the balances for prior years since the impact is not significant.

At the beginning of the first period of application of this standard, the components of owners' equity, except retained earnings and asset revaluation surpluses, shall be restated by applying a general price index to the various items from the dates on which they were contributed or from the date on which they otherwise arose. The restated retained earnings shall arise from the remaining amounts in the consolidated statement of financial position. At the end of the first period and in subsequent periods, all the components of equity shall be restated by applying a general price index from the beginning of the period, or from the contribution date, if later.

All the items in the statement of comprehensive income shall be stated in the monetary unit current at the end of the reporting period. For this purpose, all the amounts shall be restated to reflect the change in the general price index from the date on which the income and expenses were included in the financial statements.

Gains or losses arising from the net currency position shall be included in profit or loss for the year.

Note 14.6 includes the impacts of the measurement of the financial statements of Acerinox Argentina pursuant to this standard both in 2022 and 2021.

2.7 Intangible assets

The Group recognises an intangible asset only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably.

The Group recognises all the intangible assets identified in a business combination separately from goodwill, irrespective of whether the acquiree had recognised the asset prior to the business combination occurring.

Intangible assets are initially recognised at cost. The cost of intangible assets acquired in a business combination is equal to the acquisition-date fair value. The fair value of an intangible asset will reflect the expectations of the market participants at the acquisition date about the probability that the expected future economic benefits embodied in the asset will flow to the entity.

a) Goodwill

Business combinations are accounted for using the acquisition method. Goodwill represents the excess of the cost of acquisition of the Group's interest over the fair value of the identifiable net assets of the acquiree at the acquisition date (assets, liabilities and contingent liabilities).

In the case of the Acerinox Group, the goodwill recognised in the consolidated financial statements includes mainly the goodwill that arose in 2020 on acquisition of all the shares of VDM Metals holding, GmbH.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but rather is assessed annually (or more frequently if events indicating a potential impairment loss on the asset are identified) for impairment, pursuant to IAS 36. Accordingly, goodwill is allocated to each of the cash-generating units of the company to which the economic benefits of the business combination synergies are expected to flow. (See Note 2.11). If the recoverable amount of the cash-generating unit is lower than the carrying amount of the goodwill, the corresponding impairment loss shall be recognised. The recoverable amount of the cash- generating units to which the Group's goodwill is allocated is determined based on calculations of their value in use. (See Note 2.11).

Gains from a bargain purchase arising from a business combination are recognised directly in profit or loss, once the assets, liabilities and contingent liabilities of the acquiree have been remeasured, as established in the standard.

Internally generated goodwill is not recognised as an asset.

b) Internally generated intangible assets

Research expenditure aimed at acquiring new scientific or technical knowledge is recognised as an expense in the consolidated statement of profit or loss when incurred.

Development expenditure relating to research findings applied to produce new products and processes, or to significantly improve existing products and processes, is capitalised if the product or process is considered technically and commercially feasible, if the Group has the resources required to complete the development programme and if it is considered that it will generate future cash flows that will enable its recovery.

Development expenditure is capitalised by crediting "In-house Work on Non-Current Assets" in the consolidated statement of profit or loss. The capitalised costs include the cost of materials, direct labour and directly attributable general expenses.

The Group does not capitalise development expenditure in cases in which, following the start-up of the project, the future cash flows of the projects obtained through research and development activities are not monitored.

The costs incurred in performing activities for which the costs attributable to the research phase cannot be clearly distinguished from those corresponding to the intangible asset development phase are recognised in the consolidated statement of profit or loss.

Capitalised development expenditure is not amortised when the project is under way. Once these projects have been successfully concluded, the expenditure is amortised systematically over their estimated useful lives. In the event that the circumstances that permitted capitalisation of the project expenditure change, the portion not yet amortised is taken to profit or loss in the year of the change in circumstances.

The findings of the R&D+i activities are patented in some cases, especially in the Group's new division dedicated to the manufacture of high-performance alloys.

As a result of the business combination carried out through the acquisition of VDM Group, the Group recognised an asset for the fair value of some of the high-performance alloy patents held by the VDM Group at the acquisition date and which were expected to generate economic benefits in the coming years. The fair value was estimated using the relief from royalty (RFR) method.

c) Customer portfolio

As part of the business combination with the acquisition of the VDM Group, the Group recognised an intangible asset arising from the acquired company's customer portfolio.

The Group considers that the relationship with customers arising from a business combination is an identifiable asset provided that it arises from contractual or other legal rights, the rights are separable and they are expected to generate future economic benefits. It is an asset with a finite useful life.

VDM has a long history of enduring relationships with customers, which are formalised through agreements.

The multi-period excess earnings method was used to measure this group of intangible assets.

d) Computer software

Acquired licenses for computer software are capitalised based on the costs incurred to acquire them and prepare them for use of the specific software.

Computer software development and maintenance costs are recognised as such on an accrual basis.

Costs directly related to the production of unique and identifiable computer software by the Group, provided that they are likely to generate economic benefits exceeding those costs over more than one year, are recognised as intangible assets. The capitalised costs include direct labour and directly attributable general expenses.

e) Depreciation and amortisation

Intangible assets with finite useful lives are amortised systematically over the years of their useful life. Intangible assets are amortised from the date on which they become ready for use.

The estimated useful lives are as follows:

- Intellectual property: 5 years
- Patents: 14 years
- Customer portfolio: 15 years
- Computer software: 2-5 years

The Group does not have any intangible assets with an indefinite useful life.

The residual value, the depreciation method and the useful life of the assets are reviewed, and adjusted if necessary, at each reporting date. Changes in the criteria initially established are accounted for as a change in estimate.

2.8 Property, plant and equipment

a) Owned assets

Property, plant and equipment are stated at cost or deemed cost less any accumulated depreciation and any recognised impairment losses. Property, plant and equipment acquired in business combinations are recognised at acquisition-date fair value.

In the event that an item of property, plant and equipment requires a period of time to get ready for its intended use, it is classified as property, plant and equipment in the course of construction. An asset is considered to be ready for its intended use when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Once in use, it is reclassified to the corresponding category of property, plant and equipment, depending on its nature.

The cost of the property, plant and equipment constructed by the Group is determined by following the same principles that would be used had it been acquired, also taking into account the criteria established for the production cost of inventories. The production cost is capitalised by crediting the costs attributable to the asset to accounts under "In-house Work on Non-Current Assets" in the consolidated statement of profit or loss.

Borrowing costs arising from loans directly related to financing the construction of items of property, plant and equipment are capitalised as a portion of the cost until the start-up of the asset. Also, the Group capitalises certain borrowing costs corresponding to loans that are not directly earmarked for the financing of investments, applying a capitalisation rate to the amounts used to finance these assets. This capitalisation rate is calculated based on the weighted average of the borrowing costs applicable to loans received by the entity which differ from those specifically designated to finance the asset. The amount of the capitalised costs does not in any case exceed the total amount of borrowing costs incurred in the period.

The cost of property, plant and equipment includes the costs related to major repairs, which are capitalised and depreciated over the estimated period until the next major repair.

After initial recognition of the asset and once it is ready for use, only the costs incurred for improvements that it is probable will give rise to future economic benefits and that can be measured reliably are capitalised. In this connection, the costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as they are incurred.

The Group classifies spare parts as inventories, unless they are expected to be used for more than one year, in which case they are classified as property, plant and equipment and are depreciated over their useful life. Once a spare part has been used to replace a damaged part, it is written off at its carrying amount. Property, plant and equipment spare parts are classified under "Plant and Machinery" in the breakdown of property, plant and equipment in Note 8.

Gains or losses on the sale or disposal of property, plant and equipment are recognised in profit or loss as operating income or expenses.

b) Depreciation and amortisation

Items of property, plant and equipment are depreciated systematically on a straight-line basis over the years of their useful life. For these purposes, depreciable amount is understood to be acquisition or deemed cost less residual value. The Group calculates the depreciation charge separately for each part of an item of property, plant and equipment whose cost is significant in relation to the total cost of the item.

The residual value, the depreciation method and the useful life of the assets are reviewed, and adjusted if necessary, at each reporting date. Changes in the criteria initially established are accounted for as a change in estimate.

Land is not depreciated, unless it is acquired in usufruct for a certain number of years, in which case it is depreciated over the term of the usufruct.

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

- Buildings: 10-50
- Plant and machinery: 3-30
- Other items of property, plant and equipment: 2-10

2.9 Investment property

Investment property is considered to consist of the buildings owned by the Group that are not occupied by it and are held to earn returns, either through rental or for capital appreciation.

The Group only transfers items between "Property, Plant and Equipment" and "Investment Property" when a change in the use of the property occurs.

Investment property is initially recognised at cost, including transaction costs. After initial recognition, the Company applies the same requirements established for property, plant and equipment.

Lease income is recognised as indicated in Note 2.20-b.

2.10 Right-of-use assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration.

When the Group acts as lessee, it recognises in the consolidated statement of financial position the assets and liabilities arising from the lease (except in the case of short-term leases and leases for which the underlying asset is of low value). The Group measures the right-of-use asset at cost, corresponding to the present value of the lease payments expected to be made over the lease term.

In order to determine the lease payments, the Group takes into account:

a) fixed payments, less any lease incentives receivable;
b) variable lease payments that depend on an index or a rate;
c) the amounts expected to be payable by the lessee under residual value guarantees;
d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Group measures lease liabilities at the present value of the total remaining lease payments, discounted using either the interest rate implicit in the lease, if that rate can be readily determined, or the lessee's incremental borrowing rate, for cases in which the rate is not established in the lease.

The Group considers the lease term to be the non-revocable period of a lease, plus the periods covered by the option to extend the lease, if the lessee is reasonably certain to exercise that option.

In determining the term of the lease and assessing the length of the non-revocable period of a lease, an entity applies the definition of a contract and determines the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party.

After the commencement date, the Group measures the asset at its initial cost less accumulated depreciation and any accumulated impairment losses, adjusted to reflect any remeasurement of the lease liability.

Also, after the commencement date the Group measures the lease liability at amortised cost using the effective interest method. Whenever there are changes in contracts, the lessee shall remeasure the lease liability in order to reflect the new lease payments. The amount of the remeasurement of the lease liability shall be recognised as an adjustment to the right-of-use asset.

In the case of short-term leases and leases for which the underlying asset is of low value, the Group recognises the lease payments as expenses on a straight-line basis over the lease term.

Note 10 includes detailed information on the right-of-use assets and lease liabilities recognised by the Group.

2.11 Impairment of non-financial assets

The carrying amount of the Group's non-financial assets other than inventories and deferred tax assets is reviewed at the end of each reporting period in order to assess whether any indication of impairment thereof exists. If such an indication exists, the Company estimates the recoverable amount of the asset.

The Group considers that indications of impairment exist when there is/are a significant decrease in the value of the asset, significant changes in the legal, economic or technological environment that could affect the measurement of assets, obsolescence or physical impairment, idle assets, low returns on assets, discontinuation or restructuring plans, repeated losses at the entity or substantial deviation from the estimates made. That is to say, the assessment of the existence of indications of impairment takes into account both external sources of information (technological changes, significant variations in market interest rates, market values of assets, etc.) and internal sources (evidence of obsolescence, etc.).

As established in Note 2.7, the recoverable amount of goodwill, which is not amortised, and of intangible assets not yet available for use is estimated at the end of each reporting period, unless prior to this date indications of a possible loss of value had been identified, in which case the assets would be tested for impairment.

Impairment losses on an asset are recognised whenever the carrying amount of the asset, or of the corresponding cash-generating unit, exceeds its recoverable amount. Impairment losses on an asset are recognised as an expense in the consolidated statement of profit or loss.

The recoverable amount of an asset is the higher of fair value less costs of disposal and value in use.

In order to determine the fair value, the Group may hire an independent expert.

Value in use is the present value of estimated cash flows, applying a discount rate that reflects the present market valuation of the time value of money and the specific risks of the asset in question. For assets that do not generate cash inflows themselves, the recoverable amount is calculated based on the cash-generating unit to which the asset belongs, considered as the smallest identifiable group of assets capable of generating cash inflows for the entity that are largely independent of the cash inflows from other assets or groups of assets.

In estimating the value in use of an asset, the Group takes into account the estimated future cash flows that the entity expects to obtain from the asset, expectations regarding possible variations in the amount or timing of those future cash flows, the time value of money and the risks inherent in the asset in question and any other factors that any other market participant would reflect in pricing the future cash flows derived from the asset.

The effects of uncertainties in estimating the asset's value in use may be reflected as adjustments to future cash flows or as adjustments to the discount rate, with the result being a weighted average of all possible outcomes.

In determining value in use, the Group bases its cash flow projections on reasonable and well-founded assumptions that represent management's best estimates of the set of economic conditions that will prevail over the remaining life of the asset, giving greater weight to external evidence. Also, these cash flow projections are based on the budgets most recently approved by management. These projections generally cover a maximum period of five years, unless a longer time period can be justified.

The Group estimates cash flow projections beyond the period covered by the budgets, extrapolating such projections using a constant growth rate which does not exceed the average long-term growth rate of the stainless steel industry, or the rate of the country or countries in which the entity operates.

Management assesses the reasonableness of the assumptions on which its current cash flow projections are based by examining the causes of differences between past and current cash flow projections, ensuring that the assumptions on which its current cash flow projections are based are consistent with actual past performance, and considering that the effects of subsequent events or circumstances that did not exist when those actual cash flows were generated justify those differences.

Notes 7.1 and 8.1 detail the variables and assumptions used by the Group to calculate recoverable amounts and identify the cash-generating units.

Except in the case of goodwill, impairment losses on an asset which were recognised in prior years are reversed through profit or loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the most recent impairment loss was recognised. However, the new carrying amount may not exceed the carrying amount (net of depreciation and amortisation) that would have been determined had no impairment loss been recognised.

2.12 Financial instruments

The Group recognises a financial asset or financial liability in its consolidated statement of financial position when, and only when, it becomes a party to the contractual terms and conditions of the instrument in question.

2.12.1 Classification

The Group classifies financial assets on the basis of their measurement either at amortised cost or at fair value through profit or loss or other comprehensive income. The basis for classification depends on the entity's business model and the characteristics of the financial asset's contractual cash flows.

Financial liabilities are classified on the basis of their measurement. In general terms, they are classified as being measured at amortised cost, except for financial liabilities measured at fair value through profit or loss or other comprehensive income.

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

2.12.2 Financial assets

A financial asset is any contractual right to receive cash or another financial asset.

Financial assets are initially recognised at fair value plus the transaction costs that are directly attributable to their acquisition or issue.

They are subsequently measured on the basis of each of the categories in which they have been classified:

a) Financial assets at fair value through profit or loss

The Group includes derivative financial instruments in this category, unless they are designated as hedge accounting instruments and meet the effectiveness conditions to be accounted for as such.

The derivative financial instruments included in this category are classified as current assets and are measured at fair value. Transaction costs that are directly attributable to the acquisition are recognised as an expense in profit or loss.

The changes in fair value are recognised in profit or loss. The fair value of financial instruments used to hedge items classified in financial profit or loss (mainly exchange differences) is recognised under "Remeasurement of Financial Instruments at Fair Value". However, for derivatives used to hedge the prices of raw materials used by the Company in the production cycle or earmarked for sale and which are not designated as hedges for accounting purposes, such changes are recognised under "Other Operating Income" or "Other Operating Expenses", depending on whether the measurement gives rise to a gain or a loss.

b) Financial assets at amortised cost

This category includes non-derivative financial assets with fixed or determinable payments which are not traded in an active market. Specifically, it includes loans granted and accounts receivable. They are classified as non-current only when they mature after more than 12 months from the reporting date. They are initially recognised at fair value which, in the absence of evidence to the contrary, is the transaction price plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method, except for accounts receivable measured at their transaction price as they do not have a significant financial component, they are expected to be received in the short-term and the effect of not discounting the related cash flows is not significant.

The Group makes the required valuation adjustments in accordance with the expected credit loss model, which takes into account historical claims incurred and other external factors. The impairment losses are calculated as the difference between the carrying amount of the aforementioned assets and the present value of the estimated future cash flows that they are expected to generate, discounted at the effective interest rate calculated upon initial recognition. These losses are recognised as an expense in the consolidated statement of profit or loss and are reversed with the recognition of income in profit or loss when the causes of their original recognition cease to exist.

The impairment loss model used by the Group is based on a historical analysis of the average credit losses at each of the subsidiaries and on the claims incurred under the credit insurance policies taken out, taking into account any non-recoverable amount (maximum coverage of 85%-95% and deductibles), and any post-claim recoveries, whether from the insurance company or the customers themselves. These estimates are reviewed within the Group's credit risk control system (Commercial, Financial and Commercial Risk Departments, the Risk Committee and the Corporate Risk Management Department), which continuously monitors the particular markets of each subsidiary, receives the input of specialists from insurance companies and reviews future estimates from international organisations of renowned prestige (IMF, OECD, etc.), also taking into account the macroeconomic estimates of each country. The Group takes into account and monitors significant changes in credit risk that may arise during the terms of the loans.

Amounts relating to discounted notes and bills and factoring of trade receivables are classified until maturity as trade receivables and, simultaneously, as current bank borrowings, unless substantially all the risks and rewards associated with those assets have been transferred, in which case they are derecognised.

The Group considers that it has transferred a financial asset when it has transferred the rights to receive the cash flows from the asset, or when it has retained the rights but has assumed the contractual obligation to pay those assets to another entity. In this case, the Group also considers the various additional conditions established in the standard (it has no obligation to pay any amount to another entity, unless it receives the cash flows derived from the financial asset; it cannot sell or offer the transferred financial assets as collateral; and it has an obligation to pay the cash flows received without significant delay). Also, if the Group does not retain the risks and rewards associated with those assets, it derecognises them.

Most of the factoring arrangements entered into by the Group meet this definition and, therefore, are derecognised from the consolidated statement of financial position.

c) Financial assets at fair value through other comprehensive income

This category includes the Group's ownership interests in the share capital of other companies over which it does not have control or exercise significant influence, and which it does not hold for trading.

These assets are generally classified as assets measured at fair value through profit or loss; however, the Group availed itself of the irrevocable option permitted by the standard to choose, on initial recognition, to present subsequent changes in fair value in other comprehensive income, since these assets are not held for trading.

They are initially recognised at fair value which, unless there is evidence to the contrary, is the transaction price plus any directly attributable transaction costs.

These assets are subsequently measured at fair value, provided that this can be measured reliably, recognising the gain or loss in other comprehensive income.

The fair value of listed securities is determined by reference to the share price. The fair value of financial assets not listed on an organised market is calculated by discounting future cash flows.

Ownership interests in the share capital of companies included in this category and whose market value cannot be measured reliably are measured at acquisition cost less any impairment losses.

Acquisitions and disposals of investments are recognised at the date on which the Group undertakes to acquire or sell the asset. Investments are derecognised when the rights to the cash flows from the investments expire or have been transferred and the Group has transferred substantially all the risks and rewards of their ownership.

The difference between the selling price and the fair value of financial assets at fair value through other comprehensive income is recognised in other comprehensive income.

2.12.3 Financial liabilities

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

a) Financial liabilities at amortised cost

This category includes the accounts payable and bonds issued by the Group.

It includes non-derivative financial liabilities with fixed or determinable payments. They are initially recognised at cost, which matches their fair value, less any transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Any difference between the amount paid (net of transaction costs) and the repayment value is recognised in profit or loss. However, trade payables maturing within one year which do not have a contractual interest rate and are expected to be paid at short-term are stated at their nominal value.

The Group derecognises a financial liability when the obligation specified in the contract is either discharged or cancelled or expires.

When debt is refinanced, the Company assesses the significance of the modifications made to determine whether they are substantially different and, therefore, recognises the effects of the new agreement as if it were an extinguishment and, simultaneously, the recognition of a new loan. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, qualitative factors will be taken into account in the evaluation, such as the change in the interest rate from variable to fixed or the change in currency. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Also, the Group has entered into reverse factoring arrangements with various financial institutions in order to manage payments to suppliers. Trade payables payment of which is managed by the banks are recognised under "Trade and Other Payables" until the related obligation is discharged or cancelled or expires.

b) Financial liabilities at fair value through profit or loss

The Group includes derivative financial instruments in this category, provided that they are not financial guarantee contracts or designated as hedging instruments.

They are measured at fair value. The amount of the change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income. The remaining amount of the change in the fair value of the liability shall be presented in profit or loss, unless such treatment would create an accounting mismatch in profit or loss, in which case the entire fair value change shall be recognised in profit or loss.

The fair value of financial instruments used to hedge items classified in financial profit or loss (exchange differences and interest) is recognised under "Remeasurement of Financial Instruments at Fair Value". However, for derivatives used to hedge the prices of raw materials used by the Company in the production cycle or earmarked for sale and which are not designated as hedges for accounting purposes, such changes are recognised under "Other Operating Income" or "Other Operating Expenses", depending on whether the measurement gives rise to a gain or a loss.

At the Acerinox Group, derivative financial instruments are generally used on a short-term basis and, therefore, the change attributable to the credit risk is not significant.

2.12.4 Hedge accounting

The aim of hedge accounting is to represent in the financial statements the effect of the Group's risk management activities in which derivative financial instruments are used to hedge exposure to certain risks that might affect the statement of profit or loss. A hedging relationship qualifies for hedge accounting under IFRS 9 only if the following criteria are met:

(a) The hedging relationship consists only of eligible hedging instruments and eligible hedged items.
(b) At the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.
(c) The hedging relationship meets the following hedge effectiveness requirements:

i. There is an economic relationship between the hedged item and the hedging instrument.
ii. The credit risk does not dominate the value changes resulting from that economic relationship.
iii. The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

At the inception of the hedge, the Group designates and formally documents the hedging relationship and the objective and strategy for undertaking the hedge.

Derivative financial instruments are initially recognised at acquisition cost, which matches fair value, and are subsequently measured at fair value.

Derivative financial instruments that do not qualify for hedge accounting are classified and measured as financial assets or liabilities at fair value through profit or loss. Derivative financial instruments that qualify for cash flow hedge accounting are treated as cash flow hedges and, therefore, the unrealised gain or loss arising from them is accounted for based on the type of item covered. Also, the effective portion of the realised gain or loss on the derivative financial instrument is initially recognised in the consolidated statement of comprehensive income and is subsequently recognised in profit or loss in the year or years in which the hedged transaction affects profit or loss.

The Group prospectively discontinues hedge accounting when the hedging instrument expires, is sold or the hedge no longer meets the criteria for hedge accounting. In such cases, the cumulative gain or loss recognised in equity is recognised in profit or loss.
The Group only undertakes cash flow hedges.

2.12.5 Fair value measurement

Financial instruments recognised at fair value are classified, based on the valuation inputs, in the following hierarchies:

LEVEL 1: includes financial instruments the fair value of which is determined by reference to quoted prices in active markets.
LEVEL 2: includes financial instruments the fair value of which is determined by reference to variables, other than quoted prices, observable in the market.
LEVEL 3: includes financial instruments the value of which is determined by reference to variables that are not observable in the market.

2.13 Inventories

Inventories are initially recognised at acquisition or production cost. Subsequently, when the net realisable value of inventories is lower than their acquisition or production cost, the appropriate write-downs are made, with the related effect recognised in profit or loss.

The Group uses the same cost formula for all inventories that have the same nature and a similar use within the Group. They are measured using the weighted average cost formula.

Finished goods and work in progress are measured at the weighted average cost of raw and other materials consumed, incorporating the attributable portion of direct and indirect labour and general manufacturing costs based on the higher of normal production capacity or actual production. The Group does not include the cost of underutilisation of production capacity in the value of finished goods and work in progress.

Net realisable value is the expected selling price of those goods less costs to sell. In the case of work in progress, the estimated costs of completion are also deducted from this price.

The Group does not write down raw materials if the finished products in which they will be incorporated are expected to be disposed of at or above production cost.

Any write-downs that reduce inventories to their net realisable value are reversed, up to the cost of the inventories, if the circumstances that gave rise to the write-downs cease to exist.

2.13.1 Emission allowances

The Group recognises CO_2 emission allowances as inventories.

CO_2 emission allowances are measured at acquisition cost. Freely allocated emission allowances are initially recognised at their market value on surrender. Simultaneously, a balancing entry for a grant is recognised for the same amount under "Deferred Income".

Emission allowances remain classified as inventories until surrendered.

At the end of each reporting period the Group assesses whether the market value of the allowances is lower than their carrying amount in order to determine whether there are any indications of impairment. If such indications exist, the Group determines whether the allowances will be used in the production process or earmarked for sale, and only in the second case shall the appropriate write-downs be recognised. These write-downs are reversed when the causes that gave rise to the write-down of the emission allowances cease to exist.

A provision for contingencies and charges is recognised for expenses relating to greenhouse gas emissions. This provision is maintained until the Group is required to discharge this obligation by surrendering the corresponding emission allowances. These expenses are incurred as the greenhouse gases are emitted.

In the case of freely allocated emission allowances, at the same time as the expense is recognised, the corresponding part of the deferred income account is cancelled, using an operating income account as the balancing entry.

In the case of exchanges of emission allowances, and since the Group's allowances were all freely acquired, the accounting treatment adopted by the Group is that applied to exchanges that lack commercial substance. The Group derecognises allowances surrendered at their carrying amount, and the amount received is recognised at fair value on surrender. The difference between the two values is recognised under "Deferred Income".

Note 11, Inventories, includes detailed information on the emission allowances allocated and used in 2022 and 2021.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits at banks and other short-term, highly liquid investments, provided that they are readily convertible to cash and are subject to an insignificant risk of changes in value.

In the consolidated statement of cash flows, the Group classifies interest received and paid as cash flows from operating activities, dividends received as cash flows from investing activities and dividends paid as cash flows from financing activities.

2.15 Grants

2.15.1 Grants related to assets

Grants related to assets are grants received by the Group for the acquisition of property, plant and equipment and intangible assets. They are recognised under "Deferred Income" in the consolidated statement of financial position. They are initially recognised at the original amount awarded, provided that there is reasonable assurance that the grants will be received and the Group fulfils all the conditions attaching to them. They are subsequently taken to profit or loss on a straight-line basis over the useful lives of the related assets financed by the grants.

2.15.2 Grants related to income

Grants related to income are grants received to finance specific expenses. They are recognised as income as the expenses are incurred. Grants relating to the free allocation of CO_2 emission allowances are credited to profit or loss when the related greenhouse gas emission expense is recognised.

In recent financial years, as a result of the pandemic, numerous countries introduced aid packages in an attempt to alleviate the effects of the crisis on production activity and protect workers. In many cases, the measures implemented included social security payment exemptions. Any state aid resulting from the pandemic, whether in the form of direct payments, subsidies or temporary reductions in social security or other tax payments, was recognised as income from grants in the year in which it was granted.

2.16 Employee benefits

Employee compensation may include the following:

- Short-term compensation: that which is expected to be paid in full within twelve months from the end of the reporting period in which the employees rendered their services. They are recognised as expenses in the year in which the service is rendered. They include wages and salaries, social security contributions, paid annual leave and sick leave, profit sharing and incentive or non-monetary compensation.
- Post-employment benefits, such as retirement benefits or any other form of compensation to employees upon termination of their employment.
- Other long-term employee benefits such as length of service awards
- Severance indemnities
- Pension benefits
- Share-based payment transactions

Certain Group companies have the following long-term obligations to their employees:

a) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to the services rendered in the current and prior periods.

Certain Group companies make mandatory, voluntary or contractual pension plan and life insurance policy contributions. Once the contributions have been paid, the Group does not have additional payment obligations. The contributions are classified as employee benefits and are recognised in profit or loss on an accrual basis. The benefits paid in advance are recognised as an asset to the extent that they may give rise to a cash refund or a reduction in future payments. No provisions are recognised for the defined contribution plans, since they do not give rise to future obligations for the Group.

b) Defined benefit plans and other obligations

A defined benefit plan is an obligation acquired by the Company to its employees to remunerate services rendered. These obligations are established in accordance with the local legislation in certain countries or contracts signed to that effect, or are included in collective bargaining agreements prevailing at certain Group companies.

Accrued obligations are calculated as the present value of the accumulated benefits accrued by the employees until the reporting date, using actuarial assumptions. The calculations are made by independent experts. The Group companies recognise any corresponding provisions to cover these obligations.

The existing obligations may be classified as follows:

- Pension plans: certain Group companies have acquired obligations to certain of their employees when they reach retirement age.
- Early retirement benefits: certain Group companies are required to pay benefits to some of their employees if they opt to take early retirement.
- Supplements: these plans relate to obligations agreed upon with certain Group employees to supplement their remuneration on retirement.
- Other post-employment obligations: certain Group companies offer medical care to their retired former employees. The right to benefits of this nature is usually conditional upon the employee remaining at the Group until retirement and for a specified minimum number of years. The expected expenditure relating to these benefits is accrued over the employees' working lives.

The Group meets the obligations relating to the outsourcing of these commitments in the countries where this is applicable.

The defined benefit liability recognised in the consolidated statement of financial position corresponds to the present value of the defined benefit obligations existing at the reporting date less the fair value of the plan assets at that date. The Group recognises changes in the actuarial valuation of the obligations in other comprehensive income.

Where plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of the insurance policies is considered equal to the present value of the related payment obligations and, accordingly, the Group nets the two positions in the consolidated statement of financial position.

The actuarial value of both the post-employment obligations and the pension benefits that have not been outsourced is calculated by an independent expert. The measurement is performed using the projected unit credit method, taking into account mortality tables, interest rates, discount rates, expected future salary increases and growth rates. In the case of post-employment obligations, estimates of future increases in healthcare expenses are also taken into account.

The Group recognises as an expense for the year the cost of services rendered, which corresponds to the increase in the present value of the defined benefit obligation resulting from the provision of services by the employee in the current year.

In addition, the Group recognises as an expense the net interest on the defined benefit obligation, which corresponds to the change during the year in the defined benefit obligation resulting from the passage of time.

c) Termination benefits

Termination benefits are recognised as staff costs only when the Group is demonstrably committed to severing its link to an employee or group of employees prior to the normal retirement date.

d) Share-based payment transactions

The Group applies IFRS 2, Share-based Payment, to equity-settled transactions in which the entity receives goods or services in exchange for shares of the Parent.

In accordance with the terms of the share-based payment plans approved by the Group, the equity instruments granted do not vest immediately, and do so when a certain service period is completed, so the Group recognises the services received on a straight-line basis over the period in which the rights to receive such shares vest, recognising at the same time the corresponding increase in equity.

The Group measures the goods or services received, as well as the corresponding increase in equity, at the fair value of the equity instruments granted, at the grant date. Fair value is determined by the market price of the entity's shares adjusted to take into account the terms and conditions on which those shares were granted (except for vesting conditions, other than market conditions, which are excluded from the determination of fair value). The Group uses the appraisal of an independent expert, who uses the Monte Carlo method for this valuation.

When the obligation to deliver its own equity instruments is to the employees of a subsidiary, the events must be qualified as a "contribution", in which case the Parent shall recognise an increase in the value of its interest in the subsidiary, with a credit to its own equity instruments, and measure it at the fair value of the equity instruments transferred at the grant date.

Upon delivery of the shares, the accounting difference between the equity item cancelled and the treasury shares delivered is recognised with a charge to the Parent's reserves.

2.17 Provisions

The Group recognises a provision when:

(i) it has a present obligation, whether legal or constructive, as a result of past events;
(ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and
(iii) the amount can be estimated reliably.

The amounts recognised in the consolidated statement of financial position correspond to the best estimate at the reporting date of the disbursements required to discharge the present obligation, after taking into account the risks and uncertainties relating to the provision and, where significant, the interest cost arising from discounting, provided that the disbursements that are to be made in each period can be reliably estimated. If discount rates are used, the increase in the provision as a result of the time elapsed is recognised as financial expense for the year.

2.18 Current/Non-current assets and liabilities classification

In the consolidated statement of financial position the Group classifies assets and liabilities as current and non- current items. For such purpose, assets and liabilities are considered to be current when they are expected to be realised or settled within 12 months after the reporting date, or when they are cash or cash equivalents.

2.19 Income tax

The income tax expense comprises current tax and deferred tax.

Current tax is the tax expected to be paid in respect of the consolidated taxable profit or tax loss for the year, using tax rates enacted at the consolidated statement of financial position date and applicable to the current year. Current tax also includes any adjustment to the tax payable or receivable for prior years.

Deferred taxes are calculated using the balance sheet liability method based on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts in the consolidated annual accounts. Deferred taxes are determined by applying the tax rates (and laws) enacted, or substantively enacted, at the consolidated statement of financial position date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The effect of a change in the tax rate on the deferred tax assets and liabilities is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to the consolidated statement of comprehensive income.

Deferred tax liabilities are always recognised. Deferred tax assets are recognised to the extent that it is considered probable that taxable profits or deferred tax liabilities will arise in the future against which the temporary differences can be offset.

The Group recognises in the consolidated statement of financial position the deferred tax assets arising from tax loss or tax credit carryforwards, provided that they are recoverable in a reasonable period of time, also taking into account the legally established limits for their use. The Group considered a period of ten years to be reasonable if permitted by tax legislation. For this purpose, the Group performs future earnings projections approved by management, which take into account present macroeconomic and market circumstances, and adjusts these projections based on current tax legislation in order to determine the taxable profit or tax loss.

Deferred tax assets are reduced when it is no longer considered probable that sufficient future taxable income will be generated or there are no deferred tax liabilities against which the assets can be offset. Reductions are reversed if there is renewed expectation that sufficient taxable income will be available against which the derecognised balance can be utilised. Both the deferred tax asset reduction and its subsequent reversal are recognised as an increase or decrease in the tax expense, respectively, in profit or loss in the year in which they arise.

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right to do so, the assets and liabilities correspond to the same tax authority and the Group plans to realise current tax assets or settle current tax liabilities on a net basis.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or non-current liabilities, irrespective of the expected date of realisation or settlement.

When tax audits result in a tax deficiency to be settled, the Group generally recognises such amounts as a current expense for the amount payable, and a deferred tax expense for the change in assets or liabilities arising from temporary differences resulting from the related tax assessment. If the amount payable is contested and the Group decides to file an appeal against the tax assessment, and furthermore considers that a favourable outcome for the Group is highly probable, it recognises an asset for the amounts previously paid and which it estimates will be recovered.

Certain companies forming part of the consolidated Group have reserves which could be taxable if distributed, since certain legislation envisages withholdings at source that affect the payment of dividends. The Group recognises the tax effect in this connection whenever it considers that the reserves will have to be distributed in the foreseeable future, which will give rise to the reversal of the temporary difference. That is to say, the Parent shall not recognise a deferred tax liability when it considers that such reserves will not be distributed in the foreseeable future. The Group shall also reverse the temporary difference, against profit or loss for the year, when legislative changes eliminate or reduce the tax liability relating to those reserves.

The Company has been taxed under the consolidated tax regime since 1998. As agreed by the shareholders at the Annual General Meeting held on 28 May 2003, Acerinox, S.A. and certain of the subsidiaries with registered office in Spain form part of a consolidated tax group on an indefinite basis, with the exception of Metalinox Bilbao, S.A.U. and Inoxidables de Euskadi, S.A.U., which file tax returns separately. At 31 December 2022 and 2021, the consolidated tax group was made up of: Acerinox, S.A., Acerinox Europa, S.A.U., Roldan, S.A., Inoxfil, S.A., Inoxcenter, S.L.U. and Inoxcenter Canarias, S.A.U. As a result of the consolidated tax regime, reciprocal receivables and payables between Group companies arise, due to the offset of tax bases between them.

2.20 Revenue

Revenue is an increase in economic benefits during the year in the form of additions or increases in the value of assets or decreases in liabilities that result in an increase in equity and are not related to owners' contributions.

Revenue depicts the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of the good or service sold, i.e. when the customer has the ability to direct the use of, and obtain substantially all of the benefits from the good or service.

The Group takes into consideration the five-step model to determine when, and for what amounts, revenue should be recognised.

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

A contract is an agreement between two or more parties that creates enforceable rights and obligations. A contract does not exist if each party to the contract has the unilateral enforceable right to terminate an unperformed contract without compensating the other party (or parties).

The main types of the Group's revenue and other income are as follows:

a) Sales and services

Revenue from the sale of goods is recognised in the consolidated statement of profit or loss when control of the goods is transferred to the buyer. No revenue is recognised if significant doubts exist in relation to the recovery of the amount owed or the possible return of the goods. Sales revenue is recognised at the transaction price, which is the amount of consideration to which the entity expects to be entitled in exchange for transferring the goods or services promised to a customer, excluding amounts collected on behalf of third parties.

A contract is an agreement between two or more parties that creates enforceable rights and obligations. A contract does not exist if each party to the contract has the unilateral enforceable right to terminate a contract without compensating the other party (or parties). The stainless steel sales process is performed through sales orders. From this perspective, the orders arranged by the Group with customers do not give rise to a right or obligation enforceable in advance, since the parties are entitled to unilaterally terminate an unperformed contract without compensating the other party until such time as the goods are delivered. Therefore, no obligation arises until the goods are delivered.

Depending on the commercial terms and conditions of sale, the control and risk of the goods may be transferred when the materials are shipped from the Group's facilities or when they are delivered to the customer. The Group takes into account these terms and conditions of sale to determine the timing of revenue recognition. Revenue from the sale of goods is recognised in profit or loss when control over the goods is transferred to the buyer.

The Group considers all of the following factors when determining the transaction price:

(a) variable consideration;
(b) constraining estimates of variable consideration;
(c) the existence of a significant financing component in the contract;
(d) non-cash consideration; and
(e) consideration payable to the customer.

Revenue is recognised net of taxes, returns and discounts that the Group considers probable at the date the revenue is recognised, and after the elimination of intra-Group sales.

b) Lease income

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

c) Dividend income

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

2.21 Environment

The Group carries out actions the main objective of which is to prevent, reduce or repair the damage that might be caused to the environment as a result of its business activities.

Expenses arising from environmental activities are recognised as expenses in the year in which they are incurred. However, the Group recognises environmental provisions, where necessary, by applying the general criteria detailed in Note 2.17.

The items of property, plant and equipment acquired to be used on a lasting basis in the Group's operations and the ultimate purpose of which is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of pollution, are recognised as assets using measurement, presentation and disclosure criteria consistent with those discussed in Note 2.8.

2.22 Changes in accounting estimates and policies and correction of errors

The Group applies IAS 8 to recognise changes in accounting estimates, changes in accounting policies and the correction of errors. In this regard, the Group recognises changes in accounting estimates in the year in which they occur. Accounting errors are corrected in the year in which they occurred, restating the comparative information presented in the consolidated financial statements, where the errors are material. Changes in policies are recognised retrospectively, adjusting the opening balances of each affected equity component, from the previous year presented, unless a specific transitional provision exists for the initial application of a standard or interpretation.

NOTE 3 – ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the consolidated financial statements, Group management is required to make certain judgements, estimates and assumptions that affect the application of the accounting policies and, therefore, the figures presented in these consolidated financial statements.

The accounting estimates and judgements are assessed on an ongoing basis and are based on historical experience and other factors, including expectations regarding future events that are considered to be reasonable. The Company may revise such estimates if changes were to occur in certain events or circumstances.

The Group makes estimates and judgements regarding the future. The resulting accounting estimates may differ from the corresponding actual results. Changes in estimates are recognised in the Group's consolidated financial statements prospectively, as established in IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

The main estimates made by the Group are as follows:

a) Impairment losses on goodwill and other non-financial assets

Once a year, the Group tests goodwill for impairment, in accordance with the accounting policy detailed in Note 2.11.

At each reporting date the Group reviews whether there is any indication that its property, plant and equipment has become impaired, taking into account the criteria established in the policy. If any such indications exist, the entity estimates the recoverable amount of the asset in question. The recoverable amount of an asset is the higher of fair value less costs to sell and value in use.

The recoverable amounts of the cash-generating units were determined, in certain cases, on the basis of the calculation of their value in use and, in other cases, on the basis of the fair value less costs of disposal. In the event of the use of fair value estimates, these shall be carried out by an independent valuer.

The calculations of value in use are made using reasonable assumptions based on past returns and future market production and development expectations. Some of these assumptions relate to sales, margins, discount rates and perpetuity growth rates, which involve a high degree of judgement. In recent years, energy costs have also become more significant in the estimates, and the Group performs sensitivity analyses on possible changes in energy prices, mainly in European companies. Notes 7.1 and 8.1 detail the analyses conducted by the Group in 2022 and 2021.

b) Fair value of derivatives and other financial instruments

The Group acquires derivative financial instruments to hedge its exposure to exchange rate and interest rate fluctuations, as well as to fluctuations in certain raw material prices. The fair value of financial instruments not traded in active markets is determined using valuation techniques based mainly on market conditions existing at each reporting date, and provided that financial information is available to carry out this valuation. Note 12.2.4 provides further information on the financial instruments measured on the basis of these assumptions.

c) Provisions

As indicated in Note 2.17, the provisions recognised in the consolidated statement of financial position reflect the best estimate at the reporting date of the amount expected to be required to settle the obligation, provided that the materialisation of this outflow of resources is considered probable. Changes in envisaged circumstances could cause these estimates to vary, and they would be revised if necessary.

In the case of provisions arising from litigation in respect of which there are legal proceedings under way, the lawyers or independent experts determine the likelihood of occurrence of the events giving rise to the need to recognise a provision. In cases in which it is considered possible, although not probable, that an outflow of resources will occur or it is difficult to reliably determine the amount of the provision, the Group shall consider the provision to be a contingent liability and disclose the information in the notes (Note 16).

d) Net realisable value

As mentioned in Note 2.13, the Group estimates the net realisable values of its inventories in order to recognise the appropriate valuation adjustments. The expected selling prices of the inventories less costs to sell are taken into account when determining the net realisable value.

e) Determination of employee benefit obligations

Pension and similar obligations are determined on the basis of actuarial valuations which take into account statistical rates published by official bodies relating to future valuations such as expectations of salary increases, growth rates, mortality rates, discount rates, etc. These rates may vary significantly depending on economic and market conditions, which would cause variations in the obligations recognised in the Financial Statements. These assessments are carried out by independent experts.

The Group recognises in the consolidated statement of financial position the amounts arising from its employee benefit obligations, based on the actuarial valuations performed by independent experts.

Note 16.1 includes detailed information on the assumptions used in 2022 to perform the valuations.

f) Recoverability of tax loss and tax credit carryforwards

Separately from tax legislation, which in many cases allows the recovery of tax losses without limitation, as established in the related accounting policy (Note 2.19), the Group recognises in the consolidated statement of financial position the deferred tax assets arising from tax loss and tax credit carryforwards, provided that they are recoverable over a reasonable period of time, which the Group has set at ten years. The Group regularly assesses the recoverability of available tax assets through earnings projections approved by management, to conclude as to whether they will be recoverable in the aforementioned reasonable period.

The Group also takes into account the restrictions on offsetting tax losses imposed by certain laws and the impact of minimum payments set in certain countries. Note 19.3 details the Group's existing tax assets and the bases used to determine the recoverability of recognised tax assets.

This year, the Group has recognised the tax credits for tax losses carried forward that arose this year, while it has not recognised the tax credits from previous years. With regard to the previous year, due to the recovery of the economy after COVID and the good market expectations based on the forecasts for future results, the Group reversed EUR 5,493 thousand of the impairment made in previous years. Both impacts are explained in Note 19.3.3.

g) Recognition of a deferred tax liability arising from investments in subsidiaries

As established in the accounting policies (Note 2.19), certain companies forming part of the consolidated Group have reserves which could be taxable if distributed, since certain legislation envisages withholdings at source that affect the payment of dividends, as well as limitations on the deductibility of gains from other countries distributed in the form of dividends. The Group recognises the tax effect in this connection provided that it considers that such reserves will have to be distributed in the foreseeable future. At the same time, the Group shall also reverse this temporary difference against profit or loss when new legislative changes eliminate or reduce the tax liability of these reserves.

Since 2021, as a result of the entry into force in Spain of the amendment to income tax affecting the tax exemption for dividends received from Group companies, the aforementioned tax exemption for dividends received from qualifying ownership interests applicable to the Parent of the Acerinox Group has been reduced to 95%, whereby it will be taxed on 5% of the dividends it receives from its subsidiaries, which will be treated as non-deductible expenses relating to management of the ownership interest. As with the distributable reserves mentioned in the previous paragraph, the Group also takes into account the tax effect if it believes that the distribution of reserves from subsidiaries will be required in the foreseeable future.

Although there is no dividend distribution policy for subsidiaries, the Group analyses annually whether retained earnings of Group companies should be distributed to the parent company. The repatriation of dividends made in recent years guarantees the equity position of the parent company, meaning that management does not deem it necessary to distribute the reserves of its subsidiaries. Future repatriations of dividends are expected to be made based on the results obtained year by year. The Group does not therefore consider it necessary to recognise a deferred tax liability associated with such retained earnings.

NOTE 4 – FINANCIAL RISK MANAGEMENT

The Group's activities, in both its stainless steel and special alloy divisions, are exposed to various financial risks: market risk (foreign currency risk, interest rate risk and price risk), credit risk, liquidity risk and climate risk. The Group aims to minimise the potential adverse effects on its financial profitability through the use of derivative financial instruments, where appropriate to the risks, and by taking out insurance policies. Note 12.2.6 includes a detailed analysis of the Group's derivative financial instruments at year-end.

The Group does not arrange financial instruments for speculative purposes.

4.1 Market risk

Market risk arises from changes in market prices due to exchange rate or interest rate fluctuations or changes in prices of raw and other materials or supplies, which can affect the Company's earnings, its equity and the measurement of its assets and liabilities.

4.1.1 Foreign currency risk

The Group operates internationally and in various currencies, particularly in the US dollar, and is therefore exposed to foreign currency risk. Foreign currency risk arises from commercial transactions and from financing and investment operations, and from the translation of financial statements the functional currencies of which differ from the consolidated Group's presentation currency (the euro).

Monetary assets and liabilities denominated in foreign currencies are translated to the Group's functional currency at the reporting date at the exchange rates then prevailing. Any exchange differences that arise from such translation are recognised in the consolidated statement of profit or loss. To avoid fluctuations in the consolidated statement of profit or loss due to changes in exchange rates, and to ensure the expected cash flows, the Group uses derivative financial instruments to hedge most of its commercial and financial transactions performed in currencies other than the functional currency of each country. To this end, at the beginning of each month and subject to fortnightly review, each company considers its loans in non-local currency, the balances of its trade receivables and payables to suppliers in foreign currency, the sales and purchases in foreign currency forecast for that period and the currency forwards arranged. The Group may take commercial or financial transactions as a whole into account to evaluate its total exposure when hedging foreign currency transactions. The Group hedges balances with third parties and between Group companies.

The Group'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, mainly in its Stainless Steel Division, hedges cash flow risks for transactions performed in foreign currencies that are recognised in the consolidated statement of financial position; accordingly, any change in the derivative valuation is recognised in the consolidated statement of profit or loss and is offset by any changes that occur at each reporting date in the monetary items recognised in foreign currencies. The designation of these instruments as hedging instruments does not give rise to any accounting differences in the Group's consolidated statement of profit or loss. Consequently, in general, financial instruments designated to hedge foreign currency risk exposure arising from commercial transactions or transactions between Group companies are not treated for accounting purposes as hedging instruments. Instead, the Group categorises these instruments at fair value through profit or loss.

In the high-performance alloys division, as the manufacturing period is longer and orders are negotiated at a fixed price and much further in advance than in the stainless steel division, hedging is performed immediately upon receipt of customer orders to ensure that the cash flow received matches the cash flow of the negotiations performed. The financial instruments arranged are valued at fair value through profit or loss.

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

Where necessary, the Group uses other types of financial derivatives such as cross-currency swaps to control foreign currency risk in financial transactions. At year-end, no derivatives of this nature had been arranged, as no financing had been arranged in currencies other than the functional currency.

The fair value of foreign currency forward contracts is equal to their market value at the reporting date, i.e. the present value of the difference between the current forward rate and the contract rate.

Note 12.2.6 details the financial instruments arranged by the Group to hedge this type of risk at 31 December 2022 and 2021.

Lastly, the Group is exposed to foreign currency risk as a result of the translation of the separate financial statements the functional currency of which differs from the Group's presentation currency, particularly the US dollar and the South African rand. The USD/EUR exchange rate at 2022 year-end was 1.0666, while at 2021 year-end it stood at 1.1326 (USD appreciation of 6% for the year). The exchange rate of the South

African rand to the euro at 2022 year-end was 18.0986, while at 2021 year-end it was 18.0625 (rand depreciation of 0.2%).

The Group does not use financial instruments to hedge foreign investments in currencies other than the euro, since these are strategic long-term investments that the Group does not intend to sell or settle. Neither the Group's future profits nor the expected dividends are hedged, the latter being hedged as soon as they are approved. Note 14.4 includes a breakdown of the changes in translation difference items in the year.

Sensitivity to changes in these currencies with respect to the euro, with other variables remaining constant and based on the translation rates at the end of 2022 and 2021, respectively, was as follows:

(Amounts in thousands of euros)

	Profit or loss		Equity	
	10% appreciation	10% depreciation	10% appreciation	10% depreciation
31 December 2022				
USD	55,321	-45,263	237,048	-193,948
ZAR	5,968	-4,883	33,457	-27,374
31 December 2021				
USD	53,198	-43,525	231,478	-189,391
ZAR	4,789	-3,918	25,975	-21,253

4.1.2 Interest rate risk

The Group's financing comes from various countries and is provided in various currencies (mainly in the euro and the South African rand), with a range of maturity dates and with loans mostly tied to variable interest rates.

The Group's financial liabilities and financial assets are exposed to fluctuations in interest rates. To manage this risk, interest rate curves are analysed regularly and derivatives are occasionally used. These derivatives take the form of interest rate swaps which qualify for recognition for accounting purposes as cash flow hedging instruments. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account interest rates at that date and the credit risk associated with the swap counterparties.

In addition the Group takes out fixed-rate loans to reduce its exposure to interest rate fluctuations. During the year, the Group arranged two fixed-rate loans: one with Unicredit for EUR 50 million and the other with Banco de Crédito Social Cooperativo for EUR 60 million.

In 2022, as in 2021, the Group continued to contract and novate its long-term loans by renegotiating the fixed interest rate or margin and extending the maturity. Note 12.2.3 explains all new loan negotiations undertaken throughout the year, as well as the arrangements at fixed interest rate.

During the first half of 2022, in order to reduce the interest rate risk, the Group arranged a derivative (Interest Rate Swap) with Caixabank for an amount of EUR 260 million.

During 2021, Acerinox S.A. signed a sustainable loan with BBVA at a fixed rate for an amount of EUR 50 million. VDM Metals signed another loan at a fixed rate with Intesa Sanpaolo for an amount of EUR 30 million. In addition, four fixed-rate financing operations were renegotiated with Banco Sabadell, Unicaja, Banca March, an institutional investor and the Cajarural Group for a total amount of EUR 345 million. However, no new swaps were entered into.

Note 12.2.6 details the financial instruments arranged by the Group to hedge this type of risk at 31 December 2022 and 2021.

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 7.2 million lower (EUR 5.4 million lower in 2021) due to higher borrowing costs on floating-rate debt not covered by interest rate swaps. 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 5.3 million (2021: an increase of EUR 8.4 million), since the higher borrowing costs would have been comfortably offset by increases in the values of its interest rate hedging derivatives held at the reporting date.

4.1.3 Price risk

The Group is exposed to several types of price risk:

1. Risk arising from changes in the price of securities held in listed companies

During the year, the Group sold its equity portfolio in Nippon Steel & Sumitomo Metal Corporation (Nippon) and is therefore no longer exposed to the risk of price changes in the securities of listed companies. The Group did not use derivative financial instruments to hedge this risk, although it had recognised these shares as financial assets at fair value through other comprehensive income and all changes were recognised in equity. Note 12.2.5 includes additional information on the sale of these securities.

2. Risk due to energy price fluctuation.

Over the last two years, the sharp increases in the price of supplies, principally gas and electricity, have acquired special relevance. 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. Prices have continued to increase in financial year 2022 mainly affected by Russia's invasion of Ukraine and international blockades. The increase in gas and energy prices at the Palmones plant alone, which has been the most affected, meant a EUR 136 million increase in costs with respect to last year's prices.

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.

The Group is seeking to mitigate these effects by improving energy efficiency and by contracting PPAs (power purchase agreements). Due to its electro-intensive nature, this is a strategic area for the Group and a constant element in 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.

Due to the impact of energy price fluctuations on the Group's costs, management has included this variable as a key assumption in valuations and forward estimates, particularly in Europe, and sensitivity analyses to energy price fluctuations are under way. A 10% fluctuation in the price of energy, both electricity and gas, compared to 2022 prices would have meant an upward or downward change in expenditure of around EUR 49 million, with all other variables remaining constant. The Group tries to pass these impacts on to sales prices, but as it is a competitive market with producers in different countries, this is not always possible.

In the area of high-performance alloys, the impact of energy price increases this year was limited by the hedging policy applied.

Emission allowances experienced a very significant price increase last year, from an average price of EUR 25/allowance in 2020 to EUR 80 at the end of 2021. The average price for 2022 has remained at EUR 81/allowance. 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 the free allocation rights are consumed, income in the same amount is recognised at the same time as the expense is recognised and the corresponding part of the deferred income is reversed. 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

The Group's exposure to raw material price fluctuations is different in the stainless steel division than in 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 alloy of iron, chromium (> 10.5%) and carbon (< 1.2%) to which other minerals such as nickel or molybdenum are added to give it certain properties. Nickel is one of the minerals that are present in all austenitic alloys, the most common on the market, in a variable percentage between 6 and 22%. Both nickel and molybdenum are listed on the London Metal Exchange and their prices are therefore subject to fluctuations in market prices. Due to these price fluctuations in the raw materials used in the manufacturing process, stainless steel prices can also be very volatile, as manufacturers try to pass on these fluctuations as much as possible to the selling price of stainless steel through the so-called "alloy surcharge".

The cost of raw materials accounts for about 70% of the total cost of the product, and of this, nickel accounts for about 50%. Therefore, nickel price volatility has a direct and significant effect on the cost of stainless steel. Consequently, 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. The price of nickel, because of its influence on the cost of stainless steel, ultimately determines the price of the final product, and there is a direct correlation between the two prices. 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. The pressure of imports also affects pricing policy and sometimes prevents the fluctuations in raw material costs from being passed on directly.

In the second half of 2022 the mitigating effect of the alloy surcharge on the risk of price changes performed differently in the United States and in Europe. While in the North American market the alloy surcharge is always respected by the market and is a factor of price stability, in Europe the traditional system of base price and alloy surcharge has been partially replaced by an effective pricing system due to import pressure.

In 2021 and the first half of 2022, 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 contributed to limiting imports worldwide, which 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.

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.

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, reaching up to almost 100% in certain alloys. In addition, they may also contain other metals such as copper, cobalt, aluminium and molybdenum. The metal content in this type of alloys accounts for 2/3 of the total cost of the product and the selling price of these alloys is up to 10 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 percentage of metals in the total cost of the product and the associated price volatility, customers in this sector always demand fixed prices, which the Group guarantees when orders are received, initially assuming the full risk of raw material volatility. To mitigate this risk, the Group has a metals trading department in this division, which is responsible for entering into derivatives on the LME (London Metal Exchange) to hedge the metal purchases required to manufacture the products demanded by customers. In the case of metals not listed on the LME, natural hedges through physical stock are undertaken.

In order to avoid the volatility caused by the valuation of these derivatives in the income statement, following the incorporation of the High Performance Alloys division into the Group, it was decided to carry out an analysis of the economic model and hedging relationships in order to assess the possible application of hedge accounting to these derivatives. At 1 January 2021, hedging relationships for new derivatives entered into from that date were documented and a model to ensure hedge effectiveness was implemented, so the Group started to apply hedge accounting for the recognition of a large number of these financial instruments. Financial instruments entered into prior to 1 January 2021 that had not yet matured continued to be recognised in income for the year until they matured. Note 12.2.6 includes detailed information on these instruments.

A 20% increase in the price of listed metals, which the Group hedges through forward purchases and sales, would currently have an impact on the valuation of derivatives of EUR 24 million, with EUR 23.9 million of this total having a direct impact on other comprehensive income (equity) and EUR 0.1 million impacting on profit for the year. On the other hand, a 20% drop in the price of these metals would have a negative impact of EUR -23.9 million on the Group's equity and EUR -0.1 million in terms of income.

4. Risk of price distortion due to the accumulation of stock in the market

The stainless steel market is characterised by robust demand, which has grown at an annual rate of approximately 6% for over 50 years. The demand for stainless steel for all industrial applications and its presence in all industries guarantee that this growth rate will be sustained in the coming years. Although end consumption continues to grow steadily, the fact that this market is largely controlled by independent wholesalers leads to volatility in apparent consumption, based on their expectations regarding nickel price trends on the London Metal Exchange (LME) and their resulting stockpiling or inventory realisation strategies.

Fluctuations in the price of nickel also affect consumer demand. Reductions in the price of nickel tend to go hand in hand with short-term drops in demand. Conversely, a rise in nickel prices tends to go hand in hand with higher demand. To reduce the risk arising from the fact that independent wholesalers control the majority of the market, the Acerinox Group has developed a sales network that enables it to supply end customers on a continuous basis, by means of warehouses and service centres through which the Group's production is channelled. This policy has enabled the Group to obtain a significant market share among end customers, enabling it to stabilise its sales and, therefore, reduce this risk.

5. Risk of overvaluation of inventories

The convenience of maintaining sufficient inventory levels at the Group's warehouses entails the risk that these inventories might be overvalued with respect to their market price. The Group mitigates this risk by keeping strict control of its inventory levels.

The valuation of raw materials, work in progress and finished goods at average cost also helps to reduce the volatility of costs and, therefore, the impact of nickel price fluctuations on margins.

During the year, an adjustment of inventories to net realisable value of EUR 98 million was necessary due to the decline in demand in the last quarter, high production costs and falling prices.

In conclusion, the aforementioned factors (own sales network, controlled inventory levels, alloy surcharges, average cost valuation, shortening of the production cycle and a policy of accepting short-term orders) help to reduce exposure to the main risk, namely the cyclical nature of apparent consumption due to the volatility of raw material prices. As this is, in any case, a factor beyond the Group's control, effective management of this risk is not always sufficient to eliminate its impact.

4.1.4 Impact of the Covid-19 pandemic

During the year, Asia was the only region affected by the pandemic. Tough lockdowns in China have led to a sharp fall in domestic demand whose recovery has been moderated by the government's zero COVID policy and the severe crisis in the construction sector.

The pandemic did not affect the Group's operations this year.

The Acerinox Group relaxed precautionary measures throughout the year, but always within the Company's "Covid Play Book" action protocol, a document that sets out the measures to be taken in each situation.

Already in 2021, increased confidence in the economy and improved activity, largely on the back of hopes regarding the impact that vaccines will have, significantly boosted stainless steel demand and consumption. This recovery has continued in 2022.

In 2021, despite the various pandemic waves that took place, the Group's activity was only affected at its Malaysian plant, which was forced to shut down production for two months during the summer due to the closure of all non-essential services in the country. Once activity recovered, the market response was very positive, following the trend we have seen in other markets.

The steel market was characterised by an overall rise in apparent consumption, correcting the decrease experienced in 2020 and surpassing the 2019 pre-Covid levels.

In the case of high-performance alloys, recovery was somewhat later and slower and it was not until June 2021 that pre-Covid volumes were reached. That year, market recovery stood at 5% after the dramatic fall-off in 2020. According to market studies, all nickel alloy end-user markets recovered in 2021, with the exception of aerospace, marine applications and the process industry.

4.1.5 The impact of Russia's invasion of Ukraine

As regards the geopolitical situation caused by the Russian invasion of Ukraine, this has not had a significant direct impact on the Group this year, but it has had an indirect impact, due to the increase in energy prices, motivated by the uncertainties caused by the war and the political instability.

As far as the Group's business was concerned, from the moment the war started, the Group's exposure in Russia was reduced to a minimum and sales were halted. The Group is closing its sales office in the country, which had only three employees. The Group is currently in the process of closing this office.

With regard to purchasing, the Group has very diversified sources of supply of raw materials and follows a strategy of responsible purchasing. Significant efforts have been made during the year to secure alternative supplies, which has made it possible for the Group not to be dependent on Russian raw materials.

Due to the uncertainties that existed throughout the year regarding Germany's dependence on gas supplies from Russia, the Group set up a monitoring committee to assess the impact of possible measures in that country and to mitigate the consequences for the Group.

The projections used in the Annual Accounts took into account the impact that could result from this conflict, although the Company's management believes that the impact that this situation could have is not material.

4.2 Credit risk

Credit risk is defined as the possible loss that could be incurred through failure of a customer or debtor to meet contractual obligations.

The Group's exposure to credit risk is determined by the individual characteristics of each customer and, where applicable, by the risk inherent to the country in which the customer operates. Due to the diversity of its customers and the countries in which the Group operates, credit risk is not concentrated in any individual customer, sector or geographical region. None of the Group's customers, whether in the stainless steel or the high- performance alloys division, account for more than 10% of the Group's total sales.

The Group hedges its commercial and political risks either through credit insurance companies, or through letters of credit and bank guarantees extended by banks of recognised solvency located in countries with low financial risk. Credit insurance hedges between 90% and 95% of declared commercial risks, depending on the country in which the customer is located and the insurance company, and between 90% and 95% of political risks. The Group's main credit insurer has an A2 credit rating from Moody's and an A (excellent) rating from A.M Best.

In 2022 payouts of EUR 742 thousand were collected under the credit insurance policy (2021: EUR 136 thousand).

A Risk Committee is responsible for monitoring the Group's credit risk policy. New customers are analysed in conjunction with the insurance company, which assigns a covered amount, enabling the Group to offer its general payment terms to those that fulfil the required credit conditions. Where required, the Risk Committee also performs a case-by-case analysis of customers' creditworthiness, setting credit limits and payment terms. Otherwise, payment in cash is required.

The Risk Committee consists of representatives from the sales, financial and legal departments. The risks of the companies that make up the Acerinox Group are analysed and information is, in turn, received from the Delegated Risk Committees of North American Stainless, Bahru Stainless, Columbus, Grupinox (which represents the sales network in Spain) and VDM Metals.

Among other duties, the Risk Committee reviews the status of past-due debts, monitors sales with excessive exposure and authorises the transfer of internal risk or, depending on the amount, requests approval from the Management Committee.

The Group has long-standing commercial relationships with many of its customers. Delays in payment result in specific monitoring of future deliveries, payment terms and the review of credit limits.

Where permitted under local legislation in the country in which the customer operates, retention of title clauses may exist, to secure recovery of goods in the event of default.

The Group occasionally uses other financial instruments to reduce credit risk, such as factoring operations. The Group derecognises factored financial assets when the risks and rewards of these assets have been substantially transferred.

The Group makes the valuation adjustments to trade receivables it deems necessary based on an expected credit loss model which analyses the average credit losses at each of the subsidiaries and the claims incurred on the credit insurance policies taken out, as detailed in Note 2.12.2.

Note 12.2.1 details the changes in valuation adjustments to trade receivables.

The consolidated balance of trade receivables at 31 December 2022 was EUR 575,036 thousand (2021: EUR 772,681 thousand), and revenue in 2022 amounted to EUR 8,688,494 thousand (2021: EUR 6,705,739 thousand). This represented an average collection period of 24 days at the Group (2021: 42 days).

Credit risk insurance was taken out for 51% of consolidated net sales (2021: 52%). Cash conditions existed for 3% of sales (2021: 3%). Confirmed letters of credit or guarantees were used to hedge credit risk in 1% of consolidated net sales (2021: 1%). Domestic sales by North American Stainless Inc., which entail a very low risk due to the collection period of under 30 days, accounted for 41% of consolidated net sales (2021: 39%), allowing deliveries to be controlled and reducing potential impairment losses.

The analysis of the age of the receivables is as follows:

(Amounts in thousands of euros)

	2022	% receivables	2021	% receivables
Not past due	479,565	83%	706,363	91%
Less than 30 days	75,550	13%	55,687	7%
Between 30 and 60 days	13,282	2%	5,722	1%
Between 60 and 90 days	1,554	0%	605	0%
More than 90 days	5,085	1%	4,304	1%
TOTAL	575,036		772,681	

The Group has made provisions for EUR 4,868 thousand (2021: 5,050 thousand of euros). A provision was made for EUR 864 thousand in 2022 (2021: EUR 483 thousand), accounting for 0.010% of sales in 2022 (2021: 0.007 %). The Group's expected credit loss ratio is 0.019% (2021: 0.022%).

Most of the past-due receivables are insured and generally reflect customary delays in trading activity (80% of past-due receivables are aged less than 30 days). At 09 March 2023, over 90% of the aforementioned past-due balances had been collected (2021: 90%).

In view of the default rates in all industries, the Group considers that the above figures are highly satisfactory and confirm the success of its commercial risk policy.

Any advances to non-current asset suppliers are hedged through bank guarantees issued by the supplier and confirmed by banks of recognised solvency.

In relation to the credit risk of bank balances, as a general rule only banks and financial institutions that are rated by an independent third party with a "Ba3" credit rating from Moody's are accepted. The Group has no significant concentration of risk, as the likelihood of default by the banks and financial institutions thus authorised is remote, based on their high credit ratings.

With regard to credit risk, non-payment and delays in payment were no higher than in any other year. The Group does not expect significant impacts in the future in view of the risk coverage policy in place and the high percentage of risks covered.

Nevertheless, 2022 was a low accident rate for the Acerinox Group overall, especially considering the uncertainty caused by the invasion of Ukraine.

4.3 Liquidity risk

Liquidity risk is the risk of not being able to meet present and future obligations, not having the funds required to perform the Group's activities.

The Group is primarily financed through the cash flows arising from its operations, in addition to loans and financing facilities.

During the year, the Company has maintained good access to liquidity through long-term loans and lines of financing in excess of the amounts needed at any given time.

The Group's cash resources are centrally managed in order to optimise resources. The Group's debt is primarily concentrated within the Parent of the Group (more than 70% 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, as well as high levels of liquidity, to hedge liquidity risk.

In 2022 and 2021 no defaults occurred on the principal or interest of the Group's various financing facilities.

At year-end the Group had access to short- and long-term financing facilities totalling EUR 2,786 million and approved non-recourse factoring facilities amounting to EUR 480 million. The amount drawn down on the financing facilities at 31 December 2022 amounted to EUR 1,989 million and EUR 329 million on the factoring facilities. In 2021 the short- and long-term financing facilities available to the Group amounted to EUR 2,582 million, and non-recourse factoring facilities amounted to EUR 520 million, while the drawdowns against the financing facilities amounted to EUR 1,853 million and drawdowns against the factoring facilities amounted to EUR 287 million. At 31 December 2022, cash and cash equivalents amounted to EUR 1,548,040 thousand (2021: EUR 1,274,929 thousand).

Cash and cash equivalent balances are available and there is no restriction on their use.

The Group makes short-term cash placements –never exceeding three months– and only at banks of recognised solvency.

In addition, the Group continuously monitors the maturity profile of its financial debt in order to establish the longest possible annual maturities.

In this regard, the most notable financing operations in 2022 were as follows:

- Renewal and extension of credit facilities up to a total amount of EUR 301 million and USD 135 million.
- Novations of existing loans with extension of amounts up to EUR 320 million and with extension of maturities.
- Signing of five new long-term loans with various financial institutions for a total amount of EUR 145 million.
- Refinancing of VDM for a total amount of EUR 340 million, through a long-term loan of EUR 50 million and seven bilateral financing facilities for an aggregate amount of EUR 290 million.
- Increase in lines for the issuance of import letters of credit by more than EUR 100 million.

These financing transactions are explained in Note 12.2.3.

The most notable financings in 2021 were the renewal of the syndicated factoring agreement for EUR 370 million and the conversion of two long-term loans with Caixabank and Banco Sabadell, taken out in 2020, into sustainable loans of EUR 80 million each. Part of the debt was also renegotiated and three new loans were signed with the Group's financial institutions. The volume of these transactions amounted to EUR 650 million. In addition, VDM signed a new EUR 30 million loan with Intesa Sanpaolo.

The analysis of the Group's payment obligations at the end of 2022 is as follows:

(Amounts in thousands of euros)

	2022							
		Future cash flow maturities (payments)						
	Amount at 31/12/2022	Amount of future payments	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Undetermined maturity
Non-current payables	1,394,032	-1,522,861	-15,663	-23,780	-299,387	-1,089,169	-94,862	
Current payables	594,492	-604,031	-540,953	-63,079				
Payable to suppliers and other payables	1,147,564	-1,147,564	-1,147,564					
Other non-current financial liabilities	14,971	-14,971			-8,366	-905	-1,386	-4,314
FINANCIAL DERIVATIVES								
Hedges through interest rate swaps	-34,305	36,349	2,802	6,399	12,085	14,720	343	
Commodity derivatives - purchases	-31,756	31,756	24,639	6,851	266			
Commodity derivatives - sales	11,399	-11,399	872	-12,292	20			
Currency forwards against exports	-3,648	3,648	3,648					
Currency forwards against imports	10,878	-10,878	-10,878					
TOTAL	3,103,628	-3,239,952	-1,683,097	-85,901	-295,382	-1,075,354	-95,905	-4,314

The balances of "Payable to Suppliers and Other Payables" do not include payables to Public Administrations.

"Other non-current financial liabilities" classified as having an indefinite maturity relate mainly to deposits and guarantees with an indefinite maturity. The remainder are leasing payments.

Future cash flow maturities include the principal plus interest based on contractual interest rates at year-end.

Approved investments not recognised under property, plant and equipment under construction at the reporting date are not included.

4.4 Climate risk

Acerinox is aware of the risks and opportunities it faces that stem from climate change. The company pays special attention to environmental protection and the efficient use of natural resources in the development of its activities.

As stated in the "Acerinox Positive Impact 360" Action Plan approved by the Board of Directors in 2020, the main aim is to "support and reinforce the business strategy, promoting the company's response to environmental, social and good governance challenges through a global vision, reducing risks and developing opportunities".

Acerinox understands that business management is linked to a commitment to sustainability which takes the form of the specific, ambitious and measurable objectives that are set out in the company's Sustainability Plan.

The impact of climate risk on financial statements are both wide-ranging and potentially complex and will depend on sector-specific risks. When analysing future business estimates, probability scenarios are presented in which not only the physical consequences of climate change are assessed, but also the changes in environmental regulations to deal with it. These are the so-called physical risks and transitional risks of climate change, with both having economic and financial consequences.

Climate change and transition risk is a risk arising as a result of energy transition (regulation, market, technologies) and the physical impact of climate change (acute and chronic).

In order to include the climate variable within risk and opportunity management and Acerinox's strategic planning, the identification, measurement and management of climate change risks and opportunities are carried out pursuant to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Climate change risks and opportunities are included in the Group's Corporate Risk Map, in line with the Company's Strategic Plan and the International Climate Agenda.

Through its Audit Committee and Sustainability Committee, the Acerinox Board of Directors exercises its oversight and monitoring of sustainability and the non-financial information provided by the company. As part of this task, these Committees have approved and monitor the Sustainability Strategy that forms part of the Strategic Plan, which includes the reflections made by the company in relation to the risks and opportunities arising from climate change as a fundamental element in its point of departure.

Commitments have been determined for each of the Strategic Pillars as expected objectives in response to the implementation of the actions determined. In addition to the commitments included for each of the Strategic Lines determined in the Action Plan, six high-level Strategic Objectives have been approved of which the following are climate-change related:

1. Greenhouse gas emissions: 20% reduction in GHG emission intensity (Scope 1 and 2) by 2030 compared to the 2015 baseline.

   At the end of the year, Acerinox increased its emissions intensity by 2% compared to 2021, although it reduced it by 8% compared to the base year of 2015 (reduction of 3.45% and 10.29% in emissions intensity in 2021 compared to the previous year and the base year, respectively).

   Supporting the energy transition, Acerinox has increased its renewable energy contracts to 284,750 MWh per year (105,120 MWh per year in 2021). In 2021, Acerinox reduced its energy intensity by 1.6% compared to 2020 and by 3.2% compared to the base year.

2. Energy efficiency: 7.5% reduction in energy intensity by 2030 compared to the 2015 baseline.

   During the year, Acerinox increased its energy intensity by 6% compared to 2021 and by 3% compared to the base year.

3. Waste reduction target: 90% waste recycled in 2030.

   During the year, Acerinox achieved 79% against the 2020 benchmark with a 10% increase in waste recycled over 2021.

4. Water consumption: 20% reduction in freshwater consumption intensity by 2030 compared to the 2015 baseline.

   During the year, Acerinox reduced water consumption by 15% compared to the base year of 2015, albeit with an increase of 11% compared to 2021.

In 2022, the energy crisis, exacerbated by the invasion of Ukraine and the subsequent impact on economies around the world, combined with high inventory levels at distributors due to high imports, led to a decline in stainless steel production in the last half of the year. This decrease in production had a significant impact on the efficiency of the mills, worsening the indicators for CO_2 emission intensity and energy intensity per tonne of steel produced, although the total volume of emissions decreased.

The impact of climate risk on the Group's financial statements is structured into three main areas: analysis of the recoverability of non-financial assets, determination of the useful lives of plants and equipment and credit ratings.

With regard to recoverability analyses of non-financial assets, the Group has incorporated climate risk in the estimates, making the corresponding forward-looking judgments. The growth rates used and discount and risk rates are market ratios that also implicitly reflect the valuation of climate risk. These rates do not differ significantly from those applied in previous years. Due to the nature of the business, we feel that there is no material impact from climate change risk that would indicate impairment for any of the Group's CGUs or their inventories.

Regarding the determination of useful lives set out in Note 3, Group management determines the estimated useful lives and related depreciation charges of its plant and equipment based on valuations carried out by experts, taking into account technical innovations, variations in the activity levels of the plants, regulatory changes etc. Management periodically reviews the depreciation charge, which is modified whenever the estimated useful lives are different from the lives previously applied.

With regard to credit ratings and the limitation that regulations impose on financial institutions to provide financing to unsustainable companies, the European Commission has published its classification of sustainable finance, which serves as a tool to help financial agents and companies define which activities are considered as such. The EU Taxonomy provides a universal definition of the environmental sustainability of economic activities at European level and contributes to the dissemination of consistent and transparent information on how companies are progressing in line with EU-wide transition plans and contributing to the EU's environmental objectives. In accordance with the provisions of the Regulation, companies subject to the presentation of their Non-Financial Reporting Statements must include in their management reports information related to the degree of sustainability of their activities. In particular, non-financial companies must disclose the proportion of turnover, capital expenditure and operating expenditure (CapEx and OpEx) that complies with the Taxonomy Regulation. Implementation is being phased in progressively. The first exercise carried out in 2021, was to identify the potential activities that could be considered sustainable (eligibility) based on the above indicators. From 2022 onwards, an assessment has been made of the technical criteria provided for in the Regulation, which will determine the alignment of activities with the Taxonomy.

In terms of eligibility criteria, stainless steel fabrication has been considered, according to the taxonomy regulation, as a potentially sustainable (eligible) activity.

The activity, in addition to being Eligible, must demonstrate that it meets the requirements of Article 3 of the Regulation which, in summary, are:

- Substantial contribution to one or more of the six EU environmental objectives.
- It does not cause significant harm to the other environmental objectives (Do No Significant Harm -DNSH-).
- It complies with the minimum social safeguards.

So far, the technical criteria of substantial contribution to Objectives 1 and 2 (climate change mitigation and adaptation) contained in Annex I and II of the Climate Delegated Regulation have been adopted. In the case of stainless steel, these technical criteria only apply to electric arc installations and set specific thresholds for the carbon intensity indicator per tonne of product and the percentage of scrap used.

For the first time in its non-financial information report, the Group has published revenue, Capex and operating expense indicators based on alignment criteria, which determine the proportion of each of these items coming from products or services related to economic activities that are considered aligned.

During the year the Group has signed several sustainable loans with various financial institutions as explained in Note 12.2.3. Sustainable loans establish interest rates linked to compliance with established Sustainability Indicators.

Note 8 details the fixed assets whose purpose is the minimisation of environmental impact and the protection and improvement of the environment, as well as the environmental expenses incurred by the Group.

4.5 Brexit

On 31 January 2020, the United Kingdom of Great Britain and Northern Ireland ceased to be an EU Member State and began to be considered a third country, following the ratification of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union. The

Withdrawal Agreement envisaged a transition period from its entry into force until 31 December 2020, during which EU law continued to be applied in the UK, with certain exceptions. The main purpose of the transition period was to provide a time period for citizens, entities and Public Administrations to adapt to the new situation, and to provide a framework of stability for the negotiation of an agreement on the future relationship between the EU and the UK. The negotiations over the agreement culminated on 24 December 2020, after an agreement in principal was reached in relation to a Trade and Cooperation Agreement and a Security of Information Agreement, among others. These agreements entered into force on 1 January 2021.

On 1 January 2021, the UK ceased to enjoy the rights and obligations it had held as an EU Member State and which it had also held during the transition period envisaged in the Withdrawal Agreement. This has created new barriers to trade in goods and services and to cross-border mobility and exchanges in both directions.

However, apart from the administrative and tax changes, this withdrawal had no significant impact on the Acerinox Group. The Group has one distribution subsidiary and no production assets in that country. The subsidiary imports the material that is manufactured at any of the Group's manufacturing plants and sells it in the United Kingdom. The non-current assets held by the Group in the UK total EUR 3.9 million (with the Group's total non-current assets amounting to EUR 1,902 million). Also, sales made in that country represent just 2.8% of the Group's total sales. Any flight of customers that may occur as a result of Brexit should not lead to a decrease in the Group's sales, as this can be offset in any other country, given that it is a global market.

The Group's subsidiary in the United Kingdom increased its turnover this year by 114% (2021: 35%) and its pre-tax profit by 17% (2021: 47%), demonstrating that Brexit has had no impact on the Group, apart from administrative changes in the reporting of transactions.

4.6 Capital management

The aims of the capital management policy are:

- to safeguard the Group's capacity to continue its sustained growth;
- to provide sufficient returns to shareholders; and
- to maintain an optimal capital structure.

The Company manages its capital structure and makes adjustments to it based on changes in economic circumstances. To maintain and adjust the capital structure, the Company can adopt various policies relating to the payment of dividends, the reimbursement of the share premium, share repurchases, self-financing of investments, non-current borrowings, etc.

Capital structure is controlled using various ratios, such as the net financial debt/EBITDA ratio, understood to be the period necessary for the resources generated by the Company to cover the level of debt; or the gearing ratio, i.e. the relationship between the net financial debt and equity of the Company.

Net financial debt is taken to be the sum of current and non-current bank borrowings, plus bonds issued, less cash and cash equivalents. EBITDA reflects profit or loss from operations, less depreciation and amortisation, changes in operating provisions and allowances, and impairment losses recognised in the year.

At 0.35 times (2021: 0.58 times), the net financial debt/EBITDA ratio is the second lowest value achieved by the Group in its entire history (the lowest figure was achieved in 1995). This is a very satisfactory figure for our sector, especially following the acquisition of VDM, which increased indebtedness by EUR 398 million.

Cash generation, established as one of the priorities in the Group's Strategic Plan, has also performed outstandingly well. The favourable results obtained resulted in an operating cash flow of EUR 544 million (2021: EUR 388 million), despite an increase in working capital of EUR 479 million (2021: EUR 460 million) due to the increased activity and the rise in raw material prices.

Following investment payments of EUR 126 million, generated free cash flow amounted to EUR 419 million.

In 2022 the company invested EUR 336 million in shareholder remuneration, 132% higher than the previous year, representing a payout of 60% and 14% of market capitalisation at 31 December 2022.

In 2022, a cash payment of EUR 0.50 per share was made and two share buyback programmes were carried out. The Board of Directors also approved a new Shareholder Remuneration Policy: the Board of Directors of Acerinox, S.A. held on 20 December 2022 decided to propose to the Ordinary Annual General Meeting of Shareholders of the Company a dividend of EUR 0.60 per share charged to 2022 results, of which EUR 0.30 will be paid as an interim dividend on 27 January 2023. This dividend will be submitted for approval at the Annual General Meeting to be held in 2023.

Moreover, the Board of Directors is fulfilling its commitment to improve earnings per share by redeeming the shares issued in the four years (2013-2016) in which the dividend was paid by means of a scrip dividend.

- Effective 30 August 2022, 10,821,848 shares of Acerinox, S.A. have been delisted from trading on the Madrid and Barcelona Stock Exchanges. This completes the execution of the share buyback programme for the repurchase of 4% of the share capital for redemption, which was published as Inside Information on 20 December 2021.

- The Board of Directors of Acerinox, S.A. held on 27 July 2022, approved a share buyback program for share depreciation and amortisation. On 26 October 2022, the Company completed the acquisition of 10,388,974 shares, or 4% of the Company's share capital. The redemption of the 10,388,974 shares acquired through the Share Buy Back Programme will be proposed to the Ordinary Annual General Meeting in 2023.

The Group's net financial debt decreased by EUR 138 million to EUR 440 million (2021: EUR 578 million).

The gearing ratio stood at 17.3%, a 25-year low.
As in 2021, during 2022 the Group continued to contract and novate its financing facilities by renegotiating the fixed rate or margin, increasing the nominal amount and extending the maturity. Details of all financing transactions carried out during the year are included in Note 12.2.3.

At year-end, the Group had sustainable financing totalling EUR 659 million, linking the cost of the credit to the evolution of two established indicators to be reviewed annually. The majority of the Group's financing at 31 December 2022 corresponded to term loans. Of these, 70% were due to mature in over a year. 77% of the Group's loans and private placements are at fixed interest rates (these figures include those loans closed at variable interest rates but hedged with an interest rate derivative).

As of 31 December 2022 Acerinox Group had liquidity amounting to EUR 2,345 million. Of this, EUR 1,548 million corresponds to cash and cash equivalents and short-term deposits and EUR 797 million to available financing at various Group subsidiaries.

4.7 Insurance

The geographical diversification of the Group's factories (with three integrated stainless steel flat product manufacturing plants, one cold-rolling plant and three long product manufacturing plants) ensures that an accident would not affect more than one third of total stainless steel production. This guarantees business continuity, while adequate coordination between the other factories mitigates the consequences of material damage to any of the facilities.

Sufficient coverage has been arranged for the Group's factories through material damage and loss-of-profit insurance policies, which account for over 54.62% 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.

In the high-performance alloys division, VDM Metals has a set of insurance policies which is very similar, and in certain cases complementary, to the Acerinox Group's insurance programme. In order to optimise the

Group's insurance programme, some of the policies were renewed during the year after their expiry date on new terms agreed by the Group.

NOTE 5 – SCOPE OF CONSOLIDATION

5.1 Business combinations

There were no business combinations in 2021 or 2022.

5.2 Changes in the scope of consolidation

There were no changes in the Group's scope of consolidation during the year.

With regard to the 2021 financial year, 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.

On 2 April 2021, Bahru's Annual General Meeting was held 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 did not differ significantly from its carrying amount at that date.

5.3 Subsidiaries and associates

Subsidiaries

At 31 December 2022 and 2021, in addition to Acerinox, S.A., the scope of consolidation of the Acerinox Group included 55 fully consolidated subsidiaries.

The detail of investments in associates in 2022 is as follows:

	2022				
	OWNERSHIP				
FULLY CONSOLIDATED COMPANIES	COUNTRY	COST (in thousands of euros)	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST	AUDITOR
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	327	100%	ACERINOX S.A.	PWC
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	ACERINOX S.A.	Estudio Canil
		13	10%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX AUSTRALASIA PTY. LTD.	Sidney - Australia	385	100%	ACERINOX S.A.	
ACERINOX BENELUX S.A. - N.V.	Brussels - Belgium	209	99.98%	ACERINOX S.A.	PWC
		0	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACX DO BRASIL REPRESENTAÇOES, LTDA	São Paulo - Brazil	373	100%	ACERINOX S.A.	
		0	0.001%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100%	ACERINOX S.A.	PWC
ACERINOX COLOMBIA S.A.S	Bogotá D.C. - Colombia	68	100%	ACERINOX S.A.	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45,496	100%	ACERINOX S.A.	PWC

ACERINOX EUROPA, S.A.U	Algeciras - Spain	341,437	100%	ACERINOX S.A.	PWC
ACERINOX FRANCE S.A.S	Paris - France	18,060	99.98%	ACERINOX S.A.	PWC
		0	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX INDIA PVT LTD	Mumbai - India	155	100%	ACERINOX S.A.	ISK & Associates
ACERINOX ITALIA S.R.L.	Milan - Italy	78,844	100%	ACERINOX S.A.	Collegio Sindicale - Studio Revisori Associatti
ACERINOX METAL SANAYII VE TICARET L.S.	Gümüşsuyu / Beyoğlu - Turkey	150	100%	ACERINOX S.A.	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai - United Arab Emirates	10	100%	ACERINOX S.A.	HLB Hamt
ACERINOX PACIFIC LTD.	Wan Chai - Hong Kong	7,467	100%	ACERINOX S.A.	PWC
ACERINOX POLSKA, SP Z.O.O	Warsaw - Poland	25,174	99.98%	ACERINOX S.A.	PWC
		4	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX RUSSIA LLC	Saint Petersburg - Russia	100	100%	ACERINOX S.A.	
ACERINOX SCANDINAVIA AB	Malmö - Sweden	31,909	100%	ACERINOX S.A.	PWC
ACERINOX S.C. MALAYSIA SDN. BHD	Johor - Malaysia	19,476	100%	ACERINOX S.A.	PWC
ACERINOX SHANGAI CO., LTD.	Shanghai - China	1,620	100%	ACERINOX S.A.	Shanghai Shenzhou Dalong
ACERINOX (SEA), PTE LTD.	Singapore - Singapore	193	100%	ACERINOX S.A.	PWC
ACERINOX U.K, LTD.	Birmingham - United Kingdom	28,494	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	96,480	98.81%	ACERINOX S.A.	PWC
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	263,558	76%	ACERINOX S.A.	PWC
CORPORACIÓN ACERINOX PERU S.A.C	Lima - Peru	314	100%	ACERINOX S.A.	
INOX RE, S.A.	Luxembourg	1,225	100%	ACERINOX S.A.	PWC
INOXCENTER CANARIAS, S.A.U	Telde (Gran Canaria) - Spain	270	100%	INOXCENTER	PWC
INOXCENTER, S.L.U.	Barcelona - Spain	17,758	100%	ACERINOX S.A.	PWC
INOXFIL S.A.	Igualada (Barcelona) - Spain	6,247	100%	ROLDAN S.A	PWC
INOXIDABLES DE EUSKADI S.A.U.	Vitoria - Spain	2,705	100%	ACERINOX EUROPA, S.A.U	PWC
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Trofa - Portugal	10,193	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	546,042	100%	ACERINOX S.A.	PWC
NORTH AMERICAN STAINLESS CANADA, INC	Canada	5,091	100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico	18,948	100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - USA	15	100%	ACERINOX S.A.	
ROLDAN S.A.	Ponferrada - Spain	17,405	99.77%	ACERINOX S.A.	PWC
VDM METALS HOLDING GMBH	Werdohl - Germany	313,315	100%	ACERINOX S.A.	PWC
VDM METALS INTERNATIONAL GMBH	Werdohl - Germany	51,404	100%	VDM METALS HOLDING, GMBH.	PWC
VDM METALS GMBH	Werdohl - Germany	102,037	100%	VDM METALS HOLDING, GMBH.	PWC
VDM (SHANGHAI) HIGH PERFORMANCE METALS TRAD. CO. LTD.	Shanghai - China	200	100%	VDM METALS, GMBH.	Pan-China Certified Public Accounts
VDM HIGH PERFORMANCE METALS NANTONG CO. LTD.	Nantong - China	2,087	100%	VDM METALS INTERNATIONAL GMBH	Pan-China Certified Public Accounts
VDM METALS AUSTRALIA PTY. LTD.	Mulgrave - Australia	1,322	100%	VDM METALS, GMBH.	

VDM METALS AUSTRIA G.M.B.H.	Brunn am Gebirge - Austria	4,515	100%	VDM METALS, GMBH.	
VDM METALS BENELUX B.V.	Zwijndrecht - Belgium	2,535	100%	VDM METALS, GMBH.	BDO
VDM METALS CANADA LTD.	Vaughan - Canada	336	100%	VDM METALS, GMBH.	
VDM METALS DE MEXICO S.A. DE C.V.	Naucalpan de Juarez - Mexico	30	100%	VDM METALS, GMBH.	Grant Thornton
VDM METALS FRANCE S.A.S.	Saint-Priest - France	8,465	100%	VDM METALS, GMBH.	
VDM UNTERSTÜTZUNGSKASSE GMBH	Werdohl - Germany	0	100%	VDM METALS, GMBH.	
VDM METALS ITALIA S.R.L.	Sesto San Giovanni - Italy	10,704	100%	VDM METALS, GMBH.	
VDM METALS JAPAN K.K.	Tokyo - Japan	178	100%	VDM METALS, GMBH.	
VDM METALS KOREA CO. LTD.	Seoul - Korea	103	100%	VDM METALS, GMBH.	
VDM METALS UK LTD.	Claygate-Esher - UK	100	100%	VDM METALS, GMBH.	BDO
VDM METALS USA LLC	Florham Park - USA	27,649	100%	VDM METALS, GMBH.	PWC

The activities of the Group companies are as follows:

- Acerinox, S.A.: holding company of the Acerinox Group. As a holding company, it approves and monitors the strategic business areas. It also provides a range of corporate services, including legal, accounting and advisory services to all Group companies. It also handles the management and administration of financing 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. In recent years, it has also complemented this activity with carbon steel manufacturing, which has allowed it to utilise unused manufacturing capacity and dilute fixed costs.
- 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: is the holding company of the group of companies comprising the High Performance Alloys business unit.
- VDM Metals International GmbH, a company wholly owned by VDM Holding Metals GmbH, procures the raw materials required for the production of the High Performance Alloys, markets the finished products and centralises the VDM Group's research and development by directly managing and administering the business and outsourcing production to another entity from the subgroup. The company also has a quality assurance department.
- VDM Metals GmbH, the owner of the production facilities, processes raw materials into high-performance alloys on behalf of VDM Metals GmbH.
- Inox Re, S.A.: reinsurance company.
- Inoxplate, Comercio de productos de Aço Inoxidávei, Unipessoal Lda: owner of the industrial building in which the Group company in Portugal -Acerol, Comércio e indústria de Aços inoxidáveis- carries out its operating activities, for the lease of which it receives income.
- North American Stainless Financial Investment, Inc.: provision of foreign trade advisory services.
- The rest of the companies, which are direct investees of either Acerinox, S.A. or the VDM subgroup, engage in the marketing of stainless steel products or high-performance alloys.

The detail of investments in associates in 2021 is as follows:

		2021 OWNERSHIP INTEREST			
FULLY CONSOLIDATED COMPANIES	COUNTRY	COST (in thousands of euros)	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST	AUDITOR
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	327	100%	ACERINOX S.A.	PWC
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	ACERINOX S.A.	Estudio Canil
		13	10%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX AUSTRALASIA PTY. LTD.	Sidney - Australia	385	100%	ACERINOX S.A.	
ACERINOX BENELUX S.A. - N.V.	Brussels - Belgium	209	99.98%	ACERINOX S.A.	PWC
		0	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACX DO BRASIL REPRESENTAÇOES, LTDA	São Paulo - Brazil	373	100%	ACERINOX S.A.	
		0	0.001%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100%	ACERINOX S.A.	PWC
ACERINOX COLOMBIA S.A.S	Bogotá D.C. - Colombia	68	100%	ACERINOX S.A.	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45,496	100%	ACERINOX S.A.	PWC
ACERINOX EUROPA, S.A.U	Algeciras - Spain	341,409	100%	ACERINOX S.A.	PWC
ACERINOX FRANCE S.A.S	Paris - France	18,060	99.98%	ACERINOX S.A.	PWC
		0	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX INDIA PVT LTD	Mumbai - India	155	100%	ACERINOX S.A.	ISK & Associates
ACERINOX ITALIA S.R.L.	Milan - Italy	78,844	100%	ACERINOX S.A.	Collegio Sindicale - Studio Revisori Associatti
ACERINOX METAL SANAYII VE TICARET L.S.	Gümüşsuyu / Beyoğlu - Turkey	150	99.73%	ACERINOX S.A.	
		0	0.27%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai - United Arab Emirates	10	100%	ACERINOX S.A.	Al Sharid Auditing and Manageme nt Consultanc y
ACERINOX PACIFIC LTD.	Wan Chai - Hong Kong	7,467	100%	ACERINOX S.A.	PWC
ACERINOX POLSKA, SP Z.O.O	Warsaw - Poland	25,174	99.98%	ACERINOX S.A.	PWC
		4	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX RUSSIA LLC	Saint Petersburg - Russia	100	100%	ACERINOX S.A.	
ACERINOX SCANDINAVIA AB	Malmö - Sweden	31,909	100%	ACERINOX S.A.	PWC
ACERINOX S.C. MALAYSIA SDN. BHD	Johor - Malaysia	19,476	100%	ACERINOX S.A.	PWC
ACERINOX SHANGAI CO., LTD.	Shanghai - China	1,620	100%	ACERINOX S.A.	Shanghai Shenzhou Dalong
ACERINOX (SEA), PTE LTD.	Singapore - Singapore	193	100%	ACERINOX S.A.	PWC
ACERINOX U.K, LTD.	Birmingham - United Kingdom	28,469	100%	ACERINOX S.A.	PWC
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	Trofa - Portugal	15,828	100%	ACERINOX S.A.	PWC
BAHRU STAINLESS, SDN. BHD	Johor - Malaysia	293,607	98.81%	ACERINOX S.A.	PWC
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	205,142	76%	ACERINOX S.A.	PWC
CORPORACIÓN ACERINOX PERU S.A.C	Lima - Peru	314	100%	ACERINOX S.A.	
INOX RE, S.A.	Luxembourg	1,225	100%	ACERINOX S.A.	PWC
INOXCENTER CANARIAS, S.A.U	Telde (Gran Canaria) - Spain	270	100%	INOXCENTER	PWC

INOXCENTER, S.L.U.	Barcelona - Spain	17,758	100%	ACERINOX S.A.	PWC
INOXFIL S.A.	Igualada (Barcelona) - Spain	6,247	100%	ROLDAN S.A	PWC
INOXIDABLES DE EUSKADI S.A.U.	Vitoria - Spain	2,705	100%	ACERINOX EUROPA, S.A.U	PWC
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Trofa - Portugal	10,693	100%	ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	
METALINOX BILBAO, S.A.U	Galdácano (Vizcaya) - Spain	3,718	100%	ACERINOX S.A.	PWC
NORTH AMERICAN STAINLESS INC.	Kentucky - USA	545,778	100%	ACERINOX S.A.	PWC
NORTH AMERICAN STAINLESS CANADA, INC	Canada	5,091	100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico	18,948	100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - USA	15	100%	ACERINOX S.A.	
ROLDAN S.A.	Ponferrada - Spain	17,405	99.77%	ACERINOX S.A.	PWC
VDM METALS HOLDING GMBH	Werdohl - Germany	313,315	100%	ACERINOX S.A.	PWC
VDM METALS INTERNATIONAL GMBH	Werdohl - Germany	51,404	100%	VDM METALS HOLDING, GMBH.	PWC
VDM METALS GMBH	Werdohl - Germany	102,037	100%	VDM METALS HOLDING, GMBH.	PWC
VDM (SHANGHAI) HIGH PERFORMANCE METALS TRAD. CO. LTD.	Shanghai - China	200	100%	VDM METALS, GMBH.	Pan-China Certified Public Accounts
VDM HIGH PERFORMANCE METALS NANTONG CO. LTD.	Nantong - China	2,087	100%	VDM METALS INTERNATIONAL GMBH	Pan-China Certified Public Accounts
VDM METALS AUSTRALIA PTY. LTD.	Mulgrave - Australia	1,322	100%	VDM METALS, GMBH.	
VDM METALS AUSTRIA G.M.B.H.	Brunn am Gebirge - Austria	4,515	100%	VDM METALS, GMBH.	
VDM METALS BENELUX B.V.	Zwijndrecht - Belgium	2,535	100%	VDM METALS, GMBH.	BDO
VDM METALS CANADA LTD.	Vaughan - Canada	336	100%	VDM METALS, GMBH.	
VDM METALS DE MEXICO S.A. DE C.V.	Naucalpan de Juarez - Mexico	30	100%	VDM METALS, GMBH.	Grant Thornton
VDM METALS FRANCE S.A.S.	Saint-Priest - France	8,465	100%	VDM METALS, GMBH.	
VDM UNTERSTÜTZUNGSKASSE GMBH	Werdohl - Germany	0	100%	VDM METALS, GMBH.	
VDM METALS ITALIA S.R.L.	Sesto San Giovanni - Italy	10,704	100%	VDM METALS, GMBH.	
VDM METALS JAPAN K.K.	Tokyo - Japan	178	100%	VDM METALS, GMBH.	
VDM METALS KOREA CO. LTD.	Seoul - Korea	103	100%	VDM METALS, GMBH.	
VDM METALS UK LTD.	Claygate-Esher - UK	100	100%	VDM METALS, GMBH.	BDO
VDM METALS USA LLC	Florham Park - USA	27,649	100%	VDM METALS, GMBH.	PWC

Associates

The detail of investments in associates in 2022 and 2021 is as follows:

	OWNERSHIP			
ASSOCIATES	COUNTRY	COST (in thousands of euros)	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST
BETINOKS PASLANMAZ ÇELIK A.S.	Turkey	0	25%	ACERINOX S.A.
MOL Katalysatortechnik GmbH	Germany	390	20.45%	VDM METALS, GMBH.
Evidal Schmöle Verwaltungsgesellschaft mbH	Germany	0	50%	VDM METALS, GMBH.

The associates belonging to the VDM Group are two entities which are scantly material for the Group, the ownership interests in which are measured at cost, as the Group is not involved in their management and therefore, does not have their Financial Statements. Betinoks Paslanmaz Celik, A.S., based in Turkey, is active in the distribution of stainless steel products and other metals in Turkey. MOL Katalysatortechnik, GmbH, based in Germany, engages in the production and distribution of mineral and metal catalysts. On the other hand, EVIDAL Schmöle Verwaltungsgesellschaft GmbH manages the pension funds of one of the former manufacturing companies.

5.4 Capital increases and reductions

During the financial year, the Group company Inoxplate, Lda, based in Portugal and wholly owned by the Portuguese company Acerol, Ltda, made a repayment of additional contributions to its parent company in the amount of EUR 500 thousand (2021: EUR 350 thousand).

The most significant capital increase in 2021 was that of the Malaysian company Bahru Stainless, Sdn. Bhd., mentioned in Note 5.2, in the amount of USD 349.5 million.

In the case of VDM High Performance Metals (Nantong) Co. Ltd in 2021, a non-cash capital increase was carried out through the capitalisation of dividends totalling EUR 1,238 thousand.

A capital increase of EUR 420 thousand was also implemented at VDM Metals Italia Srl. by its sole shareholder VDM Metals GmbH.

5.5 Impairment losses on investments

At the end of each reporting period, the Parent Company performs impairment tests on those investments in Group companies for which there are indications of possible impairment, in order to verify whether the valuations of the respective companies exceed their recoverable amount.

Following the tests carried out during the year, it was necessary to recognise impairment of the portfolio investment in Bahru Stainless Sdn. Bhd in the amount of EUR 197,197 thousand. On the other hand, there has been a reversal of the impairment recorded in previous years in the Company Columbus Stainless Pty. Ltd. in the amount of EUR 58,291 thousand, as the recoverable value of the investment was higher than the impairment recorded at year-end.

In 2021, the Group also recorded a reversal of the impairment loss recognised in prior years on Columbus Stainless Pty. Ltd for a total amount of EUR 45,304 thousand.

These impairments or reversals do not have an impact on consolidated profit or loss as these companies are fully consolidated. A detailed breakdown of the analyses conducted is included in the notes to the Parent's separate financial statements.

NOTE 6 – SEGMENT REPORTING

The Group is organised internally by operating segments, the strategic business units, which are made up of different products and services that are managed separately, so that Group management reviews internal reports for each of these segments at least monthly.

On the occasion of the acquisition of the VDM Group in 2020, the Group's management changed the configuration of the operating segments and integrated the flat steel, long steel and other stainless steel products segments into a single segment called "Stainless Steel". In addition, the "High-performance alloys" segment, which includes the products produced by the VDM Group, is analysed and reported separately. Due to the different technical specifications and markets of the two products, the Group's management has decided to manage only these two segments separately. The Group has already changed the classification in the information of the interim financial statements for the first half of 2022. For the purpose of these Annual Accounts, the Group presents the information retrospectively.

The operating segments presented by the Group, associated with the types of products it sells, are as follows:

- Stainless steel: includes both flat and long stainless steel products.
- High-performance alloys: special alloys with high nickel content. This segment includes all the companies in the VDM Metals subgroup.

Segment results, assets and liabilities include all items directly or indirectly attributable to a segment. There are no significant assets used jointly.

The "Unallocated" segment includes the activities of the holding company and activities that cannot be allocated to any of the specific operating segments. As described in Note 1, the main activity of the holding company, the parent company of the Acerinox Group, is to approve and oversee the strategic businesses. It also provides a range of corporate and advisory services in various areas and manages and administers the Group's financing, which is centralised through Acerinox, S.A.

The result of the "Unallocated" segment reflects hardly any revenues as these, in the parent company, are always with Group companies and have therefore been eliminated in the consolidation process. The financial costs of this segment are the highest, due to the centralisation of financing mentioned above.

Revenue and all items reflected in the statement of profit or loss by segment are presented on a consolidated basis, i.e. after eliminating income and expenses from Group companies, except for sales between segments, which are reflected separately.

Inter-segment transfers and transactions are performed on an arm's length basis, under commercial terms and conditions that would be available for unrelated third parties.

A segment's performance is measured on the basis of its gross profit from operations and net profit before tax. The Group considers that this information is the most relevant when assessing the performance of the segment in relation to other comparables in the industry.

6.1 Operating segments

Segment results for the year ended 31 December 2022 are as follows:

(Amounts in thousands of euros)

	2022				
	Stainless Steel	High-performance alloys	Unallocated	Adjustments	Total
Statement of profit or loss					
Revenue	7,477,172	1,280,405	2,853	-3,540	8,756,890
Inter-segment sales	-2,508	-1,032		3,540	
Total revenue	7,474,664	1,279,373	2,853		8,756,890
Gross profit from operations	1,181,185	124,897	-33,473		1,272,609
Depreciation and amortisation charge	-160,406	-31,832	-697		-192,935
Impairment losses	-203,905				-203,905
Finance income	24,035	490	1,548		26,073
Finance costs	-20,225	-16,395	-26,179		-62,799
Exchange differences	1,214	-10,856	1,877		-7,765
Impairment and loss on disposal of financial instruments	-3				-3
Profit (loss) before tax	821,895	66,304	-56,924		831,275
Income tax	-231,816	-23,343	-5,730		-260,889
Consolidated profit (loss) for the year	590,079	42,961	-62,654		570,386
Attributable to:					
Non-controlling interests	14,332				14,332
Net profit (loss) attributable to the Group	575,747	42,961	-62,654		556,054
Statement of financial position					
Segment assets	5,060,337	1,212,402	45,019		6,317,758
Investments accounted for using the equity method		390			390
Property, plant and equipment	1,398,853	250,354	10,316		1,659,523
Total consolidated assets	5,060,337	1,212,792	45,019		6,318,148
Segment liabilities	1,351,880	834,510	1,584,064		3,770,454
Unallocated liabilities					
Total consolidated liabilities (excluding equity)	1,351,880	834,510	1,584,064		3,770,454
Property, plant and equipment	1,398,853	250,354	10,316		1,659,523
Investments in non-current assets	124,787	27,811	1,294		153,892

Unallocated liabilities essentially comprise the Parent’s financial debt.

The data for 2021 are as follows:

(Amounts in thousands of euros)

	2021				
	Stainless Steel	High-performance alloys	Unallocated	Adjustments	Total
Statement of profit or loss					
Revenue	5,932,046	821,885	2,316	-3,558	6,752,689
Inter-segment sales	-3,466	-92		3,558	
Total revenue	5,928,580	821,793	2,316		6,752,689
Gross profit from operations	955,714	60,695	-27,599		988,810
Depreciation and amortisation	-148,698	-29,638	-767		-179,103
Finance income	2,050	266	605		2,921
Finance costs	-13,600	-8,261	-23,419		-45,280
Exchange differences	2,906	-3,933	-592		-1,619
Profit (loss) before tax	798,372	19,129	-51,772		765,729
Income tax	-171,162	-6,048	-3,012		-180,222
Consolidated profit (loss) for the year	627,210	13,081	-54,784		585,507
Attributable to:					
Non-controlling interests	13,625				13,625
Net profit (loss) attributable to the Group	613,587	13,079	-54,784		571,882
Statement of financial position					
Segment assets	4,980,298	932,402	71,132		5,983,832
Investments accounted for using the equity method		390			390
Property, plant and equipment	1,575,434	248,361	9,728		1,833,523
Total consolidated assets	4,980,298	932,792	71,132		5,984,222
Segment liabilities	1,596,530	639,869	1,532,961		3,769,360
Unallocated liabilities					
Total consolidated liabilities (excluding equity)	1,596,530	639,869	1,532,961		3,769,360
Property, plant and equipment	1,575,434	248,361	9,728		1,833,523
Investments in non-current assets	80,760	20,055	512		101,327

There are no significant items that have not been reflected in cash flows other than depreciation and amortisation and impairment.

6.2 Geographical segments

Revenue from geographical segments is presented on the basis of customer location. Segment assets are determined by the geographical location of those assets.

The data relating to geographical segments in 2022 is presented below:

(Amounts in thousands of euros)

	2022						
	Spain	Rest of Europe	America	Africa	Asia	Other	Total
Revenue by destination of goods	628,790	2,588,756	4,349,712	424,259	675,893	21,084	8,688,494
Segment assets	1,330,745	1,449,493	2,620,365	521,631	389,051	6,862	6,318,147
Property, plant and equipment	445,281	262,279	608,608	122,403	210,968	68	1,649,607
Investment property	161	9,755					9,916
Investments in non-current assets	59,410	27,259	44,944	19,824	2,456		153,892

The data for 2021 are as follows:

(Amounts in thousands of euros)

	2021						
	Spain	Rest of Europe	America	Africa	Asia	Other	Total
Revenue by destination of goods	499,727	2,011,860	3,286,515	351,242	544,641	11,754	6,705,739
Segment assets	1,286,578	1,140,829	2,384,106	513,423	654,343	4,943	5,984,222
Property, plant and equipment	416,164	261,969	613,608	116,214	412,271	82	1,820,308
Investment property	3,216	9,999					13,215
Investments in non-current assets	41,217	20,081	28,427	10,316	1,286		101,327

The Group sells its products in over 80 countries across the 5 continents. The Group's sales in each of the following countries exceeded 5% of total consolidated sales in 2022 and 2021: the United States 43.29% (2021: 41.47%), Germany 10.29% (2021: 8.42%), Spain 7.24% (2021: 7.45%), Italy 4.82% (2021: 7.15%) and South Africa 4.76% (2021: 5.07%). These sales also include the sales of the high-performance alloys segment.

No single transaction with an external customer exceeded 10% of the consolidated Group's total revenue for 2022 or 2021.

NOTE 7 – INTANGIBLE ASSETS

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

(Amounts in thousands of euros)

COST	Development expenses	Industrial property	Computer applications and others	Customer portfolio	SUBTOTAL	Goodwill
Balance as of 1 January 2021	16,355	32,337	51,702	29,200	129,594	118,953
Procurements	791	72	2,066		2,929	
Disposals		-289	-139		-428	
Translation differences			215		215	
Balance as of 31 December 2021	17,146	32,120	53,844	29,200	132,310	118,953
Procurements	1,454	124	1,159		2,737	
Disposals		-38	-729		-767	
Translation differences			153		153	
Balance as of 31 December 2022	18,600	32,206	54,427	29,200	134,433	118,953
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Development expenses	Industrial property	Computer applications and others	Customer portfolio	SUBTOTAL	Goodwill
Balance as of 1 January 2021	7,499	25,472	45,425	1,622	80,018	-67,889
Allocation	1,144	540	2,139	1,947	5,770	
Disposals		-53	-139		-192	
Translation differences			136		136	
Balance as of 31 December 2021	8,643	25,959	47,561	3,569	85,732	-67,889
Allocation	1,144	529	2,276	1,947	5,896	
Disposals		-31	-707		-738	
Translation differences			106		106	
Balance as of 31 December 2022	9,787	26,457	49,236	5,516	90,996	-67,889

NET VALUE	Development expenses	Industrial property	Computer applications and others	Customer portfolio	SUBTOTAL	Goodwill
Cost at 31 December 2020	16,355	32,337	51,702	29,200	129,594	118,953
Accumulated amortisation and impairment losses	-7,499	-25,472	-45,425	-1,622	-80,018	-67,889
Carrying amount as of 31 December 2020	8,856	6,865	6,277	27,578	49,576	51,064
Cost at 31 December 2021	17,146	32,120	53,844	29,200	132,310	118,953
Accumulated amortisation and impairment losses	-8,643	-25,959	-47,561	-3,569	-85,732	-67,889
Carrying amount as of 31 December 2021	8,503	6,161	6,283	25,631	46,578	51,064
Cost at 31 December 2022	18,600	32,206	54,427	29,200	134,433	118,953
Accumulated amortisation and impairment losses	-9,787	-26,457	-49,236	-5,516	-90,996	-67,889
Carrying amount as of 31 December 2022	8,813	5,749	5,191	23,684	43,437	51,064

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

At 31 December 2022, the Group had entered into agreements to acquire intangible assets amounting to EUR 791 thousand (2021: EUR 502 thousand).

Research and development expenditure

Due to the nature of its activity and as stated in its mission, the Acerinox Group considers research, development and innovation to be strategic in nature. R&D&I projects focus on three priority areas: development of new materials, process improvement and waste recovery. With the incorporation of VDM Metals into the Acerinox Group, efforts were combined to leverage available resources in line with the company's overall purpose and strategy of fostering sustainable innovation. Research and development are a cornerstone of VDM's business model. In cooperation with customers, VDM develops optimal solutions for the specific requirements of different industries, helping to make their processes more efficient. This includes the development of new materials, as well as the identification of alloys with high performance potential and the optimisation of key properties in those established in the market that can be classified for other applications. Most of the projects are carried out in collaboration with customers and research institutes which take part in the projects. The Group is improving the adaptability of the R&D+i departments by creating joint work structures and more agile and flexible processes.

An Innovation and Technology Committee was set up in 2021 comprising managers from various business areas and lead by the Group's Chief Executive Officer, with the purpose of reviewing the Group's capabilities, defining the R&D+i strategy, providing sufficient funds, identifying risks that could have a significant impact on the Group's operations and defining long-term targets.

Certain research and development expenses incurred by the Group do not meet the criteria for capitalisation and are therefore expensed as incurred, according to their nature. The total research, development and technological innovation (R&D+i) expenses recorded directly as expenses for the year and charged to the Group's income statement stood at EUR 16,516 thousand (2021: EUR 14,935 thousand).

The high-performance alloys division does, however, capitalise costs relating to R&D+i projects in which the research findings are used to produce new products and processes, or to significantly improve existing products and processes, provided that the product or process proves to be technically and commercially feasible, the Group has the resources required to complete the development programme and it is considered that they will generate future cash flows that will enable their recovery. The total R&D+i expenditure capitalised in the year amounts to EUR 1,454 thousand, relating to 5 projects (2021: EUR 791 thousand, relating to 2 projects). VDM has 26 employees working on 69 R&D+i projects.

Customer portfolio

The allocation in 2020 of the purchase price of the VDM Group to the net assets and liabilities identified led to the identification of new intangible assets, arising from the valuation of the customer portfolio. These assets had not previously been recognised for accounting purposes in the separate financial statements of the VDM Group. The multi-period excess earnings method was used to measure this group of intangible assets.

It is standard industry practice to recognise both relationships with customers and the backlog as two of the most important intangible assets arising from a business combination. Both assets were valued jointly in the purchase price allocation process. The estimated fair value at the acquisition date was EUR 29,200 thousand.

Goodwill

At 31 December 2022, goodwill in the amount of EUR 51,064 thousand reflected mainly the amount arising from the business combination performed in 2020 as a result of the acquisition of the VDM Metals Group (EUR 49,829 thousand). The goodwill was allocated to the VDM's subgroup cash-generating unit (CGU) which, as a whole, belongs to the high-performance alloys segment.

7.1 Impairment of goodwill

The Group estimates the recoverable amount of goodwill on an annual basis, or more frequently where indications of possible impairment are identified. Accordingly, goodwill is allocated to each of the cash-generating units (CGUs) of the company to which the economic benefits of the business combination synergies are expected to flow.

The recoverable amount of a CGU is determined on the basis of the calculation of its value in use. These calculations use cash flow projections based on five-year financial budgets approved by management. Cash flows beyond this five-year period are extrapolated using the estimated growth rates indicated below. The terminal value is calculated by taking into consideration average amounts calculated on the basis of figures achieved in the past and also in the budgeted period, which enables bull and bear cycles to be standardised.

VDM

At 31 December 2022, goodwill in the amount of EUR 51,064 thousand reflected mainly the amount arising from the business combination performed in 2020 as a result of the acquisition of the VDM Metals Group (EUR 49,829 thousand). The goodwill was allocated to the VDM's subgroup cash-generating unit (CGU) which, as a whole, belongs to the high-performance alloys segment.

With respect to the five-year budgets, the estimated sales and production volumes are based on current capacities using existing machines and equipment, and take into account the evolution of both future demand and the prices by market, checked against estimates made by independent industry experts, such as SMR (Steel & Metals Market Research). Management determines production costs by taking into account the current situation, the efficiency plans implemented and future price developments.

The discount rates used are pre-tax values and reflect specific risks relating to the relevant segments. Other significant assumptions such as raw material prices are tied to the most recent values recorded in the pertinent markets.

With a sales volume exceeding 43,400 tonnes in 2022 (2021: 39,000 tonnes), VDM Metals continued to be the leading global manufacturer of nickel alloys.

In 2022, the market for high-performance alloys performed well, mainly due to the healthy development of demand in the oil and gas sector, which performed very positively.

Demand from the chemical process industry was strong in the first nine months and somewhat weaker in the fourth quarter. The aerospace sector continued to recover and the manufacture of gas turbines for power generation was booming. Demand for high-performance alloys for the nuclear sector increased in the last year. Consumption in the electronics sector remained stable, although slightly below expectations. The automotive sector started the year weak due to the shortage of semiconductors, but recovered in the second half of the year.

The Group is confident that the flows to perpetuity will materialise, mainly in terms of its use of production capacity and margins, using a perpetuity growth rate (g) of 2.3% in line with expected long-term inflation for the main markets in which VDM operates.

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

	2022	2021
Planned EBIT margin (*)	5.5%	7.5%
Weighted average growth rate, g (**)	2.3%	1.8%
Pre-tax discount rate (***)	11.6%	10.8%
After-tax discount rate (***)	8.4%	7.7%

(*) Five-year planned average EBIT margin. EBIT is defined as profit or loss from operations and expressed as a margin or percentage of revenue.
(**) Rate used to extrapolate cash flows beyond the budgeted period.
(***) Discount rate: weighted average cost of capital (WACC)

The discount rate (WACC or weighted average cost of capital) was calculated on the basis of the interest rates of the German sovereign debt (twenty-year treasury bond) and a capital structure, market risk premiums and ratios of similar companies.

With respect to the terminal value, adjustments were performed to obtain flows to perpetuity, depreciation and amortisation were matched to the investments and changes in working capital were also calculated based on average amounts, deemed consistent in the long term, increased by the growth rate (g). The EBIT margin projected to perpetuity does not differ from that achieved by VDM in previous years.

Another assumption is the price of raw materials, particularly nickel, which is set when drawing up the budget. This is extrapolated and remains constant during the period of analysis.

Essentially, due to the uncertain environment governing the markets in which VDM operates, specially affected by the geopolitical situation caused by the Russian invasion of Ukraine, the Group analysed the probability of occurrence of the key assumptions by adjusting the estimated budgets, as well as those of the terminal year, to normalised values that take into account the results obtained in the past. The residual value determined by the tests represents 63.9% of the total recoverable amount. (2021: 63.5%)

The impairment test performed on 31 December 2022 showed a recoverable amount of EUR 881,180 thousand (2021: EUR 817,575 thousand), higher than the carrying amount, EUR 814,257 thousand (2021: EUR 649,349 thousand) by EUR 66,923 thousand (2021: EUR 168,226 thousand). Consequently, it is not necessary to recognise any impairment losses on goodwill.

To achieve an impairment of the carrying amount, the discount rate (WACC) would have to be increased by 9.0% (2021: 9.6%), while maintaining the growth rate (g). The planned average EBIT margin would have to be reduced by 3.9% (2021: 5.9%), with the other two assumptions remaining unchanged.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

The detail of the various items of property, plant and equipment and of the changes therein in 2022 and 2021 is shown in the following table:

(Amounts in thousands of euros)

COST	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Balance as of 31 December 2020	942,488	4,308,137	160,836	75,461	5,486,922
Hyperinflation adjustments	198	36	69		303
Additions	3,845	33,150	8,567	52,836	98,398
Transfers	8,266	63,639	8,040	-78,280	1,665
Disposals	-13,932	-21,815	-3,442		-39,189
Translation differences	37,250	183,204	2,656	1,651	224,761
Balance as of 31 December 2021	978,115	4,566,351	176,726	51,668	5,772,860
Hyperinflation adjustments	344	62	121		527
Additions	1,748	61,948	14,480	72,979	151,155
Transfers	10,700	43,922	4,325	-54,327	4,620
Disposals	-3,109	-32,087	-4,467	-71	-39,734
Translation differences	28,686	147,181	2,113	1,601	179,581
Balance as of 31 December 2022	1,016,484	4,787,377	193,298	71,850	6,069,009

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Balance as of 31 December 2020	421,470	3,121,343	122,178		3,664,991
Allocation	21,909	140,481	5,019		167,409
Allowance for impairment losses					
Hyperinflation adjustments	120	29	68		217
Transfers	1,875	-2,865	2,865		1,875
Disposals	-8,672	-15,541	-3,124		-27,337
Translation differences	15,649	127,585	2,163		145,397
Balance as of 31 December 2021	452,351	3,371,032	129,169		3,952,552
Allocation	23,022	150,356	6,062		179,440
Allowance for impairment losses		203,905			203,905
Hyperinflation adjustments	210	50	120		380
Transfers	2,198	-9,789	9,616		2,025
Disposals	-2,050	-27,100	-4,189		-33,339
Translation differences	12,129	101,020	1,290		114,439
Balance as of 31 December 2022	487,860	3,789,474	142,068		4,419,402

NET VALUE	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Cost at 31 December 2020	942,488	4,308,137	160,836	75,461	5,486,922
Accumulated amortisation and impairment losses	-421,470	-3,121,343	-122,178		-3,664,991
Carrying amount as of 31 December 2020	521,018	1,186,794	38,658	75,461	1,821,931
Cost at 31 December 2021	978,115	4,566,351	176,726	51,668	5,772,860
Accumulated amortisation and impairment losses	-452,351	-3,371,032	-129,169		-3,952,552
Carrying amount as of 31 December 2021	525,764	1,195,319	47,557	51,668	1,820,308
Cost at 31 December 2022	1,016,484	4,787,377	193,298	71,850	6,069,009
Accumulated amortisation and impairment losses	-487,860	-3,789,474	-142,068		-4,419,402
Carrying amount as of 31 December 2022	528,624	997,903	51,230	71,850	1,649,607

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

The difference between the depreciation and amortisation charge included in the consolidated statement of profit or loss and consolidated statement of cash flows and the sum of the amounts charged reflected in the tables relating to property, plant and equipment, intangible assets, investment property and right-of-use assets is mainly due to the hyperinflation adjustments made to all the profit or loss items of the Argentine entity, which, in the case of the depreciation and amortisation charge, amount to EUR 28 thousand (2021: EUR 17 thousand).

Any impairment of property, plant and equipment and goodwill is included under a separate, specific heading in the consolidated statement of profit or loss.

Investments

The investments made in 2022 in both property, plant and equipment and intangible assets amounted to EUR 153,892 thousand. These investments include both the acquisition and installation of new equipment and recurrent maintenance investments. In many cases, these are investments aimed at improving efficiency and productivity, but they are also strategic in nature and committed to sustainability, as they entail a reduction in energy consumption. In the case of Acerinox Europe, the total amount of investments (including maintenance) is EUR 52.7 million, including the capitalisation of major repairs carried out this year in both the steel plant and the hot rolling mill, the slag warehouse and the new CS-6 cutting line. The investments made by the company North American Stainless amount to EUR 43.9 million, destined to the maintenance of existing equipment, updating of the AP1, new slitting line SL-5 and the replacement of equipment damaged in the steelworks incident and replacement of wiring. At Columbus Stainless, investments for the year amounted to EUR 19.8 million, with the installation of oxygen and nitrogen storage tanks and investments in plant maintenance being particularly noteworthy. Finally, the VDM Group invested EUR 27.8 million over the year for production growth, product quality improvement, safety, environment and the maintenance of existing equipment.

In 2021 the investments amounted to EUR 101,327 thousand, around EUR 50 million of which related to recurring investments in maintenance. In the case of Acerinox Europa, total investment (including maintenance) stood at EUR 38.6 million, including the construction of a new warehouse in the steel plant that will allow the transfer of part of the slag metal recovery operations under cover, the civil works of the new CS-6 cross-cutting line have begun. The complete layout of the three conductors of the high voltage line was also replaced and automatic strip inspection equipment installed in the BA2 Bright Annealing line as part of the digitalisation plan. The investments made by the company North American Stainless amounted to EUR 28.2 million and were aimed at maintaining the existing equipment, updating certain production lines and improving safety. In the case of Columbus Stainless, investments for the year amounted to EUR 10.3 million, mainly for equipment maintenance and system upgrades. Finally, the VDM Group invested EUR 20.1 million over the last year for production growth, product quality improvement, safety, environment and the maintenance of existing equipment.

Property, plant and equipment in the course of construction

The detail of the investments classified under this heading is as follows:

(Amounts in thousands of euros)

	2022	2021
Buildings	12,280	6,931
Plant and machinery	57,437	43,330
Other items of property, plant and equipment	1,371	1,407
Advances	762	0
TOTAL	71,850	51,668

Of the total amount recognised under this heading, EUR 21,316 thousand at Acerinox Europa (2021: EUR 12,780) and EUR 25,354 thousand at the US company North American Stainless (2021: EUR 25,374 thousand), EUR 10,648 thousand at Columbus (2021: EUR 4,201 thousand) and EUR 9,495 thousand in VDM (2021: 8,351 thousand), are noteworthy.

The total amount of transfers from work in progress to finished assets made during this financial year amounts to EUR 54,327 thousand, among which the update of the AP1 of the North American Stainless Group company stands out, having reached the optimal production volumes and qualities set by management (EUR 78,280 thousand in 2021, corresponding mainly to the Acerinox Europe ladle furnace).

Property, plant and equipment located outside Spain

The detail of the property, plant and equipment, including investment property, located outside Spain is as follows:

(Amounts in thousands of euros)

	2022		2021	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and buildings	722,417	-319,684	689,216	-289,079
Plant and machinery	3,347,857	-2,629,224	3,167,681	-2,234,255
Other items of property, plant and	138,883	-92,070	122,919	-80,695
Property, plant and equipment in the	45,903	0	38,355	0
TOTAL	4,255,060	-3,040,978	4,018,171	-2,604,029

Changes in estimates

As explained in Note 3, the Group periodically reviews estimated useful lives based on the valuations conducted by experts from the appropriate entity. In 2022, as in 2021 the Group company Columbus Stainless reviewed the useful lives of items whose useful life was about to end, extending it in those cases where the items were still in use. The technological improvements and maintenance plans performed on an ongoing basis by the company lead the projected useful lives to be lengthened, since the company considers that it will continue to obtain cash flows from the use of these assets. The net book value of the assets whose useful lives have been estimated in this fiscal year amounted to EUR 932 thousand, while the impact on income from the reduction of depreciation was EUR 60 thousand (2021: EUR 1,329 thousand with an impact on income from the reduction of depreciation of EUR 275 thousand).

The Group proceeded with accounting of the change in estimate prospectively, as stipulated in IAS 8.

Guarantees

None of the Group's assets had been pledged to secure bank borrowings at 31 December 2022 or 2021.

Obligations and commitments

At 31 December 2022, the Group had entered into agreements to acquire new equipment and facilities for EUR 59,254 thousand, among which the following stand out: EUR 16,543 thousand relating to the investments made by Acerinox Europa, EUR 17,387 thousand by North American Stainless, EUR 9,800 thousand corresponding to Columbus and EUR 11,254 thousand by the VDM Group.

At 31 December 2021, the Group had entered into agreements to acquire new equipment and facilities for EUR 27,786 thousand, among which the following stand out: EUR 12,220 thousand relating to the investments made by Acerinox Europa, EUR 5,000 thousand by North American Stainless, EUR 2,211 thousand corresponding to Columbus and EUR 7,726 thousand by the VDM Group.

Capitalisation of borrowing costs

Borrowing costs of EUR 14 thousand relating to Columbus Stainless were capitalised in 2022 (2021: EUR 20 thousand, also relating to the same Group company). The capitalisation rate in 2022 was 7.46% (2021: 5.86%).

Disposals of property, plant and equipment

Losses on the sale or retirement of property, plant and equipment recognised under "Other Operating Income" in the consolidated statement of profit or loss for 2022 amount to EUR 1,987 thousand (2021: EUR 8,392 thousand), which mostly correspond to the removal of fixed assets from the Group's warehouses, either because they are obsolete or because they have been used for maintenance work The assets damaged at the North American Stainless Group company as a result of the incident at the steelworks, as well as the wiring system, were also derecognised this year for a net amount of EUR 1,019 million.

The gain on the sale or retirement of property, plant and equipment recognised in the 2022 statement of profit or loss under "Other operating income" amounts to EUR 1,837 thousand, mainly corresponding to the sale of a warehouse in the Spanish company Inoxcenter, classified as investment property (2021: EUR 10,470 thousand corresponding to the sale of two of the Group's industrial buildings in Germany and France).

Environment

The items of property, plant and equipment the purpose of which is to minimise environmental impact and protect and improve the environment at 31 December 2022 and 2021 were as follows:

(Amounts in thousands of euros)

	2022		2021	
Nature and purpose	Gross value	Accumulated Depreciation	Gross value	Accumulated Depreciation
Water treatment	113,661	-92,214	106,357	-83,378
Acid neutralisation	63,171	-48,559	61,936	-46,252
Treatment of gaseous emissions	89,901	-73,093	88,955	-70,586
Automatic addition system	8,741	-7,339	8,445	-6,914
Other elements	123,839	-101,587	120,587	-95,843
Total	399,313	-322,792	386,280	-302,973

In 2022 the Group received an environmental grant of EUR 9,879 thousand, mostly related to offsetting the costs of indirect greenhouse gas emissions. In 2021 EUR 7,171 thousand were received for the same concept. Both grants were recognised as income in the year under “Other Operating Income”.

In 2022 the Group incurred ordinary environmental expenses of EUR 148,240 thousand (2021: EUR 111,281 thousand).

Property, plant and equipment not used in operations

Group property, plant and equipment not used in operations includes an industrial building classified as investment property. The detail and valuations of this property are broken down in Note 9.

Other disclosures

There were no legal proceedings, attachments or similar measures that could affect items of property, plant or equipment at 31 December 2022 or 2021.

The Group companies have taken out several insurance policies to cover the risks to which their property, plant and equipment are subject. It is considered that these policies sufficiently cover such risks.

8.1 Impairment losses

As established in IAS 36, and as mentioned in the accounting policies (Note 2.11), at each reporting date the Group assesses whether there is any indication that its assets might have become impaired. The value of an asset is impaired when its carrying amount exceeds its recoverable amount. The Group considers that indications of impairment exist when there is/are a significant decrease in the value of the asset, significant changes in the legal, economic or technological environment that could affect the measurement of assets, obsolescence or physical impairment, idle assets, low returns on assets, discontinuation or restructuring plans, repeated losses at the entity or substantial deviation from the estimates made. That is to say, to assess indications of impairment, both external sources of information (technological changes, significant fluctuations in market interest rates, market value of the assets) and internal sources of information (evidence of obsolescence, sustained losses at the entity, substantial deviation from estimates, etc.) are taken into account.

Property, plant and equipment and intangible assets represent 28% of the Group’s total assets. A breakdown by company shows that 95% of the Group’s total property, plant and equipment and intangible assets are located at its factories, with the remaining 5% held at the other 33 subsidiaries:

SUBSIDIARIES	2022	2021
ACERINOX EUROPA, S.A.U.	23.50%	19.95%
ROLDAN S.A.	1.29%	1.04%
INOXFIL S.A.	0.17%	0.16%
NORTH AMERICAN STAINLESS INC.	34.79%	31.76%
Columbus Stainless (Pty) Ltd.	7.38%	6.34%
BAHRU STAINLESS	12.45%	22.24%
VDM METALS GROUP	15.09%	13.55%
Other subsidiaries	5.33%	4.96%
TOTAL	100.00%	100.00%

Since individual assets do not generate cash inflows independently, as the whole production process needs to be completed, impairment is not estimated on an individual basis but by allocating the assets to cash-generating units. In the case of factories, the smallest cash-generating units that can be considered encompass each factory as a whole.

The Acerinox Group has obtained the best results in its history in 2022 despite the complexity of the market, geopolitical uncertainty and high energy costs, especially in Europe.

The improvement in activity experienced in 2021 has been maintained in the first half of 2022, with notable increases in margins and good cash generation. During the second half of the year, activity has been affected by high volumes of imported material which have increased stocks in the warehousing sector and led to a decline in apparent consumption.

EBITDA of EUR 1,276 million was achieved in a complex environment. These include, among others, the instability generated by the geopolitical situation with Russia's invasion of Ukraine, cost inflation, especially energy prices in Europe, supply chain problems, the collapse of nickel prices on the London Metal Exchange (LME) in March and incidents that occurred in some of the Group's factories.
In this context of uncertainty, despite the record results at Group level, there have been signs of deterioration in the Group's factories in Malaysia, Bahru Stainless, and in Spain, in Acerinox Europe.

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 two halves of the year were markedly different for the stainless steel market. The first was characterised by a very positive market situation, following the trend of the previous year. In contrast, the second half of the year was affected by high inventories at retailers caused by heavy imports. These, attracted by the "unreal" situation of shortages, came in many cases with the change of cycle that arose due to doubts about the recession.

Tough lockdowns in China have led to a sharp fall in domestic demand whose recovery has been moderated by the government's zero COVID policy and the crisis in the construction sector. Chinese and Indonesian producers continued to prioritise cash generation over prices. Asian producers, mainly in Indonesia, maintained an aggressive pricing strategy that contributed to the price decline in the Asian market.

In addition, quotas on Malaysian material imports in Europe were exceeded at the end of the first half of the year, forcing Bahru to withhold material at ports, reduce its material exports to Europe or take on the duties.

In conclusion, given the weakness of the demand in the Asian market, the oversupply and the aggressive pricing strategy of the main producers, it was deemed appropriate to revise downwards the projections of our re-roller in Malaysia, Bahru Stainless.

The Group has again requested the support of an independent expert, already engaged in previous years, for the determination of the recoverable amount at 31 December 2022.

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. A finite life was also considered (until 2046), projecting maintenance investments only.

In addition, tax loss carryforwards and unused tax credits, as well as unused land rights that may be saleable, have been taken into account.

The key assumptions used were as follows:

- Discount rate (WACC): 12.75% (9.75%-10% in 2021)
- EBIT margin (profit or loss from operations as a percentage of revenue): -1.9%(1.8%-2.0% in 2021)
- Volume: budgets approved by management with increments based on estimates from CRU (https://www.crugroup.com) until maximum capacity is reached (a similar exercise was carried out in 2021, but with estimates from CRU at that time).

As a result of the year described above, an impairment loss of EUR 203,905 thousand was recognised (2021: no impairment loss or reversal of impairment losses recognised in previous years was recognised). Impairment accumulated at year-end amounted to EUR 348,792 thousand.

After performing a sensitivity analysis, the Group has concluded that by increasing the discount rate (WACC) by 10% and decreasing the budgeted average EBIT by the same percentage, the impairment could increase to EUR 14,354 thousand, 7% higher than the impairment recorded.

Acerinox Europa, S.A.U.

Acerinox Europa, boasting a melting shop capacity of one million tonnes, a privileged location and its own seaport, mainly supplies flat products to Europe and material for long products to other plants in the Group's manufacturing network.

Apparent consumption in Europe was similar to 2021. Actual demand declined due to the uncertainties arising from the invasion of Ukraine. This resulted in inventories closing above the average of recent years. Cost inflation, especially energy costs, caused great damage and loss of competitiveness in the European industry and especially in Spain.

Imports remained at high levels (31% at the end of the year) largely due to the price spread with Asia. In June, the European Commission approved the review of the safeguard measures (July 2022 - June 2023). Similarly, the European Union approved anti-subsidy measures against India and Indonesia on 16 March. In addition, an anti-circumvention investigation was initiated in July for hot-rolled flat product materials from Indonesia via Turkey, on which a decision is expected in the first quarter of 2023.

The Group took into account all these circumstances and the adjustments to the macroeconomic forecasts in preparing the five-year budgets.

The key assumptions of the budgets prepared this financial year envisage a recovery in line with the market growth estimated by SMR (Steel & Metals Market Research) in its latest review. With respect to prices, the situation of the backlog is taken into consideration when making the estimates. Furthermore, forward energy curves are considered with a very conservative approximation.

The recoverable amount of the assets was determined in accordance with their value in use.

To determine the value in use of the assets, the estimate of future cash flows that the entity expects to obtain from the assets and the discount rate, i.e. the weighted average cost of capital (WACC), were taken in account.

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

	2022
Planned EBIT margin (*)	5.1%
Weighted average growth rate (**)	2.3%
Pre-tax discount rate (***)	10.8%
After-tax discount rate (***)	8.2%

(*) Five-year planned average EBIT margin. EBIT is defined as profit or loss from operations and expressed as a margin or percentage of revenue.
(**) Rate used to extrapolate cash flows beyond the budgeted period.
(***) Discount rate: weighted average cost of capital (WACC).

In addition, energy costs were considered as one of the key assumptions in this financial year. The most important reference is the forward curves for energy. Given the uncertainty reflected in the markets, the budgets contain very conservative assumptions about the future development of energy costs. The prices considered for 2023 amount to EUR 170/Mwh for electricity and EUR 120/Mwh for gas. For the following 4 years, only 30% of the decline determined by the forward curves is taken into account.

To determine the discount rate, the financing or leverage structure was considered on the basis of market participant assumptions, the interest rates of the sovereign debt of Spain (ten-year bond) and a capital structure, market risk premiums and ratios of similar companies.

With respect to the terminal value, adjustments were performed to obtain flows to perpetuity, depreciation and amortisation were matched to the investments and changes in working capital were also calculated based on average amounts, deemed consistent in the long term, increased by the growth rate (g). The growth rate (g) was estimated on the basis of expected long-term inflation. The residual value considered in the test represents 53% of the total recoverable amount.

The impairment test conducted at 31 December 2022 shows an excess of the recoverable amount (EUR 1,091,106 thousand) over the carrying amount (EUR 912,260 thousand) of EUR 178,846 thousand. Consequently, no impairment is recorded.

A sensitivity analysis under different scenarios shows that the discount rate (WACC) would have to be increased by 21.3% to start generating impairment of the carrying amount. The growth rate (g) would have to be brought to zero, and the WACC would have to be increased by 11.5% in order to start achieving an impairment of the carrying amount.

In order to achieve impairment, the planned average EBIT margin would have to be reduced by 17.6% to an average value of 4.2%, with the other two assumptions remaining unchanged.

Impairment analyses conducted in 2021

All the Group's entities had positive results in 2021 and far exceeded the estimates made for the year in 2020. Therefore there were no indications of impairment.

In the case of the Group's factory in Malaysia, Bahru Stainless, it performed significantly better, comfortably beating the 2021 budgets made the previous year, but as valuation adjustments had been recorded in the past, the Group decided to review the valuations made. As a result of this review, it was determined that it was not necessary to recognise additional impairment or reversal of the impairment loss recognised in prior years.

NOTE 9 – INVESTMENT PROPERTY

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

Having sold several warehouses in this category in recent years, at the end of 2022 the Group has only one industrial building in Italy classified as investment property, in addition to a few square metres at Acerinox's headquarters. This is an industrial building that was previously used for commercial activities and is currently rented to third parties.

The detail of the changes in investment property in 2022 and 2021 is as follows:

(Amounts in thousands of euros)

COST	2022	2021
Opening balance	18,145	17,499
Transfers	-4,620	825
Disposals	-825	-179
Balance as of 31 December	12,700	18,145

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	2022	2021
Opening balance	4,930	4,173
Allocation	514	285
Transfers	-2,036	615
Disposals	-624	-143
Balance as of 31 December	2,784	4,930

NET VALUE	2022	2021
Cost at 31 December	12,700	18,145
Accumulated amortisation and impairment losses	-2,784	-4,930
Carrying amount as of 31 December	9,916	13,215

During the year, certain floors of the Group's head offices in Spain were reclassified from investment property to property, plant and equipment, as they are now used by the Group itself and are no longer available for lease. Meanwhile, one of the buildings classified in this category, located in Spain, was sold with a net carrying amount of EUR 201 thousand. The proceeds from this sale amounted to EUR 1,443 thousand.

Last year, an industrial building belonging to the Group in Spain was reclassified from property, plant and equipment to investment property as it was no longer used for industrial activity and it was decided to lease or sell it. Meanwhile, one of the buildings classified in this category was sold with a net carrying amount of EUR 36 thousand. The proceeds from this sale amounted to EUR 63 thousand.

Total income from the lease of warehouses amounted to EUR 310 thousand in 2022 (2021: EUR 300 thousand). The associated operating expenses, including repair and maintenance expenses, amounted to EUR 67 thousand (2021: EUR 241 thousand).

The market value of all the investment property exceeded the carrying amount thereof and amounted to EUR 11,656 thousand at 31 December 2022 (2021: EUR 20,778 thousand). The decrease in market value is due to both the sale of one of the warehouses classified in this category and the transfer of several floors of the head office to property, plant and equipment. This valuation takes into account observable market variables such as offers and prices per square metre of premises available in the geographical area of the Group's investment property and, therefore, the determination of fair value is classified within the LEVEL 2 hierarchy in accordance with the policy established in Note 2.12.5.

NOTE 10 – RIGHT-OF-USE ASSETS (LEASES)

The detail of the right-of use assets, measured in accordance with the present value of future lease payments, and of the changes therein this financial year is as follows:

(Amounts in thousands of euros)

COST	Land and buildings	Plant and machinery	Other items of property, plant and equipment	TOTAL
Balance as of 31 December 2020	10,939	7,124	5,148	23,211
Additions	422	1,734	2,549	4,705
Revaluations		311		311
Disposals	-255	-2,758	-1,048	-4,061
Translation differences	110	4	298	412
Balance as of 31 December 2021	11,216	6,415	6,947	24,578
Additions	929	3,581	2,924	7,434
Revaluations		909		909
Transfers	-16		16	
Disposals	-1,530	-632	-1,657	-3,819
Translation differences	-32	5	236	209
Balance as of 31 December 2022	10,567	10,278	8,466	29,311

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Land and buildings	Plant and machinery	Other items of property, plant and equipment	TOTAL
Balance as of 31 December 2020	2,345	3,485	2,129	7,959
Allocation	1,779	2,150	1,695	5,624
Disposals	-252	-2,287	-1,045	-3,584
Translation differences	44	2	133	179
Balance as of 31 December 2021	3,916	3,350	2,912	10,178
Allocation	1,845	2,794	2,395	7,034
Revaluations		2		2
Transfers			11	11
Disposals	-1,519	-626	-1,637	-3,782
Translation differences	-27	-2	-310	-339
Balance as of 31 December 2022	4,215	5,518	3,371	13,104

NET VALUE	Land and buildings	Plant and machinery	Other items of property, plant and equipment	TOTAL
Cost at 31 December 2020	10,939	7,124	5,148	23,211
Accumulated amortisation and impairment losses	-2,345	-3,485	-2,129	-7,959
Carrying amount as of 31 December 2020	8,594	3,639	3,019	15,252
Cost at 31 December 2021	11,216	6,415	6,947	24,578
Accumulated amortisation and impairment losses	-3,916	-3,350	-2,912	-10,178
Carrying amount as of 31 December 2021	7,300	3,065	4,035	14,400
Cost at 31 December 2022	10,567	10,278	8,466	29,311
Accumulated amortisation and impairment losses	-4,215	-5,518	-3,371	-13,104
Carrying amount as of 31 December 2022	6,352	4,760	5,095	16,207

The borrowing costs on the lease liabilities recognised by the Group at 31 December 2022 amounted to EUR 328 thousand (2021: EUR 288 thousand). The interest rate used is the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the former is not practicable to determine.

The lease expenses recognised under "Operating Expenses" in the consolidated statement of profit or loss relating to low-value assets or short-term leases amounted to EUR 15,735 thousand (2021: EUR 13,596 thousand).

The term of the Group's leases and the amount of the payments remaining as of 31 December 2022 are as follows:

(Amounts in thousands of euros)

	2022	2021
	Amount of future payments	Amount of future payments
Up to 1 year	4,785	3,507
1-5 years	8,366	6,608
5-10 years	905	942
More than 10 years	1,386	1,483
TOTAL	15,442	12,540

Of the total amount of future lease payments, EUR 4,785 thousand is attributable to the short term and EUR 10,657 thousand to the long term.

The amount of the leases exceeding ten years relates mainly to a plot of land that the Group company Inoxcenter, S.L.U. has leased to the consortium of the Barcelona free trade zone, on which the Group has constructed an industrial building owned by it.

At 31 December 2022, the balance of the lease liabilities was EUR 15,442 thousand, most of which were recognised under "Other Non-Current Financial Liabilities" (2021: EUR 12,540 thousand).

None of the Group's leases were substantially modified as a result of the health crisis caused by the Covid-19 coronavirus, nor did it obtain any significant concessions in the form of a reduction in lease payments.

NOTE 11 – INVENTORIES

The detail of "Inventories" in the consolidated statement of financial position as at 31 December is as follows:

(Amounts in thousands of euros)

	2022	2021
Raw materials and other supplies	547,965	481,199
Products in process	714,171	594,214
Finished products	695,494	605,376
By-products, wastes and recoverable materials	197,912	95,821
TOTAL	2,155,542	1,776,610

The increase in inventories is mainly due to the increase in both raw material prices and the value-added embedded in work-in-process and finished goods.

"Raw materials and other supplies" includes EUR 44,233 thousand relating to the measurement of the emission allowances held by the Group at 2022 year-end (2021: EUR 34,746 thousand).

The changes in finished goods and work in progress in the year, according to the consolidated statements of financial position as at 31 December 2022 and 2021, shown above, differ from the figures recognised in the respective consolidated statements of profit or loss as a result of translation differences.

The cost of goods sold was calculated in accordance with the policy defined in Note 2.13 and amounted to EUR 6,981 million in 2022 (2021: EUR 5,505 million).

At the close of 2022, the Group recognised an adjustment of EUR 97,618 thousand in order to measure its inventories at net realisable value where this was lower than cost. An adjustment of EUR 10,948 thousand was recognised in 2021.

Obligations and commitments

As of 31 December 2022, the consolidated Group had commitments to purchase raw materials totalling EUR 271,850 thousand (2021: EUR 322,810 thousand), in line with current activity levels and raw material costs. Although there were no firm sale commitments at those reporting dates, there were formal orders for which the Group does not foresee any circumstances that could prevent delivery by the agreed deadlines.

The Group does not have any inventories with a cycle exceeding one year and, therefore, no borrowing costs were capitalised in this connection.

The Group companies have taken out several insurance policies to cover the risks to which their inventories are subject. It is considered that these policies sufficiently cover such risks.

11.1 Emission allowances

The Group recognises emission allowances as inventories.

On 13 July 2021, an agreement was approved determining the final free allocation of greenhouse gas emission allowances to Spanish entities subject to the allowance trading system for the period 2021-2025. Phase IV of the European Union Emissions Trading Scheme covers the years 2021-2030 and is divided into two allocation periods 2021-2025 and 2026-2030.

The yearly distribution of the allowances allocated to the Spanish Group companies is detailed below:

2021	2022	2023	2024	2025
195,244	195,244	195,244	195,244	195,244

The VDM Metals Group entity also holds CO_2 emission allowances. The allocations obtained by VDM free of charge fall short of the plants' requirements, and it is therefore necessary to acquire allowances on the market. The Company recognises the allowances acquired at acquisition cost and for no consideration under "Grants". In view of the significant price increase and future forecasts, the Group decided to implement a long-term purchase plan last year, 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.

The changes in emission allowances in 2022 and 2021 were as follows:

	Number of allowances	Value (in thousands of euros)
Balance at 31/12/2020	1,154,178	16,721
Allocation for the year	225,973	11,902
Procurements	190,739	10,334
Swap	7,730	153
Disposals	-286,618	-4,363
Balance at 31/12/2021	1,292,002	34,746
Allocation for the year	223,773	18,692
Procurements	29,187	1,195
Disposals	-361,957	-10,400
Balance at 31/12/2022	1,183,005	44,233

306,680 CO_2 emission allowances were used in 2022, and these allowances will be surrendered to the national authorities in 2023 (2021: 361,957, surrendered in 2022). The Group has not sold its surplus allowances.

The expense for the year in respect of CO_2 emissions totalled EUR 12,699 thousand in 2022 (2021: EUR 9,253 thousand) and is included under "Other Operating Expenses". This expense is equal to the value allocated to the allowances used in the year, which is the market value of these allowances when allocated.

Disposals for the year related to CO_2 emission allowances used in the previous year audited and approved by an independent expert.

Greenhouse gas emissions are verified each year by an ISO 14064-accredited external body. In addition, both Acerinox Europa and VDM are included in the EU Emissions Trading System (EU ETS).

In 2021, 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. This increase had little impact on the Group as Spanish plants have sufficient allocated rights to cover their needs. As described in the accounting policy in Note 2.13.1, any increase in the price of rights allocated free of charge will be offset by grant income, thus not affecting the Group's income statement. There were no significant variations this year.

The Group does not trade in CO_2 emission allowances; it merely acquires those required for internal use, as necessary. The Group does not hold any futures contracts for the acquisition of emission allowances.

There are no significant contingencies for emission-related fines.

NOTE 12 – FINANCIAL INSTRUMENTS

12.1 General considerations

A financial instrument is a contract that gives rise to a financial asset at one company and, simultaneously, a financial liability or an equity instrument at another. The Group recognises a financial instrument in its consolidated statement of financial position when it becomes party to the contract or legal transaction.

12.2 Categories of financial assets and liabilities

At year-end the Group's financial assets were as follows:

(Amounts in thousands of euros)

Class / Category	Long-term financial instruments						Short-term financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Loans and receivables					4,533	3,437					642,392	839,744
Held-to-maturity investments												
Equity instruments:												
- Valued at fair value through other comprehensive income		10,729										
- Valued at cost	394	396										
Assets at fair value through profit or loss					115	45					5,219	8,766
Hedging derivatives					25,540	1,017					41,756	6,449
TOTAL	394	11,125	0	0	30,188	4,499	0	0	0	0	689,367	854,959

At year-end the Group's financial liabilities were as follows:

(Amounts in thousands of euros)

Class / Category	Long-term financial instruments						Short-term financial instruments					
	Bank borrowings		Bonds and other marketable securities		Derivatives and others		Bank borrowings		Bonds and other marketable securities		Derivatives and others	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Financial liabilities at amortised cost	1,319,182	1,293,494	74,850	74,750	14,777	15,830	592,858	483,271	1,634	1,634	1,269,353	1,446,680
Liabilities at fair value through profit or loss					194	8					12,367	6,999
Hedging derivatives						2,437					12,637	5,515
TOTAL	1,319,182	1,293,494	74,850	74,750	14,971	18,275	592,858	483,271	1,634	1,634	1,294,357	1,459,194

12.2.1 Financial assets at amortised cost

The detail of the financial assets measured at amortised cost at 31 December is as follows:

(Amounts in thousands of euros)

	2022	2021
Customers	575,036	772,681
Debts with personnel	1,737	903
Public Administrations	33,252	45,098
Other debtors	17,685	13,033
Accruals and deferrals	14,990	12,942
Deposits and bonds	103	68
Other financial assets	4,457	69
Write-downs of uncollectible debts	-4,868	-5,050
TOTAL	642,392	839,744

The amount recognised as tax receivables from Public Administrations relates mainly to VAT settlements.

The decrease in trade and other receivables is mainly due to the decline in activity in the second half of the year compared to the end of the previous year.

The increase in other financial assets is mainly due to the increase in interest receivable on bank deposits made by the North American Stainless Group company.

As explained in the accounting policies, the Group measures accounts receivable at their transaction price, provided that they do not have a significant financial component, they are expected to be received in the short-term and the effect of not discounting the cash flows is not material. The Group does not have any non-current balances receivable.

Write-downs of uncollectible debts relate in full to trade receivables. The changes therein were as follows:

(Amounts in thousands of euros)

	2022	2021
Opening balance	5,050	5,631
Allocation	864	483
Application	-175	-58
Reversion	-1,118	-1,010
Translation differences	247	4
Balance as of 31 December	4,868	5,050

Changes in the balance of valuation adjustments are included under "Other Operating Expenses" on the statement of profit and loss.

No interest was earned on impaired financial assets in 2022 or 2021.

No interest was earned on impaired financial assets in 2022 or 2021.

At 31 December 2022, certain Group companies had receivables amounting to EUR 329,327 thousand factored on a non-recourse basis to banks in exchange for cash (2021: EUR 286,538 thousand). The factored amounts were derecognised as they met the conditions specified in IFRS 9 regarding the transfer of risks and rewards.

Note 12.2.3 includes a detail of the Group's factoring lines.

12.2.2Trade and other payables

The detail of “Trade and Other Payables” in the consolidated statements of financial position as at 31 December 2022 and 2021 is as follows:

(Amounts in thousands of euros)

	2022	2021
Suppliers and creditors for services rendered	1,021,284	1,318,061
Debts with personnel	74,782	55,008
Suppliers of fixed assets	21,342	12,017
Taxes and Social Security	33,876	41,127
Other creditors	7,529	5,984
Current provisions	22,627	14,483
TOTAL	1,181,440	1,446,680

Most of the amount included under tax and social security payables relates to amounts payable for VAT settlements and personal income tax withholdings. EUR 4,131 thousand relate to social security payables (2021: EUR 4,264 thousand).

As with customers, the decrease in suppliers and service creditors is mainly due to lower activity in the second half of the year compared to the end of the previous year.

With regard to the average payment period, Law 18/2022 of 29 September on the establishment and growth of companies amended the related law, in particular the additional provision 3, which establishes an information requirement and obliges all listed companies to explicitly indicate in their financial statements the average payment period for suppliers, the volume of money and the number of invoices paid in a period lower than the maximum established in the regulations on late payments, as well as the percentage of these invoices in the total number of invoices and in the total amount of money paid to their suppliers. The Group has taken this amendment into account.

The average payment period to domestic and foreign suppliers of the Spanish companies that form part of the Acerinox Group, after deducting payments made to Group companies, is as follows:

	2022	2021
	Days	Days
Average supplier payment period	63 days	63 days
Ration of operations settled	62 days	64 days
Ratio of transactions pending payment	80 days	58 days
	Amount	Amount
Total payments made	2,384,319	1,501,556
Total outstanding payments	189,759	303,307

As regards the new mandatory disclosures for Spanish companies belonging to the group, the situation is as follows:

	2022
a) Monetary volume of invoices paid within a period equal to or less than the maximum established in the regulations on late payment	1,129,490
Percentage share of total number of invoices of payments to its suppliers	47%
b) Number of invoices paid within a period equal to or less than the maximum period established in the late payment regulations	22,172
Percentage share of total monetary payments to its suppliers	40%

The table includes, the same as above, the payments made to any supplier, whether domestic or foreign, and excludes Group companies.

12.2.3Bank borrowings and bonds issued

The detail of the financial debt line items in the consolidated statements of financial position as at 31 December 2022 and 2021, including both bank borrowings and bonds issued by the Group in the year, is as follows:

(Amounts in thousands of euros)

	Non-current		Current	
	2022	2021	2022	2021
Bonds issued	74,850	74,750	1,634	1,634
Loans from credit institutions	1,319,182	1,293,494	592,858	483,271
Total debt	1,394,032	1,368,244	594,492	484,905

There is currently a private placement of EUR 75 million performed by Deutsche Bank AG, London Branch in July 2014, which has a term of ten years.

The detail of the maturity of the outstanding debt at 31 December 2022 is as follows:

(Amounts in thousands of euros)

	2023	2024	2025	2026	2027 and thereafter	TOTAL
Financial debts	594,492	258,271	471,171	398,271	266,319	1,988,52
Total financial debt	594,492	258,271	471,171	398,271	266,319	1,988,52

The 2021 figures were as follows:

(Amounts in thousands of euros)

	2022	2023	2024	2025	2026 and thereafter	TOTAL
Financial debts	484,905	384,150	399,771	273,671	310,652	1,853,149
Total financial debt	484,905	384,150	399,771	273,671	310,652	1,853,149

The breakdown of the debt by currency is as follows:

(Amounts in thousands of euros)

	Non-current payables		Current liabilities	
	2022	2021	2022	2021
EUR	1,394,032	1,359,415	476,017	398,129
USD		8,829	43,667	9,175
ZAR			74,808	77,601
TOTAL	1,394,032	1,368,244	594,492	484,905

The breakdown of the debt by interest rate is as follows:

(Amounts in thousands of euros)

	Non-current payables		Current liabilities	
	2022	2021	2022	2021
Fixed	665,523	625,844	67,637	58,200
Variable	728,509	742,400	526,855	426,705
TOTAL	1,394,032	1,368,244	594,492	484,905

Fixed-rate debt solely includes borrowings originally arranged at fixed rates (bank loans and private placements) and does not include borrowings for which interest rates have been fixed by arranging derivatives.

There are swap contracts to hedge the interest rate for EUR 480 million of the variable rate debt (Note 12.2.6)

The fair value of fixed-rate bank borrowings and private placements was EUR 733,160 thousand at 31 December 2022, and their fair value was EUR 702,010 thousand. The fair value of these borrowings at 31 December 2021 amounted to EUR 716,188 thousand (carrying amount of EUR 684,044 thousand).

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

The weighted average cost of the financing instruments in euros at the end of 2022 was 1.69% for a total of EUR 1,870 million, 6.30% for USD 46.5 million of financing and 9.34% for ZAR 1,358 million of financing. In 2021 the cost of the loans in euros was 1.21% before hedging, for an amount of EUR 1,758 million, 1.88% for USD 20 million and 6.38% for ZAR 1,402 million of financing.

At 31 December 2022, accrued interest payable on bank borrowings amounted to EUR 6,164 thousand (2021: EUR 1,819 thousand). In addition, accrued interest payable on bonds issued amounted to EUR 1,634 thousand at 2022 year-end (2021 year-end: EUR 1,634 thousand).

The total borrowing costs calculated using the effective interest rate on long-term loans at amortised cost amounted to EUR 1,465 thousand (2021: EUR 1,317 thousand).

At 31 December 2022, the Acerinox Group had arranged bank credit facilities and private placements amounting to EUR 2,786 million (31 December 2021: EUR 2,582 million), in addition to approved non-recourse factoring facilities amounting to EUR 480 million (31 December 2021: EUR 520 million). The amount drawn down on financing facilities at 31 December 2022 amounted to EUR 1,989 million, (31 December 2021: EUR 1,853 million) and EUR 329 million on factoring facilities (31 December 2021: 287 million).

Certain Group companies have arranged reverse factoring facilities with various banks to manage payments to suppliers. Trade payables payment of which is managed by the banks are recognised under "Trade and Other Payables" until the related obligation is discharged or cancelled or expires. The Group uses reverse factoring solely as a payment instrument, but offers its suppliers the possibility of obtaining financing through such instruments. With respect to the Acerinox Group, invoices are paid by their due date without any financial advantage being gained from the use of reverse factoring. In some specific cases, where an extension of the payment term has been agreed with the financial company, the debt is classified as other financial liabilities. In this financial year, the Group has reclassified EUR 13,113 thousand to this item.

Main financing transactions undertaken in the year

The most significant financing transactions in 2022 were as follows:

- In order to ensure continued Group liquidity, the following transactions were carried out:
    - The renewal of credit facilities in euros for a total amount of EUR 256 million, increasing the amount of some of them by EUR 55 million.
    - Signing of three new euro credit facilities totalling EUR 45 million with Abanca, Unicaja and Cajamar Caja Rural.
    - Signing of new credit facilities in US dollars and renewal of existing ones for a total amount of USD 135 million.
- Novation of the loan signed in 2020 with Caixabank for EUR 80 million, with final maturity in 2025, increasing the capital to EUR 260 million and extending its final maturity to 2027. To this end, the two loans signed with Bankia and Caixabank for amounts of EUR 160 million and EUR 50 million, respectively, with final maturity in 2024, have been cancelled.
- Signing of five new long-term loans: a fixed-rate loan of EUR 50 million with Unicredit with a final maturity of 4 years and four variable-rate loans, one with Abanca for EUR 40 million with a final maturity of 4 years, another with Bankinter for a total amount of EUR 25 million with a final maturity of 3 years, another with Kutxabank for EUR 15 million with a final maturity of 4 years and another with Banca March for EUR 15 million with a final maturity of 5 years.
- Signing of seven bilateral financing facilities for VDM with HSBC, Banco Santander, Caixabank, Deutsche Bank, Helaba, Unicredit and BBVA for a maximum amount of up to EUR 290 million and a long-term loan with IKB for a total amount of EUR 50 million. All of these transactions replaced the syndicated revolving credit facility, which expired in 2022, and the financial covenants linked to the development of the company's results were cancelled.
- Renegotiation of the long-term loan of EUR 60 million arranged with Banco de Crédito Social Cooperativo, whereby the conditions were improved by increasing the loan principal by EUR 20 million and extending the final maturity to 2026.
- Increase in the financing facilities for the issuance of import letters of credit by more than EUR 100 million.

Regarding debt renegotiations, the Group assessed the significance of the modifications made to determine whether they were substantially different, in accordance with the criteria established in the accounting policy defined in Note 2.12.3, and recognised the effects of certain of the new agreements as an extinguishment and the simultaneous recognition of a new loan. During the year, the amount of fees and commissions recognised in income in this connection amounted to EUR 557 thousand (2021: EUR 126 thousand).

The most noteworthy financing transactions in 2021 were as follows:

- Conversion into sustainable loans of two long-term loans with Caixabank and Banco Sabadell, arranged in 2020, in the amount of EUR 80 million each, to finance the purchase of the VDM Metals Group.
- Renewal of the syndicated factoring agreement between several Acerinox Group subsidiaries and Abanca, BBVA, Banca March, Banco Sabadell, Bankinter, Banque Marocaine du Commerce Exterieur International, Caixabank and Santander Factoring y Confirming for EUR 370 million until 30 June 2023, with the possibility of automatic renewal for a further year.
- Signing of three new loans: a sustainable fixed-rate loan with BBVA for EUR 50 million maturing in 4 years; and two floating-rate loans, one with Bankinter for EUR 20 million maturing in 2025, and another with Banco Santander for EUR 50 million maturing in 2025.
- Renegotiation of five long-term loans improving the economic conditions and extending their final maturity for a total amount of EUR 325 million: EUR 50 million signed with Banca March and an institutional investor with final maturity in 2028; EUR 100 million with Banco Santander with final

maturity in 2023; EUR 85 million with Kutxabank with final maturity in 2026; EUR 60 million with Unicaja with final maturity in 2028; and EUR 30 million with Grupo Caja Rural with final maturity in 2026. Of the above amounts, EUR 20 million were new debt in both the Kutxabank and Unicaja loans and EUR 10 million in the Grupo Caja Rural loan.

- Novation of two long-term loans signed by Acerinox S.A. with Banco Sabadell amounting to EUR 125 million and EUR 80 million, into a single sustainable loan of EUR 205 million, reducing the cost of financing and increasing the final maturity to 2026.
- A EUR 10 million credit facility maturing in three years was signed with Liberbank with the ICO (*Instituto de Crédito Oficial*) as guarantor.
- Likewise, in order to maintain the Group's liquidity, eight credit facilities in euros and four credit facilities in dollars were renewed, improving the financing conditions and extending the term for a further year, for a total amount of around EUR 430 million.
- In addition, VDM Metals has signed a EUR 30 million loan with Intesa Sanpaolo maturing in 18 months and with the possibility of extending it for a further 18 months.

The Acerinox Group has satisfactorily met the repayment schedules for its borrowings.

The detail of the changes in non-current bank borrowings, not including bond issues, is as follows:

(Amounts in thousands of euros)

	Non-current payables		Current liabilities	
	2022	2021	2022	2021
Opening balance	1,293,494	1,335,039	483,271	278,034
Additions	663,456	492,534	364,417	248,670
Debt repayment	-448,869	-283,870	-453,495	-295,924
Interest at amortised cost	1,465	1,317	4,403	-21
Short-term transfers	-193,952	-252,676	193,952	252,676
Translation differences and others	3,588	1,150	310	-164
Balance as of 31 December	1,319,182	1,293,494	592,858	483,271

The reconciliation of the changes in non-current and current borrowings to the consolidated statement of cash flows is as follows:

- The detail of income from borrowings recognised in the consolidated statement of cash flows is as follows:

(Amounts in thousands of euros)

	2022	2021
Capital grants	-3	
Long-term bank borrowings	663,456	489,999
Short-term bank borrowings	364,417	248,670
Other debts (capital leases)	870	2,130
Total income from borrowed funds	1,028,740	740,799

- The breakdown of the debt repayments recognised in the consolidated statement of cash flows is as follows:

(Amounts in thousands of euros)

	2022	2021
Long-term bank borrowings	-448,869	-283,870
Short-term bank borrowings	-453,495	-295,924
Other debts (capital leases)	-6,557	-6,047
Total repayment of interest-bearing liabilities	-908,921	-585,841

Non-current borrowings subject to achievement of ratios

Currently, and following the refinancing of VDM's syndicated revolving credit facility in the second half of 2022, no loan agreement signed by the Acerinox Group contains covenants linked to ratios that take into account the Group's results.

Below is a detailed breakdown of loans tied to financial covenants by Group company:

a) Acerinox, S.A.:

The loan novated with Caixabank in the amount of EUR 260 million, as well as the two loans arranged with BBVA and the ICO in the first half of 2020 for the acquisition of VDM, 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 had an initial term of seven years, the EIB loan of ten years and the ICO loan of eight years.

b) Columbus Stainless (PTY) LTD:

Additionally, the Group company Columbus Stainless has structured financing (a Borrowing Base Facility) which is also subject to the achievement of a ratio relating to the maintenance of minimum equity levels at that Company. This financing facility is recognised under "Current Liabilities - Bank Borrowings" in the consolidated statement of financial position at the amount drawn down. At 31 December 2022, the amount drawn down from this financing amounts to ZAR 1,358 million (around EUR 75 million at the exchange rate of 31 December 2022). At 2021 year-end, ZAR 1,402 million had been drawn down from this credit facility.

c) VDM Group:

Finally, the eight bilateral financings signed by VDM (both the long-term loan with IKB and the seven financing lines signed with HSBC, Banco Santander, Caixabank, Deutsche Bank, Helaba, Unicredit and BBVA) are subject to compliance with minimum equity and maximum working capital requirements.

At 2022 year-end (as in 2021), Acerinox, S.A., Columbus Stainless (PTY) Ltd. and the VDM Group had achieved all the ratios required under the aforementioned agreements.

12.2.4 Fair value measurement

As established in the accounting policies, the Group measures the following assets at fair value: financial assets classified at fair value through other comprehensive income and derivative financial instruments.

Financial instruments recognised at fair value are classified, based on the valuation inputs, in the following hierarchies:

LEVEL 1: quoted prices in active markets
LEVEL 2: observable market variables other than quoted prices
LEVEL 3: variables not observable in the market

The Group's position at 31 December 2022 and 2021 was as follows:

(Amounts in thousands of euros)

	2022			2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Assets at fair value through other comprehensive income				10,729		
Financial derivatives (assets)		72,630			16,276	
TOTAL	0	72,630	0	10,729	16,276	0
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial derivatives (liabilities)		25,198			14,959	
TOTAL	0	25,198	0	0	14,959	0

No financial assets or financial liabilities measured at fair value were transferred between levels.

In the case of Level 2 financial instruments, the Group uses generally accepted valuation techniques that take into account spot and future exchange rates at the measurement date, forward interest rates, interest rate spreads and credit risk of both the Group and its counterparty, i.e. the financial institutions with which it operates. In determining the fair values of commodity future contracts quoted on the LME (London Metal Exchange), the Group takes into account the difference between the future prices quoted on the LME for the commodity at the contracted maturity date and the future price set in each contract.

12.2.5Financial assets at fair value through other comprehensive income

This section includes the shares that the Group does not intend to sell and that it had designated in this category on initial recognition.

The value of the financial assets designated as at fair value through other comprehensive income amounted to EUR 394 thousand (EUR 11,125 thousand at 2021 year-end, of which EUR 10,729 thousand related to Acerinox, S.A.'s investment in the Japanese company Nippon Steel & Sumitomo Metal Corporation (Nippon), a company listed on the Tokyo Stock Exchange. This value matches its closing price). On 7 July of this year, the Group sold its shares in the aforementioned Japanese listed company for EUR 10,157 thousand. Acerinox, S.A. held 747,346 shares in this company, which represented a scantly significant percentage of ownership in the Japanese Group. The shares, prior to their sale, were valued at fair value. As they are classified as assets at fair value through other comprehensive income, the gains on their sale amounting to EUR 1,070 thousand have been classified through equity. The revaluation, recognised in other comprehensive income in 2022 until its sale, amounted to EUR -572 thousand (2021: EUR 2,908 thousand. The market value of Nippon's shares at 31 December 2021 was JPY 1,879 per share).

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%.

In addition, the Group has classified in this category its 8.48% minority shareholding in the company Fortia Energía, S.L., whose corporate purpose is the acquisition of electricity on behalf of its shareholders. This investment enables the Group's Spanish factories to obtain more competitive electricity prices. The investment is measured at acquisition cost, as there are insufficient data to measure it at fair value. The acquisition cost of the investment was EUR 276,000. The Group does not consider that there are any indications of impairment in this connection.

12.2.6 Derivative financial instruments

As detailed in Note 4, in relation to market risk the Group is essentially exposed to the following three types of risk in the course of its business activities: foreign currency risk, interest rate risk and raw material price risk. The Group uses derivative financial instruments to hedge its exposure to certain risks.
The Group classifies derivative financial instruments that do not qualify for hedge accounting in the category of assets and liabilities measured at fair value through profit or loss. Those that qualify as hedging instruments are classified as hedging derivatives and are accounted for by applying the accounting policy defined in Note 2.12.4.

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

(Amounts in thousands of euros)

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives	67,296	12,637	7,466	7,952
Derivatives at fair value through profit or loss	5,334	12,561	8,811	7,007
TOTAL	72,630	25,198	16,277	14,959

The following table provides a breakdown of the Group's derivative financial instruments at 31 December 2022 and 2021 by type of hedged risk:

(Amounts in thousands of euros)

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Currency forwards	5,331	12,561	8,005	7,007
Interest rate swaps	34,305	0	980	5,608
Commodity futures contracts	32,994	12,637	7,292	2,344
TOTAL	72,630	25,198	16,277	14,959

Foreign currency risk

The Group operates in a large number of countries and bills customers in various currencies, depending on the country where it is billing. It therefore arranges certain financial instruments to hedge cash flow risks arising from the settlement of balances in foreign currencies. The transactions arranged consist mainly of foreign currency purchase and sale forward contracts.

The Group uses derivative financial instruments to hedge most of its commercial and financial transactions performed in currencies other than the functional currency of each country.

The Company's business model is to hedge foreign currency risk through the use of derivative financial instruments and there is an economic relationship between the hedged item and the hedging instrument. The Group classifies most of its foreign exchange insurance contracts in the category of financial instruments at fair value through profit or loss.

Using these instruments ensures that any fluctuation in exchange rates that could affect assets or liabilities denominated in foreign currency would be offset by a change of the same amount in the derivative arranged. Changes in the derivative are recognised in profit or loss, offsetting any changes that occur in foreign currency monetary items. As these derivatives do not qualify as cash flow hedging instruments for accounting purposes, the revaluation of these derivatives is recorded in the consolidated statement of profit or loss "Revaluation of financial instruments at fair value".

At 31 December 2022, the effect on profit or loss of measuring these derivatives at market value was negative, amounting to EUR -3,141 thousand, (2021: EUR -3,229 thousand). The negative exchange differences of the Group in the year amounted to EUR -4,624 thousand (2021: gains of EUR 1,610 thousand). The differences between the two amounts are due mainly to the interest rate differentials between the currencies involved in the currency forward arranged.

At 31 December 2022, all the currency forwards covered mainly receivables (assets) and payables (liabilities) and related to both commercial and financing transactions between Group companies. At 31 December 2022, the fair value of the Group's currency forwards totalled EUR -7,230 thousand (2021: EUR 998 thousand), of which EUR 5,331 thousand were recognised under assets (2021: EUR 8,005 thousand) and EUR 12,561 thousand under liabilities (2021: EUR 7,007 thousand). None of those currency forwards were accounted for as hedges at the end of 2022 or 2021. In 2022 EUR -165 thousand were transferred from the consolidated statement of comprehensive income to profit or loss for the year (2021: EUR -156 thousand).

The vast majority of the Group's foreign currency purchase and sale forward contracts have a term of less than one year.

At 31 December 2022, the Group had used contracts for foreign currency transactions amounting to EUR 479 million for foreign currency sales and EUR 335 million for foreign currency purchases. At 31 December 2021, EUR 739 million were used for foreign currency sales and EUR 329 million for foreign currency purchases. The detail of these foreign currency forward contracts, by currency, is as follows:

(Amounts in thousands)

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
USD	301,791	338,897	530,626	363,093
EUR	36,886	2,947	130,000	7,214
GBP	55,205	1,790	37,970	400
SEK				
CAD	7,807		7,411	25
AUD	10,281		7,064	
NZD	315		1,655	
JPY	7,116,614	254,207	4,986,661	413,284
MYR	138,690		240,800	
KRW		1,900,754		5,763,587

At 31 December 2022 and 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.

Interest rate risk

The Group enters into interest rate derivatives to hedge floating rate cash flows from debt instruments. As Acerinox's risk management strategy allows for the exchange of hedging instruments and hedged items to meet corporate financing needs, the Group has documented the effectiveness of hedging instruments to qualify for accounting purposes as cash flow hedging instruments through the designation of generic hedging relationships. Therefore, the amount accumulated in equity due to the cancellation of the current derivatives and the conclusion of the new derivative has no impact on the income statement.

The swaps entered into by the Group as at 31 December 2022 are as follows:

	Notional contracted	Amount outstanding	Expiration
From variable to fixed rate	EUR 30 million	EUR 15 million	2023
From variable to fixed rate	EUR 70 million	EUR 60 million	2028
From variable to fixed rate	EUR 100 million	EUR 70 million	2026
From variable to fixed rate	EUR 80 million	EUR 75 million	2028
From variable to fixed rate	EUR 260 million	EUR 260 million	2027

The average interest rate of euro-denominated financing hedged by an interest rate hedging derivative, totalling EUR 480 million at year-end, was 1.72% (2021: 1.14%). The credit spread on these borrowings is included in both cases.

By the end of 2022 and 2021 there is no interest rate hedge in a currency other than the euro.
At 31 December 2022, all interest rate derivatives met the conditions to be classified as cash flow hedging instruments.

As explained in Note 4.1.2, an interest rate derivative was entered into with Caixabank in the first half of 2022 for a total amount of EUR 260 million and a final maturity date of 2027 to hedge the highly probable future cash flows related to the floating interest rate and any change in this interest rate that may occur before the maturity date. In addition, three interest rate swaps were terminated, following the novation of the EUR 80 million loan signed with Caixabank in 2020 and a final maturity in 2025, and the termination of the two loans signed with Bankia and Caixabank for EUR 160 million and EUR 50 million respectively.

In 2021 the Group did not enter into any new swap transactions.

The detail at 31 December 2021 was as follows:

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

The 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 34,305 thousand (31 December 2021: EUR -4,628 thousand). These amounts are recognised in the Group's consolidated statement of financial position under the following line items:

	2022		2021	
	Current	Non-current	Current	Non-current
Other financial assets	9,051	25,254		980
Other financial liabilities			3,171	2,437

The Group assesses whether outstanding hedging relationships meet the effectiveness requirements both at the date of designation and at year-end. At 31 December 2022 and 2021, all outstanding interest rate derivatives arranged qualified as cash flow hedging instruments and, therefore, the unrealised gains and losses of EUR 35,184 thousand on their measurement at fair value were recognised in the consolidated statement of comprehensive income (2021: EUR 7,908 thousand).

In 2022, EUR 2,494 thousand were transferred from the consolidated statement of comprehensive income to profit or loss for the year (2021: EUR 3,627 thousand). Combined with the EUR -165 thousand arising from the foreign currency hedges referred to in the previous section and the EUR -4,105 thousand from the raw material derivatives, the amount totalled EUR -1,776 thousand and was included in the consolidated statement of comprehensive income (2021: EUR -156 thousand from currency hedges and a total of EUR 3,471 thousand).

The Group has documented the effectiveness of the derivatives arranged to be recognised as hedging instruments, as detailed in Note 2.12.4. The financial instruments considered to be hedges were not ineffective at any point in 2022 or 2021.

Risk of changes in raw material prices

As detailed in Note 4.1.3, high-performance alloys have a high metal content and are mainly composed of nickel, but they also contain other metals that are listed on the London Metal Exchange (LME). The Group, and mainly this division within it, is exposed to the risk of raw material price volatility, since it is unable to pass these fluctuations on to the customers through the selling price. For this reason, it uses derivative financial instruments to guarantee set prices for its customers and ensure that those prices are aligned with its costs, thus maintaining margins. The financial instruments used are based on arranging futures contracts on the prices listed on the LME.

From 1 January 2021, the Group implemented a model to ensure hedge effectiveness and documented the relationships so that hedge accounting is applied to the recognition of these financial instruments from that date. Only derivatives entered into before this date and still outstanding are recognised as instruments at fair value through profit or loss, with changes in value recognised in profit or loss in "other operating income".

The detail of the nominal values of the purchase and sale futures contracts arranged by the Group at year-end and the fair value measurement thereof is as follows:

(Amounts in thousands of euros)

		Derivative fair value	
	Nominal	Assets	Liabilities
Purchase	180,265	31,949	194
Sale	80,275	1,044	12,443
TOTAL		32,994	12,637

All the assets and liabilities arising from derivative financial instruments in this category are current, except for the EUR 286 thousand included as non-current financial assets in the consolidated statement of financial position. (2021: EUR 37 thousand).

Of the total financial instruments contracted to hedge this risk, EUR 20,353 thousand meet the conditions to be considered as cash flow hedging instruments (2021: EUR 4,141 thousand) and EUR 4 thousand are recorded at fair value through profit or loss as they are instruments contracted prior to the start of the documentation of the hedging relationships (2021: EUR 805 thousand). As of 31 December 2022, unrealised gains and losses arising from the valuation at fair value and charged to the consolidated statement of comprehensive income amount to EUR 20,316 thousand. The amount transferred for these hedges from the consolidated statement of comprehensive income to profit or loss for the year amounts to EUR -4,105 thousand (2021: being the first year of registration as hedging instruments, no balance was transferred).

NOTE 13 – CASH AND CASH EQUIVALENTS

The detail of "Inventories" in the consolidated statement of financial position as at 31 December is as follows:

(Amounts in thousands of euros)

	2022	2021
Cash and banks	228,515	195,565
Short-term bank deposits	1,319,525	1,079,364
TOTAL	1,548,040	1,274,929

The Group made cash placements in both US dollars and South African rand. The effective interest rate on the short-term bank deposits in 2022 was 4.53% for the dollar (2021: 0.22%) and 6.5% for the rand (2021: 3.25%). The average term of the placements is between one day and three months, and they have been deposited at banks of recognised financial solvency.

All cash and cash equivalents are held in current accounts or current deposits, and there were no restricted cash balances at year-end.

NOTE 14 – EQUITY

14.1 Subscribed capital, share premium and treasury shares

The detail of the changes in the shares outstanding in 2022 and 2021 is as follows:

	No. of shares (thousands)	Number of treasury shares	Treasury shares (in thousands of euros)	Share capital (in thousands of euros)	Share premium (in thousands of euros)
As of 1 January 2021	270,546	-93	-1,062	67,637	258
Acquisition of treasury shares		-835	-9,418		
Amortisation of treasury shares					
Long-term compensation plan (delivery of treasury shares)		20	229		
Other changes					10
As of 31 December 2021	270,546	-908	-10,251	67,637	268
Acquisition of treasury shares		-20,415	-206,005		
Amortisation of treasury shares	-10,822	10,822	124,294	-2,706	
Long-term compensation plan (delivery of treasury shares)		109	1,234		
As of 31 December 2022	259,724	-10,392	-90,728	64,931	268

a) Share capital

The Parent's share capital solely comprises ordinary shares. All these shares carry the same rights and there are no bylaw restrictions on their transfer.

The Board of Directors of Acerinox, S.A. held on 30 June 2022, on the basis of the authorisation granted by the Annual General Meeting of Acerinox, S.A. held on 16 June 2022, resolved to execute the resolution to reduce share capital, reducing it by EUR 2,705,462.00 through the redemption of 10,821,848 treasury shares. The purpose of this reduction of share capital through the redemption of treasury shares is to increase the value of the shareholders' stake in the Company.

At the cut-off date the share capital consisted of 259,724,345 ordinary shares of EUR 0.25 nominal value each, yielding capital of EUR 64,931 thousand (270,546,193 ordinary shares at the end of 2021 and a capital figure 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 2022, 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 18.52% (2021: 17.78%).

b) Share premium

The share premium has the same restrictions and may be used for the same purposes as the voluntary reserves of the Parent, including its conversion into share capital.

No share premium distributions were made this year or last year.

c) Treasury shares

The Board of Directors of Acerinox, S.A., at its meeting held on 16 December 2021, also approved a share buyback plan of up to 4% of the share capital. The maximum investment approved was EUR 150 million and the maximum number of shares to be acquired could not exceed 10,821,848, representing 4% of the Company's capital, at the time of approval.

During the year, 10,388,974 shares were acquired for an amount of EUR 114,875 thousand in connection with this buy-back programme. (as of 31 December 2021, 835,361 shares had been acquired for a total amount of EUR 9,418 thousand). As explained in the section on share capital, all shares corresponding to this buy-back programme have been redeemed this year. Effective 30 August 2022, 10,821,848 shares of Acerinox, S.A. have been delisted from trading on the Madrid and Barcelona Stock Exchanges.

Moreover, the Board of Directors meeting on 27 July, in view of the Company's financial strength, cash generation prospects and the low level of the share price, agreed to initiate a new 4% share buy-back programme for its later amortisation. This programme fulfils the Company's commitment to redeem the shares that were issued in the years when scrip dividends were made.

As in the case of the buy-back programme approved at 2022 year-end, 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 may 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.

On 26 October 2022, the Company completed the acquisition of 10,388,974 shares included in the second approved buy-back programme. The redemption of the shares acquired will be proposed to the 2023 Ordinary Annual General Meeting. The disbursement made by the Group this year in connection with this programme amounted to EUR 124,294 thousand.

At year-end the Group holds 10,392,827 treasury shares with a value of EUR 90,728 thousand (908,669 treasury shares with a value of EUR 10,251 thousand at 31 December 2021).

In June this year, 109,378 treasury shares were delivered to Group executives as a result of the completion of the second cycle of the First Multi-Year Remuneration Plan (20,112 shares delivered to executives in 2021). In this way, treasury shares totalling EUR 1,234 thousand were derecognised (EUR 229 thousand in 2021). The difference between the equity instruments recorded in accordance with the valuation made at the beginning of the plan and the treasury shares delivered has been recorded against reserves of the parent company in the amount of EUR -810 thousand (EUR 628 thousand taken against reserves in 2021).

As explained in Note 16.1.3, on 1 January 2021, a new multi-year remuneration plan was approved, consisting of three cycles, each with a duration of three years. Other Group executives were also included in this second plan. During the year, 40,000 treasury shares amounting to EUR 419 thousand were acquired to cover the multi-year remuneration plans for executives.

14.2 Dividends paid

The Annual General Meeting held on 16 June 2022 approved the distribution of a dividend of EUR 0.50/share, which was paid on 5 July 2022. The amount paid amounted to EUR 129,850 thousand.

The Board of Directors of Acerinox, S.A. held on 20 December 2022 has decided to propose to the Ordinary Annual General Meeting of Shareholders of the Company a dividend of EUR 0.60 per share charged to 2022 results, of which EUR 0.30 will be paid as an interim dividend on 27 January 2023. This dividend will be submitted for approval at the Annual General Meeting to be held in 2023. The Group has recognised an interim dividend of EUR 74,799 thousand under "Other current financial liabilities" in the consolidated statement of financial position.

The provisional accounting statement prepared by the directors in accordance with art. 277 of the Spanish Corporate Enterprises Act, which shows the liquidity status for the payment of the interim dividend, is as follows:

	2022	
Cash on hand at 30 November 2022		3,965
Plus:		
Planned cash increases between 30 November 2022 and 27 January 2023		237,574
Dividend collection	95,721	
Receivables from financial operations	140,000	
Receivables from operating activities	1,853	
Less:		
Planned cash decreases between 30 November 2022 and 27 January 2023		-3,026
Payments for operating activities	3,026	
Available liquidity at 27 January 2023		238,513

With regard to 2021, the Annual General Meeting held on 16 June 2022 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 135,226 thousand was paid on 05 July 2022.

14.3 Reserves

a) Retained earnings in reserves

"Retained Earnings in Reserves" includes consolidated profit or loss for the year and reserves of fully consolidated companies and of the Parent, other than those mentioned below.

The detail of the reserves by Company is included in Note 14.5.

There are no restrictions on the transfer of funds by any Group company in the form of dividends, except for the non-distributable reserves required by the applicable legislation. At 31 December 2022, the Group had EUR 39,733 thousand in reserves and retained earnings subject to restrictions (31 December 2021: EUR 38,516 thousand).

The Parent's legal reserve, which is included under "Retained Earnings in Reserves" in the consolidated statement of changes in equity, was recognised in compliance with Article 274 of the Spanish Corporate Enterprises Act, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. Since 31 December 2020, the Company has already recorded this reserve for an amount equivalent to 20% of the share capital, amounting in both periods to EUR 13,527 thousand.

The legal reserve is not distributable to shareholders and can only be used to offset losses, in the event that sufficient other reserves are not available for this purpose, in which case the reserve must be replenished with future profits.

b) Property, plant and equipment revaluation reserve

In accordance with Royal Decree-Law 7/1996, of 7 June, on urgent tax measures and measures to foster and deregulate the economy, the Parent revalued its items of property, plant and equipment. The amount of the reserve reflects the revaluation gains, net of tax at 3%.

The tax authorities had a three-year period from 31 December 1996 in which to conduct a tax audit. Since such an audit did not take place, the aforementioned balance may be used to eliminate losses or increase the Company's share capital.

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

c) Hedge reserves

Valuation adjustments relating to hedges "Valuation Adjustments Relating to Hedges" includes cumulative net changes in the fair value of cash flow hedging instruments associated with highly probable future transactions.

d) Fair value adjustments to financial assets

The Company designated certain financial instruments as at fair value through comprehensive income. In accordance with the related accounting policy, changes in the fair value of these instruments are recognised directly in the consolidated statement of comprehensive income. Note 12.2.5 provides a detailed description of the instruments classified as assets at fair value through other comprehensive income and the measurement thereof.

e) Reserve for actuarial adjustments

This reserve includes the changes in the actuarial value of the defined benefit plan obligations. The Group, particularly in its specialty high-performance alloys division, has significant commitments to its employees regarding pension matters. Note 16.1 includes detailed information. As described in the accounting policy defined in Note 2.16, the Group recognises changes in the actuarial valuation of the obligations in other comprehensive income.

14.4 Translation differences

The detail of the changes in "Translation Differences" is included in the consolidated statement of changes in equity.

The breakdown of the cumulative translation differences by company at the end of 2022 and 2021 and the functional currencies of their respective financial statements are as follows:

(Amounts in thousands of euros)

GROUP COMPANIES	Currenc	2022	2021
ACERINOX (SCHWEIZ) A.G.	CHF	1,604	1,475
ACERINOX ARGENTINA S.A.	ARS	-6,182	-5,625
ACERINOX AUSTRALASIA PTY.LTD.	AUD	36	37
ACX DO BRASIL REPRESENTAÇOES, LTDA	BRL	-279	-320
ACERINOX CHILE S.A.	CLP	-905	-1,322
ACERINOX COLOMBIA S.A.S	COP	-227	-198
ACERINOX INDIA PVT LTD	INR	-67	-54
ACERINOX METAL SANAYII VE TICARET L.S.	TRY	-1,333	-1,787
ACERINOX MIDDLE EAST DMCC (DUBAI)	AED	104	45
ACERINOX PACIFIC LTD.	HKD	-4,826	-4,869
ACERINOX POLSKA,SP Z.O.O	PLN	-3,830	-3,367
ACERINOX RUSSIA LLC.	RUB	-85	-151
ACERINOX SCANDINAVIA AB	SEK	-7,441	-5,159
ACERINOX S.C. MALAYSIA SDN. BHD	MYR	-2,042	-1,994
ACERINOX (SEA), PTE LTD.	SGD	208	127
ACERINOX SHANGAI CO., LTD.	CNY	1,140	1,242
ACERINOX U.K., LTD.	GBP	-6,702	-5,181
BAHRU STAINLESS, SDN. BHD	USD	92,260	72,085
COLUMBUS STAINLESS INC.	ZAR	-168,040	-165,389
CORPORACIÓN ACERINOX PERU S.A.C	PEN	-22	-30
NORTH AMERICAN STAINLESS CANADA, INC	USD	5,826	2,539
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	USD	7,465	5,060
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS, LTD.	USD	4	3
NORTH AMERICAN STAINLESS INC.	USD	181,514	98,823
VDM METALS GROUP	-	5,743	3,856
TOTAL		93,923	-10,154

The origin of the changes arising in 2022 as in 2021 is detailed below:

(Amounts in thousands of euros)

	2022	2021
Opening balance	-10,154	-131,919
Difference in equity translation	115,829	122,237
Difference in translation results	-6,380	19,499
Difference on translation of investments in Group companies	-5,961	-4,213
Dividend distribution translation difference	831	-16,024
Purchase of non-controlling interests	0	387
Other changes	-242	-121
Balance as of 31 December	93,923	-10,154

The translation difference resulting from the measurement of equity was positive, i.e. EUR 115,829, due to the appreciation of the US dollar (6%) and as the South African rand has hardly changed with respect to the exchange rate at 2021 year-end. The EUR/USD exchange rate applied at the end of 2022 was 1.0666 (2021: 1.1326), while the EUR/ZAR rate was 18.0986 in 2022 (2021: 18,0625).

In 2021, this difference was also positive in the amount of EUR 122,237, mainly due to the appreciation of the USD. The EUR/USD exchange rate applied at the end of 2021 was 1.1326 (2020: 1.2271), while the EUR/ZAR rate was 18.0625 in 2021 (2019: 18.0219).

The translation difference by income derives from the difference between the average exchange rate applied in the translation of the income statement and the closing exchange rate applied to the balance sheet items.

The reduction in equity of foreign companies due to the dividend distribution was valued in the consolidated annual accounts at historical exchange rates, according to the translation methods set out in the standards on consolidation.

The difference between the EUR 16,024 thousand shown in the table and the EUR 17,121 reflected in "Other Changes" corresponding to 2021 in the consolidated statement of changes in equity is due to the difference between the exchange rate at year-end and the exchange rate at which the dividends are received at Acerinox, S.A.

14.5 Detail of reserves, profit or loss and non-controlling interests: Contribution by company

At 31 December 2022 and 2021, the contribution of each of the consolidated companies to reserves and consolidated profit or loss is detailed as follows:

(Amounts in thousands of euros)

	2022				2021			
	Contribution reserves	Contribution profit or loss	Results attributable to non-controlling interests	Total non-controlling interests	Contribution reserves	Contribution profit or loss	Results attributable to non-controlling interests	Total non-controlling interests
ACERINOX S.A	2,048,140	-16,196			1,798,565	-13,923		
ACERINOX (SCHWEIZ) A.G.	825	58			665	159		
ACERINOX ARGENTINA S.A.	7,173	313			5,711	488		
ACERINOX AUSTRALASIA PTY. LTD.	62	-30			160	-98		
ACERINOX BENELUX S.A. - N.V.	667	641			116	551		
ACX DO BRASIL REPRESENTAÇOES, LTDA	289	-12			268	21		
ACERINOX CHILE, S.A.	578	1,100			-1,446	2,024		
ACERINOX COLOMBIA S.A.S	514	-138			593	-79		
ACERINOX DEUTSCHLAND GMBH	-18,299	-941			-20,809	2,510		
ACERINOX EUROPA, S.A.U	-70,289	-46,784			-90,965	20,676		
ACERINOX FRANCE S.A.S	-11,892	522			-8,494	4,602		
ACERINOX ITALIA S.R.L.	-34,164	3,355			-35,115	950		
ACERINOX INDIA PVT LTD	-52	176			-1	-51		
ACERINOX METAL SANAYII VE TICARET L.S.	1,750	448			2,019	991		
ACERINOX MIDDLE EAST DMCC (DUBAI)	871	-65			948	-76		
ACERINOX PACIFIC LTD.	-21,270	-57			-20,920	-350		
ACERINOX POLSKA, SP Z.O.O	4,418	-1,131			3,101	1,317		
ACERINOX RUSSIA LLC.	606	-214			652	-47		
ACERINOX SCANDINAVIA AB	1,914	-733			571	1,343		
ACERINOX S.C. MALAYSIA SDN. BHD	-38,362	1,693			-39,599	1,236		
ACERINOX SHANGAI CO., LTD.	906	-118			864	417		
ACERINOX (SEA), PTE LTD.	857	-13			1,107	-249		
ACERINOX U.K., LTD.	5,409	-303			5,095	314		
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	-2,137	-220			-2,995	858		
BAHRU STAINLESS, BDN. BHD	-548,880	-217,950	-2,652	1,170	-546,139	-2,742	-12	3,578
COLUMBUS STAINLESS (PTY) LTD.	59,631	58,043	16,961	72,266	19,838	39,793	13,610	56,107
CORPORACIÓN ACERINOX PERU S.A.C	-209	-54			-224	15		
INOX RE, S.A.	34,245	-273			33,229	1,017		
INOXCENTER CANARIAS, S.A.U	1,071	1			948	123		
INOXCENTER, S.L.U.	-12,137	1,259			-14,128	1,991		
INOXFIL S.A.	-2,075	2,742	6	16	-3,591	1,517	4	10
INOXIDABLES DE EUSKADI S.A.U.	5,826	-563			4,783	1,040		
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	2,077	114			1,961	116		
METALINOX BILBAO, S.A.U	16,371	2			14,814	1,557		
NORTH AMERICAN STAINLESS CANADA, INC	39,486	5,925			40,360	5,899		
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	15,655	6,152			11,723	3,932		
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	-10,207	10,207			-9,125	9,125		
NORTH AMERICAN STAINLESS INC.	338,590	697,451			337,936	462,787		
ROLDAN S.A.	36,507	8,687	17	144	27,460	9,047	23	127
VDM METALS HOLDING GMBH	66,288	42,960			12,674	13,081		
TOTAL	1,920,753	556,054	14,332	73,596	1,532,610	571,882	13,625	59,822

In this financial year, the Group company North American Stainless paid dividends of EUR 469 million to the parent company (2021: EUR 266 million), which explains why the reserves of the American company did not increase compared to the previous year, as well as the change in the reserves of Acerinox, S.A.

14.6 Hyperinflation adjustments

Since 1 July 2018, Argentina has been classified as a hyperinflationary economy due to meeting the qualification requirements established in IAS 29. The Acerinox Group has an entity in Argentina which engages exclusively in the marketing of stainless steel in that country and, accordingly, the amount of its assets and liabilities and its contribution to the Group's results are not significant. The Group did not restate the comparative figures for the previous period as the impacts are not significant for the Group.

The financial statements of Acerinox Argentina for both 2022 and 2021 were expressed in terms of the measuring unit current at the end of the reporting period. The restated cost of each non-monetary item in the financial statements was determined by applying to its historical cost and accumulated depreciation and amortisation charge the change in a general price index from the date of acquisition to the end of the reporting period. The revaluation of non-cash assets amounted to EUR 527 thousand cost and EUR 380 thousand accumulated depreciation (2021: EUR 303 thousand cost and EUR 327 thousand accumulated depreciation).

The components of owners' equity, except retained earnings and any revaluation surplus, were restated by applying a general price index to the various items from the date on which the components were contributed or otherwise arose. Restated retained earnings are the result of applying these indices to the other amounts in the consolidated statement of financial position. The impact on reserves amounted to EUR 973 thousand, as reflected in the consolidated statement of changes in equity (2021: EUR 342 thousand).

All the items in the consolidated statement of comprehensive income were also restated in the monetary unit current at the end of the reporting period. For this purpose, all the amounts were restated by applying an index calculated on the basis of the change in the general price index from the date on which the income and expenses were recognised in the financial statements. The amount recognised in the consolidated statement of profit or loss for this item was EUR -605 thousand (2021: EUR -138 thousand).

14.7 Non-controlling interests

At year-end, the companies with non-controlling interests were Columbus Stainless, Ltd. (Columbus), with an interest of 24% held by the South African group IDC (Industrial Development Corporation), and Bahru Stainless Sdn. Bhd, (Bahru), whose non-controlling interests were reduced to 1.19% owned by Hanwa, Co. Ltd.

There are no rights to protect non-controlling interests that may restrict the entity's ability to access or use assets, or settle the entity's liabilities.

Neither of these companies distributed dividends in 2022 or 2021.

The detail of the main items in the financial statements of Columbus, which was the only Group company with significant non-controlling interests at year-end, is as follows:

Columbus

(Amounts in thousands of euros)

	2022	2021
Non-current assets	123,328	117,202
Current assets	432,168	434,209
Total Assets	555,496	551,411
Non-current liabilities	22,712	21,285
Current liabilities	231,671	296,346
Total Liabilities	254,383	317,631

Statement of profit or loss	2022	2021
Revenue	984,008	860,294
Profit/(loss) for the year	70,669	56,707

Cash flows	2022	2021
Operating cash flows	44,511	-3,470
Investment flows	-18,803	-10,584
Financing flows	-2,729	5,405
Total cash flows generated	22,979	-8,649

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 20 years that have passed, two of the three partners who signed the agreement, Highveld and Samancor, have renounced their shareholdings, and the third, IDC, a state entity supporting industrial development in South Africa, has increased its ownership interest from 12% to 24%, given its interest in supporting the creation of wealth, the maintenance of employment and the status of the stainless steel industry as a strategic industry for the country. IDC recently declared that this was a strategic and long-term interest.

Consequently, the exercise of this option, with respect to the aforementioned assumption, is highly unlikely for the only minority shareholder of Columbus Stainless, since its permanence is not determined by the presence of Acerinox, as it was in the case of the other shareholders, but by support to the national industry.

14.8 Distribution of profit

The proposed distribution of profit of the Parent, Acerinox, S.A., for 2022 that the Board of Directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	2022
Basis for distribution:	
Profit/(loss) for the year	332,013,162
Application:	
Dividends	149,599,165
To voluntary reserves	182,413,997

The amount of the dividend distribution may vary depending on the number of treasury shares held at the time of distribution. The calculation is based on the treasury shares held at the end of the year.

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 0.60 per share.

On 16 June 2022, the Annual General Meeting approved the allocation of the parent company's profit for the financial year 2021, with the following distribution:

	2021
Basis for distribution:	
Profit/(loss) for the year	308,558,305
Application:	
Dividends	135,273,096
To voluntary reserves	173,285,209

The Annual General Meeting approved a dividend, which has been distributed this year, of EUR 0.50 per share.

14.9 Earnings per share

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

(Amounts in thousands of euros)

	2022	2021
Profit/(loss) for the year attributable to the Group	556,054	571,882
Weighted average number of common shares outstanding	257,598,114	270,435,907
Earnings per share (in Euros)	2.16	2.11

Although there were other equity instruments that gave access to capital at 31 December 2022, as indicated in Note 16.1.3, these do not have a significant effect on the calculation of earnings per share and, therefore, diluted earnings or losses per share are the same as basic earnings or losses per share.

NOTE 15 – DEFERRED INCOME

"Deferred Income" includes non-refundable government aid, including emission allowances received free of charge (see Note 11.1) and other grants related to assets. The changes therein were as follows:

(Amounts in thousands of euros)

	2022	2021
Balance as of 1 January	18,684	12,911
Grants awarded	29,156	20,749
Application to results	-20,375	-14,976
Balance as of 31 December	27,465	18,684

The amount recognised under "Deferred Income" includes mainly aid received by Acerinox Europa for its research and development and environmental activities, and the balancing entry for emission allowances allocated for no consideration under the National Allocation Plan and not used in the year (Note 11.1).

The detail of the grants received in 2022 is as follows:

(Amounts in thousands of euros)

	2022	2021
R&D	14	988
Environment	9,879	7,171
Allocation of CO2 rights	18,692	12,055
Covid-19 grants	198	295
Training	306	160
Other	67	80
Total	29,156	20,749

In 2022 the Group received an environmental grant of EUR 9,879 thousand mostly related to offsetting the costs of indirect greenhouse gas emissions and energy offsetting. In 2021 EUR 7,171 thousand were received for the same concept.

The Group considers that it has met or will meet all the conditions for receiving the grants in the period stipulated and, therefore, there are no significant contingencies in connection with the grants obtained.

NOTE 16 – PROVISIONS AND CONTINGENCIES

The detail of the long-term provisions included in the consolidated statements of financial position as at 31 December 2022 and 2021 is as follows:

(Amounts in thousands of euros)

	2022	2021
Employee benefits	135,397	176,129
Other provisions	23,661	20,411
TOTAL	159,058	196,540

16.1 Employee benefits

16.1.1 Defined contribution plans

In accordance with their domestic legislation, certain Group companies make contributions to pension plans managed by external entities. An expense of EUR 20,400 thousand was recognised in this connection under "Staff Costs" in the consolidated statement of profit or loss for the year (2021: EUR 21,494 thousand).

16.1.2 Defined benefit plans

The detail of the provisions for employee benefits, by type of obligation, is as follows:

(Amounts in thousands of euros)

	2022	2021
Pension plans	106,326	147,250
Compensation for early retirement	7,130	5,497
Supplements	11,625	13,918
Post-employment obligations	9,004	8,456
Restructuring plans	1,312	1,008
TOTAL	135,397	176,129

The defined benefit liability recognised in the consolidated statement of financial position corresponds to the present value of the defined benefit obligations existing at the reporting date less the fair value of the plan assets at that date.

The detail of the main liabilities recognised by the Group is as follows:

Pension plans

The VDM Group guarantees pension plans to its employees, mainly in Germany. The pension obligations are discharged under voluntary plans established by the company prior to the acquisition. Nowadays, new hires cannot benefit from obligations of this nature. These obligations take into consideration various remuneration schemes representing various risk profiles and are based on individual and collective regulations. All these obligations are pension plans that provide benefits to plan members in the form of a pension for life. The level of this pension is based on the years of service and, depending on the case, may be based on the final salary, average salary or even fixed amounts. Since the obligations undertaken by the company in this connection are not outsourced, the company fulfils the related payment obligation when it falls due.

The weighted average term of the defined benefit obligations is 14.3 years.

The actuarial valuation of these obligations is conducted annually by an independent expert.

The detail of the amounts recognised in the consolidated statement of financial position and of the changes in the net defined benefit obligations in the financial year is as follows:

	2022	2021
Balance as of 1 January	147,250	156,309
Contributions paid	-3,846	-3,476
Expense for services rendered recognised in income	5,278	5,877
Interest cost	1,604	932
Actuarial loss recognised against comprehensive income	-43,959	-12,391
Balance as of 31 December	106,326	147,250

The analyses of the expected maturity of undiscounted pensions in the years 2022 and 2021 are as follows:

	2022	2021
2022		4,411
2023	4,824	4,267
2024	4,559	4,361
2025	4,764	4,503
2026	5,128	4,777
2027-2032	35,223	26,934
Total	54,498	49,255

The actuarial assumptions used in this valuation for 2022 and 2021 are as follows:

	2022	2021
Discount rate	3.70	1.10
Inflation	2.20	1.90
Long-term growth rate	3.00	2.50
Pension dynamics with adjustment according to inflation	2.20	1.90
Mortality rate	Richttafeln 2018G	Richttafeln 2018G

The sensitivity analysis performed by the company gave rise to the following adjustments to the pension obligations, based on changes in certain assumptions:

		2022	2021
Discount rate	0.50 bp decrease	9,468	13,943
Salary increase	0.50 bp increase	82	206
Pension increase	0.25 bp increase	1,872	3,391
Mortality rate	Increase in life expectancy by 1 year	2,751	4,628

Post-employment obligations

Post-employment obligations relate to medical care plans provided by Columbus Stainless to plan members following their retirement. No new members have joined the plan. The company generally performs actuarial valuations of the obligations assumed. The most recent valuation was performed this financial year. The assumptions used in the latest valuation were a discount rate of 12.33% and a medical cost inflation rate of 9.06%. The beginning and closing balances for the year are reconciled as follows:

(Amounts in thousands of euros)

	2022	2021
Balance as of 1 January	8,456	8,767
Contributions paid	-494	-434
Expense for services rendered recognised in income	134	629
Interest cost	965	902
Actuarial result recognised against comprehensive income	-40	-1,389
Translation differences	-18	-19
Balance as of 31 December	9,004	8,456

The discount rates applied are based on the expected growth rates of health insurance policies. Any changes in these rates may have an impact on both the obligations recognised and on comprehensive income. An increase of one percentage point in the discount rate would increase the obligation by EUR 928 thousand (2021: EUR 905 million). By contrast, a decrease of one percentage point in the discount rate would reduce the obligation by EUR 1.1 million in 2022 (2021: EUR 1.1 million).

Acerinox Europa, S.A.U.'s employment regulation plan

On 13 November 2019, the representatives of Acerinox Europa, S.A.U. and the workers' representatives signed an agreement at the Servicio de Resolución Extrajudicial de Conflictos Laborales (SERCLA) of the Junta de Andalucía (Andalusian Regional Government) to reduce the workforce at the Campo de Gibraltar Factory (Cádiz) by 215 people.

These 32 employees left immediately after the execution of the aforementioned agreement and prior to year-end. The remaining departures, i.e. those leaving the company due to age reasons, took place gradually until the end of 2022, as the employees signed up to the plan reached 60 years of age. The last 4 employees involved in the collective redundancy procedure left the company in 2022 (2021: 52).

The obligations arising from the approved early retirement plan are completely externalised, which means that the insurance company will compensate the employees at the time of their retirement. EUR 5,968 thousand were paid in this fiscal year in this connection with a charge to the insurance policy taken out (EUR 4,017 thousands in 2021).

At 31 December the existing liabilities relating to the future payments to be made by the Group were duly outsourced and covered in full. Accordingly, it was not necessary for the Group to recognise any additional liabilities. Any differences arising between the amount of the provision and the insurance taken out are charged or credited to profit or loss for the year.

The Company also provisioned EUR 9,254 thousand relating to the contribution to the Treasury established in Additional Provision Sixteen of Law 27/2011, amended by Royal Decree 1484/2012, accrued as a result of the presence of certain workers of over 50 years of age. This contribution will be payable to the pertinent authority in accordance with the aforementioned legislation. This provision is included under "Other Provisions", as disclosed in Note 16.2

In 2022, as in 2021, the Company claimed exceptional aid on the basis of Royal Decree 908/2013, of 22 November, in favour of workers involved in company restructuring processes. This aid is subject to the workers signing up to a special agreement with the social security authorities and will be used to pay for social security contributions. In 2022, the Group received subsidies totalling EUR 583 thousand which was recorded as "other operating income" (EUR 1,234 thousand were received in 2021).

The company has made a provision of EUR 998 thousand, to cover an amount in anticipation of possible repayments to be made through the insurance company of the aforementioned aid, mainly by employees opting to bring forward their retirement age.

16.1.3 Other obligations

In addition, there are obligations arising from certain senior executive retirement benefit arrangements amounting to EUR 17.9 million (2021: EUR 16.5 million). Since these obligations were appropriately insured in both 2022 and 2021, 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:

	2022	2021
Mortality table	PER 2020_Col_1st.order	PER 2020_Col_1st.order
CPI	2.00%	1.50%
Salary growth	2.00%	1.50%
Growth in social security	2.00%	1.50%
Retirement age	65 years	65 years
Accrual method	Projected Unit Credit	Projected Unit Credit

16.1.4 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.

On 1 January 2021, a new multi-year remuneration plan was also approved, consisting of three cycles, each with a duration of three years. Other Group executives have also been included in this second plan.

Under both remuneration plans, employees receive shares of the Parent ("Performance Shares") at the end of each cycle. The delivery of the shares and the number to be delivered are contingent upon the fulfilment of certain vesting requirements relating to the employee remaining in service and the achievement of individual corporate objectives, certain of which depend on market circumstances.

The Group presumes that the services are to be provided over the irrevocability or vesting period as consideration for the future delivery of the shares. Accordingly, the services rendered are recognised on a straight-line basis over the period in which the rights to receive those shares become irrevocable.

The Group measures the goods or services received, as well as the corresponding increase in equity, at fair value on the date the equity instruments are granted.

To calculate this theoretical number of shares, the shares of Acerinox, S.A. are measured at their quoted price 30 trading days prior to commencement of the plan, and their subsequent increase or decrease in value is assumed by the employee. The resulting number of Performance Shares is used as the basis for determining the actual number of Acerinox, S.A. shares to be delivered (if any) at the end of each cycle, depending on the extent to which objectives are achieved and subject to compliance with the requirements set out in the regulations governing each plan.

The Group engaged an independent expert to calculate the percentage of objectives achieved, subject to market conditions. Using accepted valuation techniques (the Monte Carlo method), the expert calculated the reasonable percentage of shares attributable to each employee subject to the remuneration plan. According to this valuation, the number of shares to be delivered in the performance of each of the plan cycles would be 203,830 shares, which would represent 0.2% of the share capital of Acerinox, S.A. at the end of the three cycles.

This year, 109,378 treasury shares were delivered to Group executives as a result of the completion of the second cycle of the First Multi-Year Remuneration Plan (20,112 treasury shares delivered in 2021). The difference between the value of the treasury shares delivered (EUR 1,234 thousand in 2022 and EUR 229 thousand in 2021) and the equity instruments provisioned on the basis of the estimates made (EUR 940 thousand in 2022 and 2021), after deducting withholdings on account, was moved to reserves in the amount of EUR -810 thousand and EUR 628 thousand, respectively.

The expense incurred in 2022 amounted to EUR 1,617 thousand (2021: EUR 1,852 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 3,695 thousand (2021: EUR 3,048 thousand).

16.2 Other provisions

The changes in 2022 and 2021 were as follows:

(Amounts in thousands of euros)

	Litigation	CO_2	Other provisions	Total
As of 31 December 2020	300	3,083	10,787	14,170
Allocation provision		9,863	278	10,141
Application		-3,077	-234	-3311
Release of provisions		-226	-386	-612
Translation differences			23	23
As of 31 December 2021	300	9,643	10,468	20,411
Allocation provision		12,804	396	13,200
Application		-9,835	-97	-9,932
Release of provisions		-2	-1	-3
Translation differences			-15	-15
As of 31 December 2022	300	12,610	10,751	23,661

CO_2

This heading includes the provisions relating to CO_2 emissions in the year, for which the emission allowances had yet to be surrendered at year-end (see Note 11.1).

"Amount used" in the year includes the derecognition of emission allowances for 2022, totalling EUR 9,835 thousand (2021: EUR 3,077 thousand) (see Note 11.1).

Litigation

At the end of 2022 the Group continued to be involved in litigation with the Italian tax authorities concerning transfer pricing adjustments made, which are explained in detail in Note 19.5. These legal proceedings relate to the adjustments imposed by the Italian authorities as a result of the purchase and sale transactions between the Italian Group company and Columbus Stainless (Pty) Ltd.

Discussions between the Italian company and the tax authorities are still ongoing, although those for the years 2007 to 2013 are at an advanced stage and the Group's estimates are confirmed. Settlements are expected to be received in the first half of 2023. The agreements should now also be extended to 2014 and 2015, since, as explained in that same note, new agreements have been reached through the mutual agreement procedure between Spain and Italy relating to those years. Based on the opinion of the experts, the provision (amounting to EUR 11.2 million) was reviewed again in 2022, and the Group considers that it is not necessary to increase the amount thereof, since the most recent conversations and the calculations of the Authorities, t seems that the amount recognised is sufficient to cover the possible outcome of the agreements, plus the corresponding interest.

Other provisions

"Other Provisions" includes mainly the measurement by Acerinox Europa, S.A.U. of the obligations arising from the collective redundancy procedure implemented in 2019 and those relating to the contribution to the Treasury set forth in Additional Provision Sixteen of Law 27/2011. The amount of this obligation, as verified by an independent expert, totals EUR 9,254 thousand. When calculating the provision, the characteristics of the employees included in the collective redundancy procedure were taken into account, together with observance of the legal requirements established by law and the applicable percentages. Note 16.1.2 sets out the details of this collective redundancy procedure.

Last fiscal year, the company Inoxcenter, S.L.U. reversed the provision it had recorded for this concept derived from the collective redundancy procedure carried out in 2013, when the obligation lapsed. The amount reversed amounted to EUR 386 thousand and was recognised under change in provisions within the heading "Other Operating Expenses" in the statement of profit or loss for the year.

16.3 Guarantees provided

At 31 December 2022, the Group had provided guarantees to third parties, mainly public authorities, totalling EUR 28.2 million (2021: EUR 20.3 million). This amount includes the guarantees totalling EUR 1.5 million provided to the Italian tax authorities as a result of the tax assessments arising from the tax audits described in Note 19.5. It also includes EUR 3.8 million deposited as a guarantee with the Ministry of Industry for credits obtained under the financial support programme for industrial investment in the framework of the public policy for reindustrialisation and strengthening industrial competitiveness (REINDUS). Guarantees totalling EUR 2.5 million were also deposited with the customs authorities.

Group management does not expect any significant liabilities to arise from these guarantees.

16.4 Contingencies

There are no contingencies at the end of this year or last year.

NOTE 17 – INCOME AND EXPENSES

17.1 Revenue

The detail of "Revenue" in 2022 and 2021 is as follows:

(Amounts in thousands of euros)

	2022	2021
Sale of goods	8,679,783	6,699,839
Provision of services	8,711	5,900
Own works capitalized	27,371	2,187
Operating lease income	567	582
Income from disposal of fixed assets	1,837	10,470
Income from grants or subsidies	13,070	10,243
Revenues from emission allowance subsidies	7,305	4,733
Valuation at fair value of derivatives	10,701	9,361
Other income	7,545	9,374
TOTAL	8,756,890	6,752,689

Sales have seen a significant uptick compared to the previous year, with strong market performance in the first half of the year and higher prices for stainless steel in the United States contributing positively.

The increase in "Work carried out by the company on fixed assets" is mainly due to the fact that major repairs were carried out on the steel and hot-rolling mills at one of the Group's plants during the financial year, which were capitalised in accordance with the policy set out in Note 2.8.

"Income from grants and subsidies" includes the extraordinary subsidies from public bodies listed in Note 15.

"Income from disposal of fixed assets" in 2022 mainly includes the gains obtained on the sale of the industrial building classified as investment property, as explained in Note 9. 2021 mainly include the capital gain from the sale of industrial buildings in France and Germany.

17.2 Staff costs

The detail of "Staff Costs" incurred in 2022 and 2021 is as follows:

(Amounts in thousands of euros)

	2022	2021
Wages and salaries	503,064	451,737
Social security	109,684	100,788
Contributions to employee benefit plans	10,897	9,484
Contributions to defined benefit plans	9,503	12,010
Termination benefits	2,621	4,307
Variation in employee benefit provision	-947	160
Other staff costs	18,941	12,939
TOTAL	653,763	591,425

Given the unprecedentedly high electricity and gas prices, on 16 March 2022 the company reached an agreement with the workers' committee of the Campo de Gibraltar (Cádiz) factory, whereby a furlough-type arrangement (Spanish ERTE) due to the economic and production-related circumstances was approved, and this agreement was backed by the five trade unions represented on the committee. The agreement envisaged a duration of one year from 17 March, included the entire workforce and allowed for the adaptation of staff to the production needs prevailing at any given time, thus providing considerable flexibility for management purposes. This agreement created an environment of safety and certainty which is beneficial to all parties, helping to maintain jobs and enabling the workforce to adapt to the portfolio of orders. This ERTE has been applied to all workshops during the third and fourth quarters, although the necessary activity has been maintained in order to comply with the commitments acquired with our customers.

An agreement was also reached with the works council of the Campo de Gibraltar (Cadiz) plant for 2021, approving a temporary redundancy plan (ERTE) for up to one year, starting on 5 May, covering the entire workforce.

The average number of employees for 2022 and 2021, by category, is as follows:

	2022		2021	
	Men	Women	Men	Women
Senior Vice President	11	0	10	0
Director	19	5	15	4
Manager	220	48	218	42
Analyst / Supervisor	569	181	555	167
Specialist	312	130	328	124
Administrative staff	598	462	594	462
Operators	5,444	230	5,401	210
TOTAL	7,173	1,056	7,121	1,009

The detail of the employees, including directors, at 31 December, by gender and category, is as follows:

	2022		2021	
	Men	Women	Men	Women
Board Members	7	4	8	4
Senior Vice President	9	0	10	0
Director	19	5	15	4
Manager	220	49	220	45
Analyst / Supervisor	570	176	572	173
Specialist	321	138	312	129
Administrative staff	598	458	596	471
Operators	5,356	214	5,374	217
TOTAL	7,100	1,044	7,107	1,043

These figures do not include 60 workers on partial retirement plan (77 in 2021).

At 31 December 2022, the number of employees in Spain with a disability equal to or greater than 33% was 44 (43 men and 1 woman) (2021: 45 (43 men and 2 women)).

Due to retirements in recent years, Acerinox Europa, S.A.U. is not in compliance as of 31 December 2022 with the provisions of the General Law on the Rights of Persons with Disabilities and their Social Inclusion. The necessary steps are being taken to remedy this.

At Acerinox Europa, the collective redundancy procedure approved in 2019 resulted in the departure during the year of the last 4 employees signed up to the plan (2021: 52 employees).

17.3 Other operating expenses

The detail of "Other Operating Expenses" is as follows:

(Amounts in thousands of euros)

	2022	2021
Rentals	15,735	13,596
Commercial expenses	267,503	211,899
Supplies	530,636	359,832
Maintenance	99,032	72,997
Outside services	188,011	155,654
Insurance	23,210	20,949
Banking services	5,408	4,269
Other operating expenses	31,543	21,634
Taxes	30,670	26,783
Changes in current provisions	3,295	65
Losses on sale of fixed assets	1,987	8,392
Other extraordinary expenses	429	198
TOTAL	1,197,459	896,268

There was a significant general increase in all costs this year due to high inflation rates, with the increase in the supplies item being particularly relevant due to the increase in electricity and natural gas prices, especially in Spain, as explained in Note 4.1.3.

NOTE 18 – NET FINANCE COSTS

The detail of "Net Finance Costs" is as follows:

(Amounts in thousands of euros)

	2022	2021
Interest income and other financial income	25,207	2,855
Dividend income	866	66
TOTAL FINANCIAL INCOME	26,073	2,921
Interest and other financial expenses	-62,799	-45,280
Impairment and loss on disposal of financial investments	-3	
TOTAL FINANCIAL EXPENSES	-62,802	-45,280
Income from exchange differences	-4,624	1,610
Results from revaluation of financial instruments at fair value (currency forwards)	-3,141	-3,229
FINANCIAL INCOME FROM EXCHANGE DIFFERENCES	-7,765	-1,619
NET FINANCIAL COSTS	-44,494	-43,978

"Interest Income" includes mainly the income arising from the cash placements made by the Group. The increase over the previous year is mainly due to the rise in interest rates, especially the USD.

Borrowing costs include mainly the interest accrued on bank borrowings and bonds issued, which are explained in Note 12.2.3. The increase over the previous year is due to higher interest rates.

Lastly, gains or losses from translation differences arise in the course of the Group's commercial transactions as well as its financial and investment transactions. The Group uses derivative financial instruments to hedge most of the transactions performed in a currency other than the functional currency of each country. The use of these instruments ensures that any exchange rate fluctuations are offset by changes with the opposite sign in respect of the arranged derivative. The differences between the two amounts are due mainly to the interest rate differentials between the currencies involved in the currency forward arranged.

NOTE 19 – TAX MATTERS

19.1 Legislative amendments

During the period, no significant legislative amendments were passed relating to corporate income tax that could have an impact on the Group.

In 2021, the most significant legislative amendments adopted were:

- Spain: Law 22/2021 on the General State Budget for 2022, published on 29 December 2021, introduced a series of measures, some of which affect corporate income tax and which are applicable as from 1 January 2022. Specifically, starting this financial year, 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. This measure had no impact this year, as the tax group in Spain generated tax loss carryforwards.
- United Kingdom: on 10 June 2021, an increase in corporate income tax rates was approved in order to mitigate the effects of Covid-19. The tax rate approved was 25% and its application effective as of 1 January 2023 for all entities whose profits exceed GBP 250 thousand. Last year, the Group restated its deferred tax assets and liabilities in this country, which resulted in income tax income of EUR 42 thousand.
- Malaysia: different measures were implemented as a result of the pandemic, which include the extension from 7 to 10 years for the use of carry-forward tax losses from previous years, as well as accelerated depreciation measures for certain investments and deductions for expenses incurred as a result of the pandemic.

19.2 Income tax expense

The income tax expense recognised was as follows:

(Amounts in thousands of euros)

	2022	2021
Current tax	262,590	171,792
Deferred taxes	-2,178	13,411
Impairment of (capitalisation) tax credits		-5,493
Income tax	260,412	179,710

Note 19.3.3 explains the recoverability analyses conducted by the Group this year with respect to tax loss carryforwards. No additional impairment losses had to be recognised this year; on the contrary, tax credits were recognised for tax loss carryforwards generated this year, amounting to EUR 15,550 thousand. In 2021 the recoverability analysis performed allowed for the recognition of deferred tax assets impaired in previous financial years in the amount of EUR 5,493 thousand.

The amount recognised under "Other Taxes" in the consolidated statement of profit or loss includes the taxes paid abroad as a result of the withholdings made on the payment of interest and dividends.

The Parent received dividends from its subsidiaries in the amount of EUR 488 million, most of which were exempt from tax withholdings abroad (2021: EUR 277 million, and practically all of them were exempt from taxation).

Withholdings on interest payments are deductible from corporate income tax under the double taxation conventions, and they reduce the income tax expense.

A reconciliation of the income tax expense recognised in the consolidated statement of profit or loss to the accounting profit is presented below:

(Amounts in thousands of euros)

	2022		2021	
Net profit (loss) for the year		556,054		571,882
Non-controlling interests		14,332		13,625
Income tax		260,412		179,710
Other taxes		477		512
Profit (loss) before tax		831,275		765,729
Tax on profits using local tax rate	25.00%	207,819	25.00%	191,432
Effects on tax charge:				
Effect of tax rates for foreign companies		-2,129		-4,431
Non-deductible expenses		52,750		4,161
Tax incentives not recognised in the income statement		-2,885		-3,301
Non-taxable income		2,721		1,150
Adjustment for prior years		-914		-440
Adjustment to tax rates related to deferred taxes		-1,197		-95
Provision for tax litigation, tax assessments and settlements		-110		
Unrecognised tax credits		5,509		141
Impairment (capitalisation) of tax credits				-5,493
Unused tax credits used in the year		-709		-3,928
Other		-443		514
Income tax		260,412		179,710

This year there was an increase in non-deductible expenses, mainly due to the non-deductibility of the impairment of assets recognised in the Malaysian company Bahru Stainless. In addition, the amount of unrecognised tax credits has increased due to tax losses in some subsidiaries where the recognition criteria are not met.

The only extraordinary impact last year was the recognition of deferred tax assets impaired in prior years amounting to EUR 5,493 thousand, as explained in Note 19.3.3.

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

19.3 Deferred taxes

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

(Amounts in thousands of euros)

	2022		2021	
	Prepaid taxes	Deferred taxes	Prepaid taxes	Deferred taxes
Balance as of 1 January	105,848	200,051	107,273	179,044
Expenses / (Income) for the period	63,319	61,251	2,889	16,300
Taxes taken directly to shareholders' equity	-30,381	-1,205	-5,907	2,044
Exchange rate variations	72	5,380	173	6,701
Transfers	-37,739	-37,739	-4,073	-4,073
Other variations	106	46	5,493	35
Balance as of 31 December	101,225	227,784	105,848	200,051

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

(Amounts in thousands of euros)

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Goodwill and other intangible assets	6,783	7,230	-16,764	-16,764	-9,981	-9,534
Property, plant and equipment	683	1,215	-147,684	-151,181	-147,001	-149,966
Financial assets	1,811	3,883	-687	71	1,124	3,954
Inventories	4,337	7,246	-75,354	-49,420	-71,017	-42,174
Other assets	31	421	-14,213	-6,041	-14,182	-5,620
Provisions	12,895	8,211	2,637	1,907	15,532	10,118
Employee benefit plan	25,729	41,749	38	1,314	25,767	43,063
Financial liabilities	3,606	1,397	-8,986	-235	-5,380	1,162
Other liabilities		5	-11,047	-11,459	-11,047	-11,454
Other tax deductions	19,845	16,201			19,845	16,201
Unused tax losses	80,609	61,236			80,609	61,236
Provision for tax litigation			-10,828	-11,189	-10,828	-11,189
Deferred tax assets/liabilities	156,329	148,794	-282,888	-242,997	-126,559	-94,203
Offsetting deferred tax assets and liabilities	-55,104	-42,946	55,104	42,946		
Deferred tax assets/liabilities	101,225	105,848	-227,784	-200,051	-126,559	-94,203

Most of the deferred taxes have a reversal period of more than one year.

As laid down in the corporate income tax accounting policy (Note 2.19), the Group only offsets deferred tax assets and liabilities when there is a legally enforceable right to do so, the assets and liabilities correspond to the same tax authority and the Group plans to realise current tax assets or settle current tax liabilities on a net basis.

19.3.1 Deferred tax liabilities

The deferred tax liabilities recognised include those arising from property, plant and equipment and relate mainly to the different tax and accounting treatment of depreciation as permitted by the laws of certain

countries. These liabilities arose mainly from North American Stainless, Inc., Columbus Stainless, Ltd. and the VDM Metals Group. Deferred tax liabilities from inventories are also significant due to the different accounting and tax treatment of inventory valuation; they arise mainly from Germany.
With respect to the deferred tax liabilities arising from investments in subsidiaries, as explained in Note 3, certain companies forming part of the consolidated Group have reserves which could be taxable if distributed, since certain legislation envisages withholdings at source that affect the payment of dividends, as well as limitations on the deductibility of gains from other countries distributed in the form of dividends. The Group recognises the tax effect in this connection provided that it considers that such reserves will have to be distributed in the foreseeable future. On the other hand, the Spanish General State Budget Law for 2021 (Law 11/2020, of 30 December) includes, among other measures, a Corporate income tax amendment affecting the exemption from taxation of dividends received from Group companies in certain circumstances. As a result of the entry into force of this amendment to income tax, the Parent of the Acerinox Group has had its tax exemption for dividends received reduced to 95%, whereby it is now taxed on 5% of the dividends received from subsidiaries, which are treated as non-deductible expenses relating to management of the ownership interest. As with the distributable reserves mentioned in the previous paragraph, the Group also takes into account the tax effect if it believes that the distribution of reserves from subsidiaries will be required in the foreseeable future.

This limitation could give rise to the recognition of a deferred tax liability for the undistributed retained earnings of Group companies, provided that these are expected to be repatriated in the form of dividends in the foreseeable future.

Although the Group does not have a general policy of distributing dividends from subsidiaries to the Parent, each year the Group analyses the equity position of all its subsidiaries, while also taking into account existing taxes, in order to determine whether reserves should be repatriated through the distribution of dividends. In view of the significant amount of dividends distributed by North American Stainless in the last three years and at their level of income generation year-on-year, the Group considers that it will not distribute dividends from the reserves of the Group companies in the foreseeable future and, accordingly, it did not recognise a deferred tax liability in this connection. Also, there are very few companies in the consolidated Group that have significant distributable reserves that will be distributed in the foreseeable future.

19.3.2 Deferred tax assets

At 31 December 2022 and 2021, the Group had tax assets arising from carry-forward tax losses, to be used within the following periods:

(Amounts in thousands of euros)

	2022	2021
From 1 to 5 years	3,008	3,056
From 6 to 10 years	76,206	83,350
From 11 to 20 years	115	41
From 21 to 30 years	2,332	2,328
No expiration date	179,769	159,304
TOTAL	261,430	248,079

Not all the tax assets included in the table have been recognised by the Group. The recognised tax assets amounted to EUR 80,609 thousand in 2022 (2021: EUR 61,236 thousand).

The distribution by country of the recognised tax assets is as follows:

(Amounts in thousands of euros)

	2022	2021
Spain	61,179	45,613
USA	13,903	9,235
France	2,215	2,391
Sweden	2,738	3,200
Chile	250	370
Colombia	115	41
UK	209	365
Russia		18
Peru		3
TOTAL	80,609	61,236

This financial year has seen an increase in capitalised tax credits, mainly due to the capitalisation of new credits arising in this financial year as a result of tax losses generated by the Spanish tax consolidation, in contrast to 2021 when the Group's good results allowed the utilisation of credits from previous years.

A comparison of the two tables above reveals that the Group has unrecognised tax assets amounting to EUR 180,821 thousand, equal to tax losses of EUR 748 million, which were not recognised for accounting purposes as they did not meet the recognition criteria (2021: EUR 186,843 thousand of unrecognised tax assets, equal to losses of EUR 773 million).

The Group also has assets for unrecognised temporary differences of EUR 266.3 million (EUR 147.9 million in the previous year) arising from the accounting impairment of Acerinox, S.A.'s investments in some of its investees, which have not been recognised as the timing of their reversal is not known, and from the impairment of assets recognised in other entities. These assets are not deductible until the assets giving rise to the related temporary difference are realised.

On 22 June 2015, the Group Company Bahru Stainless received confirmation from the Malaysian Ministry of Economy that tax relief had been approved in respect of the investments made in the country from 2009 to 2014. This relief consists of Corporate income tax credits for an amount equal to the investments made in certain items of property, plant and equipment, totalling MYR 1,806 million (EUR 384 million to the tax base). As in the case of the tax loss carryforwards, the Group did not recognise a deferred tax asset in this connection as it was still unable to estimate the timing of the recoverability thereof at the reporting date. At the same time, the Company also has unused temporary differences as a result of the different depreciation and amortisation methods for accounting and tax purposes ("capital allowances"), amounting to EUR 361 million (2021: EUR 388 million). These temporary differences have an unlimited utilisation period in Malaysia. As a result of these two forms of relief, the Company will not have to pay tax once it begins to generate taxable profits, despite the restriction on the use of tax losses.

The Group Company North American Stainless is also entitled to tax relief for investments in assets that contribute to recycling. This relief is deducted from the calculation of the Kentucky State tax and amounted to EUR 549 million at year-end. Of the total tax relief, EUR 22.7 million expire in 2028, EUR 4.7 million expire in 2030. The rest are unlimited. Application of this relief is limited to 50% of the tax payable in the State of Kentucky, or USD 2.5 million/year. The Group only recognises a deferred tax asset for assets arising from investments which expire and relate to a specific tax relief programme approved in 2005 by the State of Kentucky (Major Credits Program). At 2022 year-end EUR 6.8 million were recognised as deferred tax assets.

Deferred tax assets arising from deductions pending utilisation, amounting to EUR 19,845 thousand (2021: EUR 16,201 thousand), relate mainly to the Spanish tax group, except for the EUR 6.8 million mentioned in the preceding paragraph in relation to North American Stainless. The Group also took these tax benefits into consideration when conducting the recoverability analyses.

19.3.3 Analysis of the recoverability of deferred tax assets

As stated in the accounting policies, the Group recognises deferred tax assets in the consolidated statement of financial position provided that those assets are recoverable within a reasonable period, also taking into consideration the legally established limitations on their use. The Group considers a period of approximately ten years to be reasonable if permitted by tax legislation.

To assess the recoverability of the unused tax assets, the Group prepares a five- to ten-year budget for each of the companies with recognised tax assets, based on which it performs the tax adjustments necessary to determine the tax bases. The Group also takes into account the limitations on the offset of tax bases established in the respective jurisdictions, as well as the minimum payment regulations. In addition, the Group assesses the existence of deferred tax liabilities against which tax losses may be offset in the future.

In preparing budgets, the Group considers the financial and macroeconomic circumstances and those of the stainless steel market itself, adapted to the entity's operating environment. Parameters such as expected growth, use of installed production capacity, prices, etc. are projected on the basis of the forecasts and reports of independent experts, as well as historical figures and the targets set by management. Relevant key assumptions such as exchange rates, raw material prices or energy 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 year-end, the Group entities that recorded capitalised tax credits in their financial statements were mainly Spanish entities, as Columbus was able to offset its outstanding tax credits last year.

- In the case of the Spanish entities, the tax assets arise mainly from the consolidated tax group in Spain, which comprises all the Spanish Group companies with the exception of those established in the regions of Álava, Vizcaya and Guipúzcoa. Tax assets arising from tax loss carryforwards from the consolidated tax group in Spain amounted to EUR 155 million at year-end, of which EUR 96 million were not recognised as deferred tax assets. In this financial year, the high cost of energy and the declines in the European market in the second half of the year have led to some of the Group's Spanish companies posting negative results. Following an appropriate impairment analysis, the Group has deemed it appropriate to capitalise the tax credits incurred this year.

  It is important to note that there are significant restrictions on the use of tax losses in Spain. In the case of the Spanish tax group, just 25% of the taxable profit generated in a given year can be used to offset prior years' losses. In the case of entities subject to the tax regimes in force in Álava, Vizcaya and Guipúzcoa, the limitation is 50%.

  This year, the Group has revalued the forecasts made last year.

  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, energy costs estimates and the Company's strategy itself. In terms of demand, SMR (Steel & Metals Market Research) estimates predict a decline in demand in 2023 and growth averaging 2.8% over the next 5 years. However, the incidents, the high energy costs in Spain, which have forced production stops, and the planning of major repairs have resulted in Acerinox Europe's 2022 volumes being significantly below expected estimates, leading us to believe that 2023 should see a return to higher sales volumes. As for prices, sources such as CRU predict a slight increase in Europe after falling in the second half of 2022. The Group has been cautious in its estimates and maintains the current price level for the forward estimates made. For supply prices, the price curves for the future are taken into account but adjusted upwards as the Group is cautious in its future estimates. All other costs take into account increases in consumer price indices. Taking all these factors into account, volume growth is maintained in the estimates for the coming years, so diluting fixed costs and improving margins.

  In view of all the above, the five-year budgets prepared by management and extrapolated to a ten-year period, considering the estimated yields and historical margins, only justify the recovery of all activated credit over the next ten years and all the tax credit carryforwards. Accordingly, the Group recovered tax losses generated in the financial year amounting to EUR 62 million which it has activated.

Based on forward-looking estimates in the previous year, the Group recorded unrecognised tax credits in the amount of EUR 5,493 million as impairment in 2022, recognising a gain in the income statement's "income tax" item.

Sensitivity analyses were performed on these estimates to determine the risk that a change in the assumptions may require an additional impairment loss to be recognised on these deferred tax assets. As tax assets were written down to the limit indicated in the estimates, any budget shortfall would cause a further reduction in the tax assets. Among the possible ten-year projection scenarios, the Group selected that which it deems the most reasonable on the basis of historical factors. If the projected earnings for the next ten years were to decrease by 10%, the recovery period for the recognised tax assets would increase to eleven years instead of ten.

- With respect to the other European entities, the recognised tax assets arose from the crisis years, and the amount thereof has been reduced since 2013 through the generation of profits, enabling their partial recovery. The transfer pricing policies adopted by the Group to remunerate and define transactions with distributors render it unlikely that those entities will suffer significant losses. The existence of a transfer pricing bilateral advance pricing agreement with similar entities and the various mutual agreements reached in various countries make it unlikely that the results of those entities will differ significantly from the projected results. Therefore, the conclusions reached are not expected to change. The Group analysed the recoverability of the tax assets and concluded that, based on the estimated results, they are expected to be recoverable within a reasonable period never exceeding ten years.

19.4 Current tax

At 31 December 2022, the Group had a current income tax asset balance of EUR 22,770 thousand (2021: EUR 10,297 thousand) and a current income tax liability of EUR 58,295 thousand (2021: EUR 23,467 thousand).

19.5 Tax audits and years open for review

19.5.1 Tax audits

Progress in 2022

- In relation to the OECD's ICAP 2.0 programme ("International Compliance and Assurance Programme"), in which Acerinox participated on a voluntary basis, letters were received in March this year from the tax authorities of the four countries that participated in the analysis (Spain, United Kingdom, Canada and the United States) confirming that the risk related to Acerinox's related party transactions is low. These certificates provide assurance to the Group that its transfer pricing policies are sound, and demonstrate its willingness to maximise, for mutual benefit, the cooperative relationship instruments that administrations make available to multinational groups. It is also an international endorsement of the good tax practises and transparency with which the Acerinox Group operates. It is undoubtedly the most globally recognised programme of what is known as "the cooperative relationship with tax administrations", as it is an initiative endorsed and monitored by the OECD, which provides confidence to all those who participate.

- In Italy, the Amicable Agreements reached between the Spanish and Italian authorities for the years 2007 to 2015 are still pending execution. Discussions are ongoing with the Italian authorities on the implementation of these agreements and on the transfer of the treatment accepted under the amicable agreement to the adjustments with third countries. This procedure is expected to be completed in the first half of 2023. With regard to Spain, on 24 February 2022, the notification of the execution of the last friendly settlement reached for the years 2014 and 2015 has been received.

For the year 2014, the Italian authorities eliminated all transfer pricing adjustments imposed on transactions with Spanish companies, and therefore no adjustments were made by the Spanish tax authority. As for 2015, Italy waived EUR 2.2 million of the adjustments initially imposed, leaving adjustments of EUR 404 thousand that Spain recognised as a lower tax base for 2015, which meant a refund of EUR 47 thousand corresponding to the corporate income tax liability plus EUR 3 thousand in late payment interest. In addition, tax loss carryforwards in Spain have increased by EUR 101 thousand.

- In Germany there are two open inspections, one in the Acerinox Deutschland GmbH Group entity and the other in the German entities that make up the VDM subgroup. With regard to the first of these, the inspector's report was received on 12 January 2023 with a proposal to finalise the audit without adjustments. With regard to the latter, the proceedings are still ongoing and no report has yet been issued that could lead to significant adjustments.

  The renewal of the previous bilateral valuation agreement between the Group's factories in Spain and the Group's distributor in Germany (Acerinox Deutschland GmbH) is still in progress. The application was submitted on 29 June 2021, on the same terms as the ones in force until 31 December 2021.

- In February of this financial year, the Group's two Malaysian entities were notified of the opening of a transfer pricing inspection procedure relating to the financial years 2015 to 2020. On 2 December 2022, the inspection report was received, bringing the inspection proceedings to an end. In the case of Bahru Stainless, Sdn. Bhd, the inspection report includes an adjustment whereby the interest accrued from 2019 on the loan granted by Acerinox S.A. until its full capitalisation in 2021 is considered non-deductible, as it is considered to be a capital contribution from that date. This adjustment has no effect because there was a restriction on the deductibility of interest that prevented it from being deducted. In addition, the company has no recognised deferred tax assets. As regards the entity Acerinox SC Malaysia Sdn. Bhd, the inspection has been completed in conformity and without any adjustment.

The detail of the status each of the tax audits under way at 2022 year-end, or that were concluded but signed on a contested basis and are currently under appeal, is as follows:

Italy

In 2011 the subsidiary Acerinox Italia, S.r.l. underwent a tax audit for 2007, 2008 and 2009.

Between 2012 and 2014 the tax assessments for the three years were received, primarily indicating transfer pricing adjustments in relation to sale and purchase transactions between the Company and the Group's factories. The resulting tax payable amounted to EUR 16 million, plus interest of EUR 3.5 million. No penalties were imposed.

Subsequently, in 2016, 2017, 2018, 2019 and 2021, without receiving prior notice of the commencement of tax audits, the Company received transfer pricing tax assessments relating to 2011, 2012, 2013, 2014 and 2015, which automatically applied criteria similar to those followed in the previous tax audits. These tax assessments resulted in adjustments to the tax base of EUR 4.3 million in 2011, EUR 4.9 million in 2012, EUR 3 million in 2013, EUR 2.3 million in 2014 and EUR 3.8 million in 2015, and amounts payable of EUR 1.5 million, EUR 1.6 million, EUR 1 million, EUR 954 thousand and EUR 1.4 million, respectively. No penalties were imposed in this case either. The Group lodged appeals against all these tax assessments at the Milan Provincial Tax Commission within the respective time limits, and at the same time requested the suspension of payment of the debts until the end of the procedures. In addition, a request was filed at the Spanish and Italian authorities to eliminate double taxation on the basis of Convention 90/436/EEC, of 23 July 1990. The Group has provided guarantees of EUR 1.5 million to cover the suspension of the debts in Italy.

In addition, in December 2018 the request for the elimination of double taxation with South Africa was submitted in Italy in respect of the tax audits under way in relation to 2011 to 2013. On 9 March 2021, the

Company had to waive this procedure so that regularisations derived from friendly agreements could be initiated and negotiations carried out to apply the same criteria reached in such agreements to transactions with third countries.

On 3 October 2019, both the Group entity in Italy and the Spanish entities affected by the adjustments were notified of the agreement reached by the Spanish and Italian authorities for 2007 to 2013, which reduced the transfer pricing adjustments initially proposed by the Italian tax inspectors for the Spanish entities from EUR 84 million to EUR 41 million and completely eliminated double taxation. Following the aforementioned agreements, Spain recognised a tax refund of EUR 5.8 million and an increase in the tax losses equal to EUR 5.9 million in tax assets. In Italy, the agreements resulted in the elimination of all the tax losses and, accordingly, the Group derecognised tax assets recognised amounting to EUR 8.3 million. The amounts recoverable in Spain were received on 17 February 2020. The Group nevertheless submitted pleadings in Spain against the execution of the agreements, due to failure to recognise late-payment interest for the refundable amount of EUR 5.9 million.

On 18 November 2021, the notifications of the amicable settlements reached between the Spanish and Italian authorities for the 2014 and 2015 tax years were received. With regards to 2014, the Italian authorities cancelled all transfer pricing adjustments made on transactions with Spanish companies. As for 2015, Italy waived EUR 2.2 million of the adjustments initially imposed, leaving adjustments of EUR 404 thousand to be recognised in Spain as less taxable income in 2015. On 12 April 2022, a refund was received in Spain of EUR 47 thousand corresponding to the corporate income tax liability plus EUR 3 thousand in late payment interest. In addition, tax loss carryforwards in Spain have increased by EUR 101 thousand.

All agreements reached between the Spanish and Italian authorities are pending execution in Italy. Although the agreements only extend to the transactions performed between the Italian entity and the respective factories in Spain, the same agreement should technically apply to sale and purchase transactions with third countries. The Group is currently in discussions with the authorities who have informed that they are preparing the settlements based on the proposal made by the Group and it is expected that this procedure will be finalised in the first half of 2023.

The Group is still appealing to the Milan provincial authorities to make adjustments related to third country transactions, but these are suspended until discussions with the authorities are concluded. If no agreement is reached, the Group will continue the litigation in the courts. Discussions are still ongoing and the Authorities have informed that they are preparing the settlements based on the proposal made by the Group.

The Group maintains the provision of EUR 11.2 million equivalent to the amount that will be payable in Italy if the same treatment agreed by the Italian and Spanish authorities is extended to the remaining adjustments with third countries, thereby accepting the proposal made by the Group. This amount includes both tax payable and late- payment interest. This provision is shown in the balance sheet under "Deferred tax liabilities".

This provision was reviewed in 2022, and the Group considers that it is not necessary to increase the amount thereof, since the agreements are at an advanced stage and it is foreseeable that the amount recognised is sufficient to cover the possible outcome of the agreements, in accordance with the latest proposals made.

Germany

On 14 December 2020, the Group Company in Germany, Acerinox Deutschland, GmbH, was notified of the commencement of a tax audit relating to 2015 to 2018. The inspector's report was received on 12 January 2023 with a proposal to finalise the audit without adjustments.

The renewal of the previous bilateral valuation agreement between the Group's factories in Spain and the Group's distributor in Germany (Acerinox Deutschland GmbH) is still in progress. The application was submitted on 29 June 2021, on the same terms as the ones in force until 31 December 2021.

With regard to the VDM companies in Germany, an audit procedure was initiated in June 2021 for the financial years 2016 to 2018. The procedures have not yet been completed and no report has been prepared to date from which the existence of corrections could be deduced.

Malaysia

In February of this year, the Group's two entities in Malaysia were notified of the opening of a transfer pricing inspection procedure relating to the financial years 2015 to 2020.

On 2 December 2022, the inspection report was received, bringing the inspection proceedings to an end. In the case of Bahru Stainless, Sdn. Bhd, the inspection report includes an adjustment given that the interest accrued from 2019 on the loan granted by Acerinox S.A. until its full capitalisation in 2021 is considered non-deductible, as it is considered to be a capital contribution from that date. This adjustment has no effect because there was a restriction on the deductibility of interest that prevented it from being deducted. In addition, the company has no recognised deferred tax assets.

As regards the entity Acerinox SC Malaysia Sdn. Bhd, the inspection has been completed in conformity and without any adjustment.

19.5.2. Years open for review

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the deadline for registration has expired.

Spain

Pursuant to the Spanish Corporate Income Tax Law, carry-forward tax losses declared in the tax returns for years open for review become statute-barred ten years from the day following the final day of the period established for filing the tax return or self-assessment for the tax period in which the right to offset arose. Once this period has elapsed, taxpayers must demonstrate that the carry-forward tax losses that they wish to offset, and the amount thereof, are appropriate by submitting the assessment or self-assessment and the accounting records, together with evidence that they were filed at the Companies Registry within the aforementioned period.

At 31 December 2022 and 2021, Acerinox, S.A. and the companies in the consolidated tax group had all the taxes applicable to them open for review in relation to the following years:

Type of tax

	2022	2021
Corporate income tax	2018-2021	2017-2020
Value added tax	2019-2022	2018-2021
Customs duties	2019-2022	2019-2021
Personal income tax	2019-2022	2018-2021

Other countries

The other Group entities have the taxes for the years established by their respective local jurisdictions open for review. The directors of the Parent and of its subsidiaries do not expect that any significant additional liabilities will arise in the event of a tax audit.

NOTE 20 – RELATED PARTY BALANCES AND TRANSACTIONS

20.1 Related parties

The consolidated financial statements include transactions performed with the following related parties:

- key executives of the Group and members of the Boards of Directors of the various Group companies; and
- significant shareholders of the Parent.

Transactions performed between the Company and its subsidiaries, which are related parties, are carried out, from the standpoint of their subject-matter or terms and conditions, in the ordinary course of the Company's business activities and have been eliminated on consolidation. Therefore, they are not disclosed in this Note.

20.2 Related party transactions and balances

The only transactions carried out with related parties relate to the Directors and key management personnel in payment for the functions performed, all of which are carried out on an arm's length basis.

a) Directors and key management personnel

The remuneration received in 2022 by the nine senior executives, who do not hold positions on the Board of Directors of Acerinox, S.A., amounts to EUR 8,124 thousand. Of this amount, EUR 3,061 thousand are salaries, EUR 4,082 thousand are variable remuneration corresponding to the previous year's results and EUR 981 thousand are benefits in kind, partly derived from the shares they received for completing the first cycle of the multi-year remuneration plan, as explained below. They did not receive any per diems during this financial year. In 2021 the nine senior executives received EUR 4,448 thousand, of which EUR 2,728 thousand related to salaries, EUR 1,398 thousand to variable remuneration based on the previous year's results and EUR 322 thousand to remuneration in kind. No per diems were received.

In 2022 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 of other Group companies, earned EUR 4,250 thousand in fixed allowances, attendance fees, and fixed and variable salaries (the latter based on the previous year's results), of which EUR 1,443 thousand related to salaries and fixed allowances for directors, EUR 726 thousand to attendance fees, EUR 1,500 thousand to variable remuneration based on the previous year's results and EUR 581 thousand to remuneration in kind. In 2021 the remuneration received amounted to EUR 2,580 thousand, of which EUR 1,388 thousand related to salaries and fixed allowances of 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.

There are obligations arising from certain senior executive retirement benefit arrangements amounting to EUR 17.9 million (2021: EUR 16.5 million), of which EUR 5.3 million correspond to the CEO (2021: EUR 5.2 million). In 2022 and 2021 these obligations were duly covered by insurance contracts, to which EUR 1,512 thousand were contributed in 2022 and EUR 1,751 thousand in 2021. There are no obligations to proprietary or independent directors of Acerinox, S.A. At 31 December 2022, no advances or loans had been granted to the members of the Board of Directors or senior executives, and there were no balances receivable from or payable to them.

In relation to the multi-year remuneration or long-term incentive (LTI) plan, the terms and conditions of which are detailed in Note 16.1.2, the expense incurred in the year in relation to the CEO and senior executives, the balancing entry of which is recognised under "Other Equity Instruments", amounts to EUR 1,146 thousand, of which EUR 286 thousand relate to the CEO (2021: EUR 1,381 thousand, of which EUR 352 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. During the year, the shares corresponding to the second cycle of the first approved share-based remuneration plan were delivered. A total of 109,378 shares were delivered (20,112 shares corresponding to the first cycle were delivered in 2021), after deducting applicable withholdings, of which 34,537 corresponded to the Chief Executive Officer (5,560 in 2021). The difference between the amount recorded as other equity instruments corresponding to that cycle and the amount of shares finally delivered, amounting to EUR -810 thousand, has been recorded against equity under the "reserves" caption (2021: EUR 628 thousand).

The Company's directors and their related parties were not involved in any conflict of interest that had to be reported pursuant to Article 229 of the Consolidated Spanish Corporate Enterprises Act.

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 2022 amounted to EUR 718 thousand (2021: EUR 542 thousand).

In 2022 and 2021 the members of the Board of Directors did not perform any transactions with the Company or with Group companies that were outside the normal course of business or were not on an arm's length basis.

b) Significant shareholders

The Acerinox Group has not entered into any related party transactions with any significant shareholders in 2022 or 2021.

NOTE 21 – AUDIT FEES

The shareholders at the Annual General Meeting held on 16 June 2022 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 2022.

The detail of the fees and expenses incurred for services rendered by the audit firms that audited the Acerinox Group's financial statements in 2022 and 2021, respectively, and their associate firms, is as follows:

(Amounts in thousands of euros)

	2022			2021		
	PWC Auditores, S.L.	PWC International	TOTAL	PWC Auditores, S.L.	PWC International	TOTAL
For audit services	371	1,049	1,420	326	955	1,281
For tax advisory services		7	7		6	6
For other verification services	70	21	91	66	17	83
For other services					20	20
TOTAL	441	1,077	1,518	392	998	1,390

"Other audit-related services" includes the limited review of the interim condensed consolidated financial statements as at 30 June 2022 and 2021, the report on agreed-upon procedures regarding the system of Internal Control over Financial Reporting (ICFR) and the report on agreed-upon procedures relating to the achievement of the financial ratios required by the Borrowing Base Facility of Columbus Stainless and the ICO in Spain, and other agreed-upon procedures performed in accordance with ISRS 4400 in Malaysia.

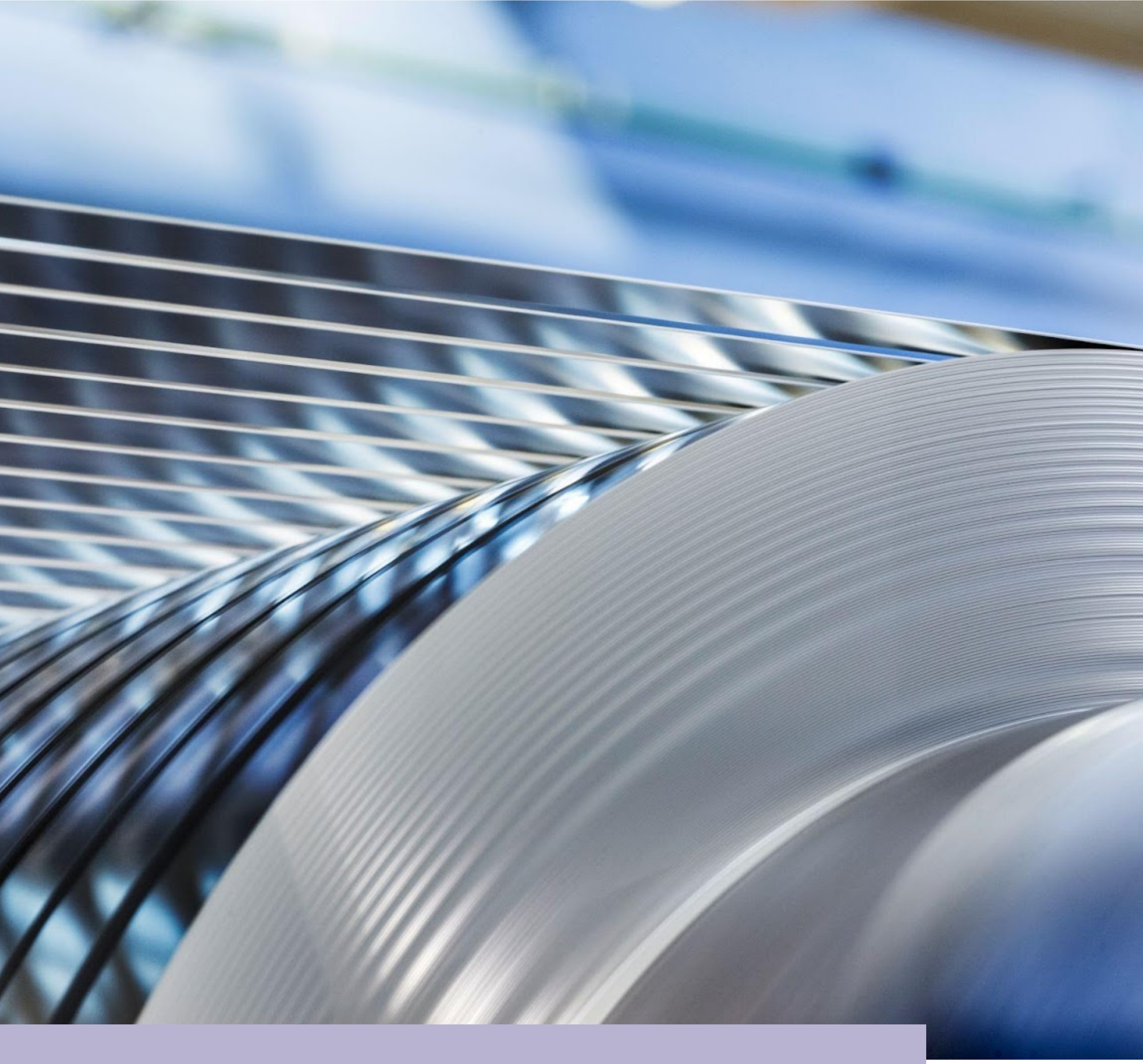
The amounts detailed in the foregoing table include the total fees for services rendered in 2022 and 2021, irrespective of when they were billed.

Other audit firms billed the Group in 2022 for fees and expenses for audit services amounting to EUR 151 thousand (2021: EUR 193 thousand).

NOTE 22 – EVENTS AFTER THE REPORTING PERIOD

Interim dividend

The Board of Directors of Acerinox, S.A. held on 20 December 2022 has decided to propose to the Ordinary Annual General Meeting of Shareholders of the Company a dividend of EUR 0.60 per share charged to 2022 results, of which EUR 0.30 were paid as an interim dividend on 27 January 2023. This dividend will be submitted for approval at the Annual General Meeting to be held in 2023.



2022 Integrated Annual Report

ACERINOX

Consolidated directors' report / Non-financial information statement (NFIS)

Contents

1. Acerinox at a glance

1.1 Key indicators

1.1.1 Economic performance

Millions of Euros

8,688 Turnover

1,276 EBITDA

556 Net profit

Euros 440 million Net financial debt

Euros 544 million Operating cash flow

Our shares

259,724,345 shares

Euros 336 million Dividend + two share buyback programmes

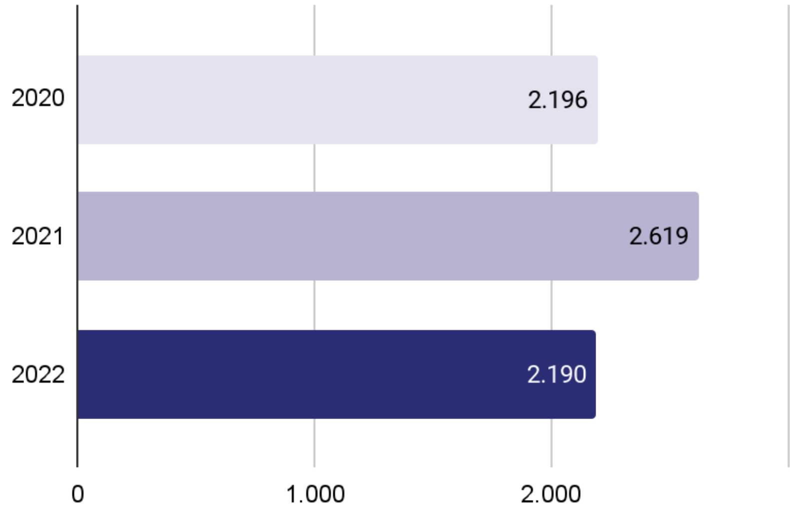
Euros 2,400 million Market capitalisation

€9.24/share Share price at year end

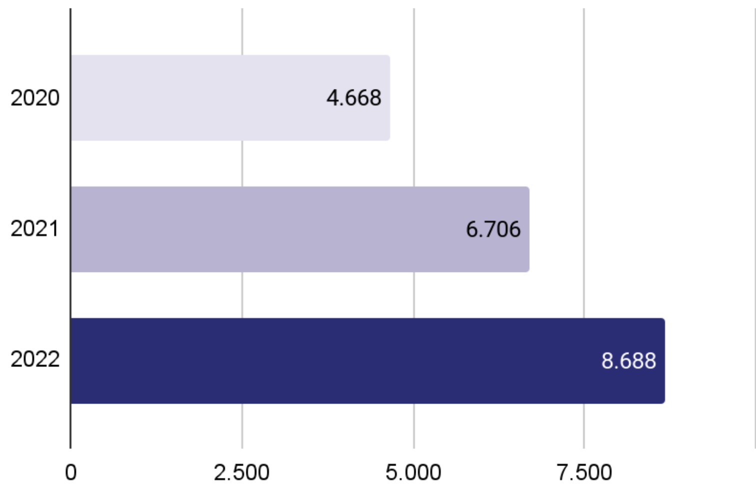
€64,931,086.25 Share capital

Performance in figures

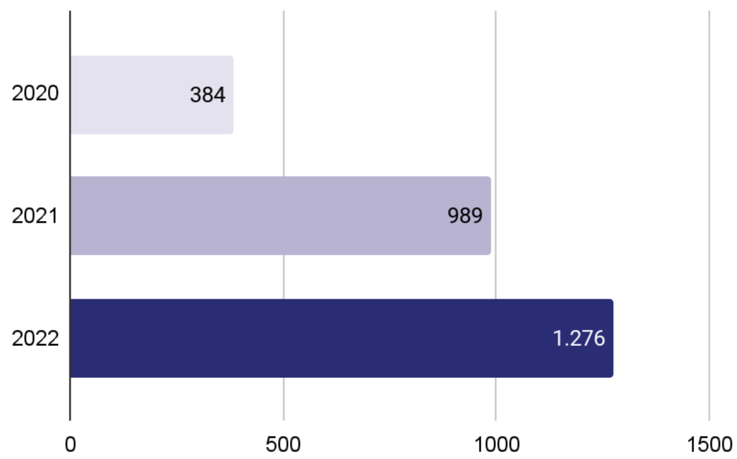
.- Melting shop production (Thousands of tonnes)



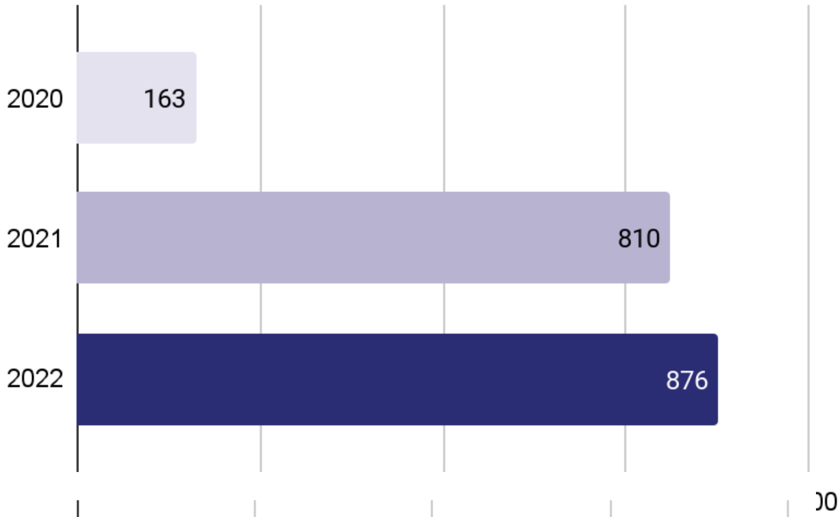
.- Turnover (Millions of Euros)



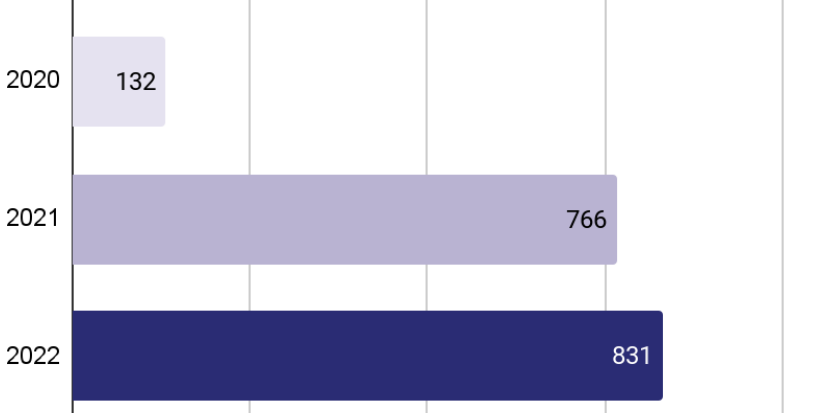
.- EBITDA (Millions of Euros)



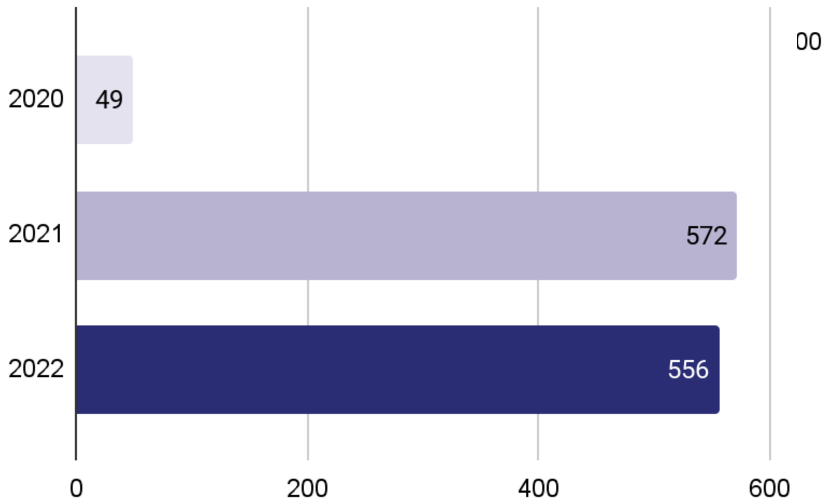
.- EBIT (Millions of Euros)



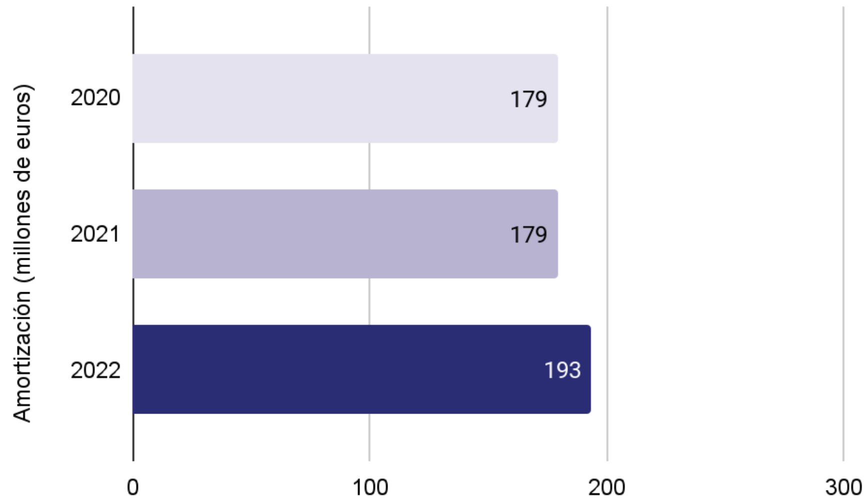
.- Profit before tax (Millions of Euros)



.- Profit after tax and non-controlling interests (Millions of Euros)

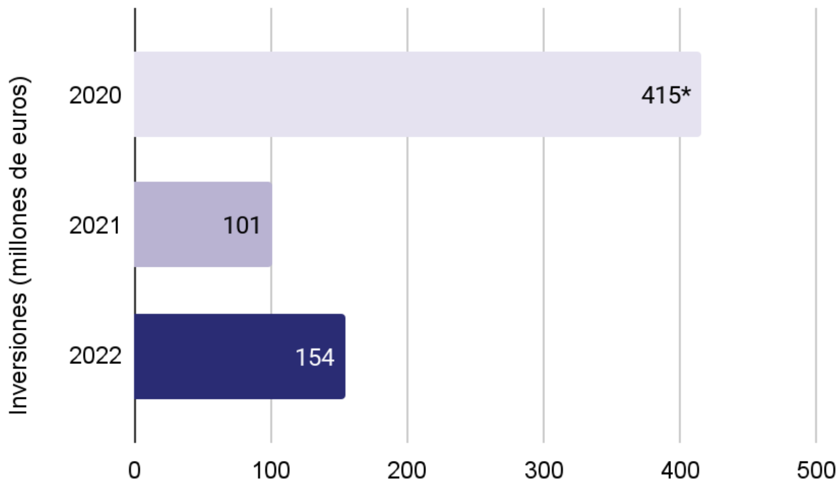


.- Depreciation and amortisation (Millions of Euros)

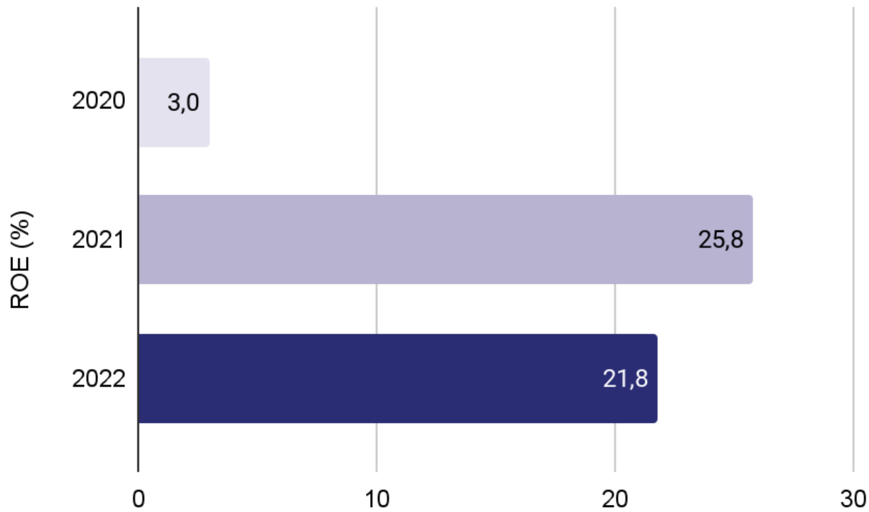


.- Investments (Millions of Euros)

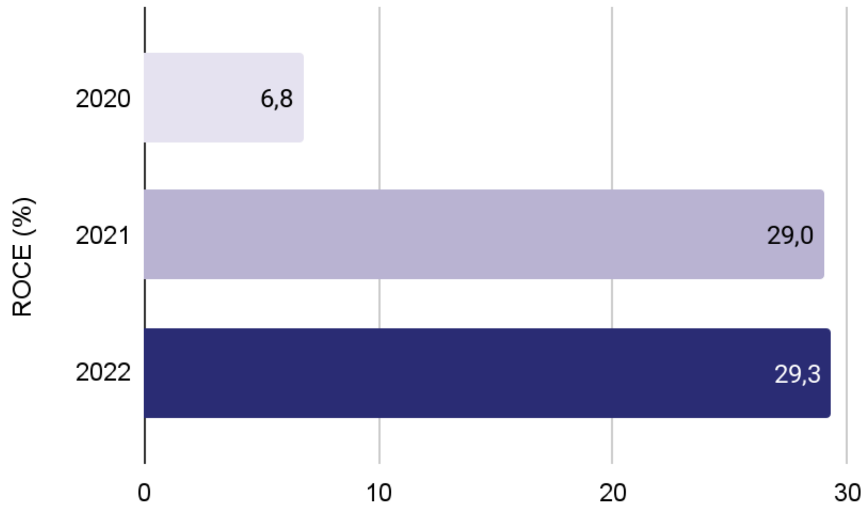
*Includes Euros 313 million for the acquisition of VDM Metals.



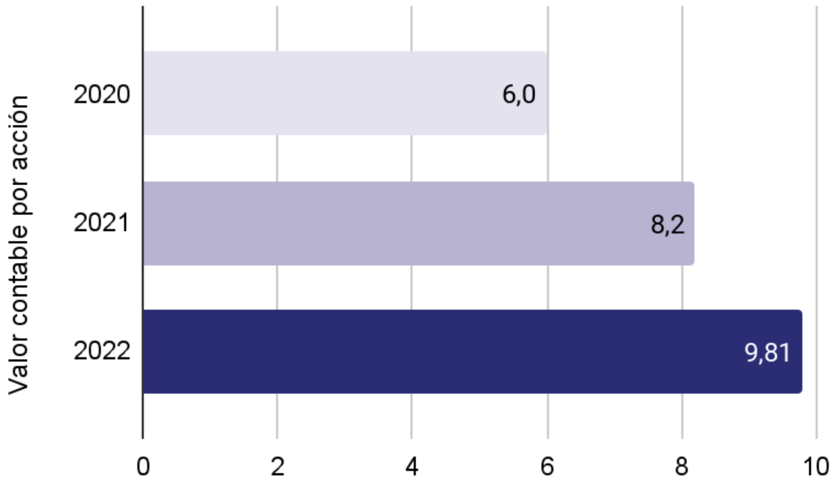
.- ROE (%)



.- ROCE (%)

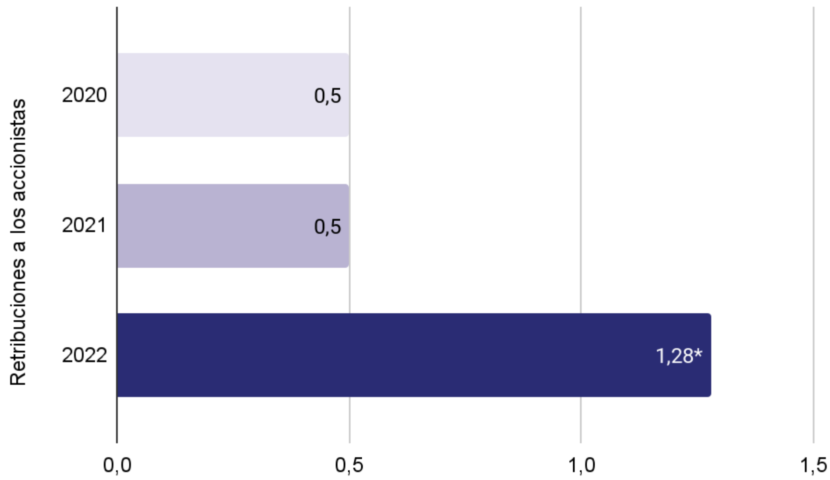


.- Carrying amount per share

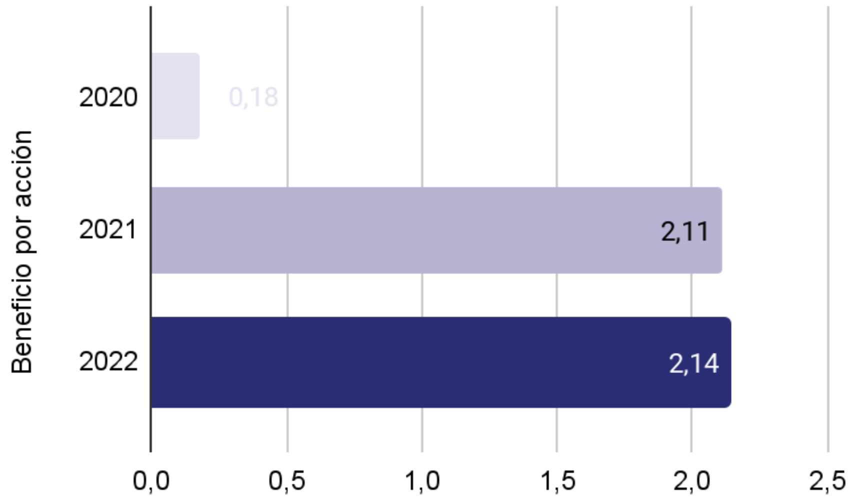


.- Shareholder remuneration

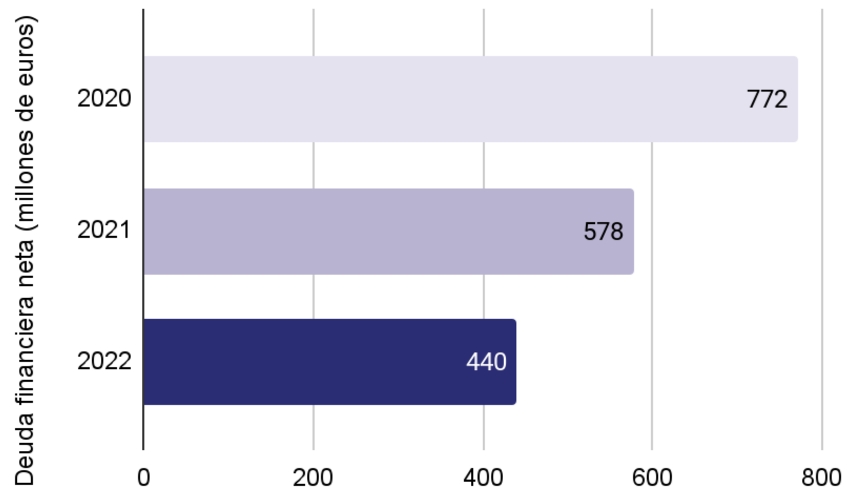
*The 2022 figure includes the ordinary dividend of Euros 0.50/share and the indirect remuneration resulting from the share buyback programme.



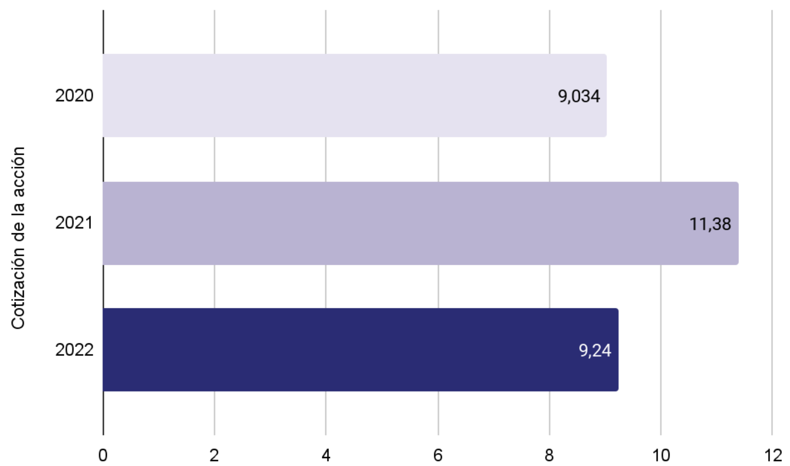
.- **Earnings per share**



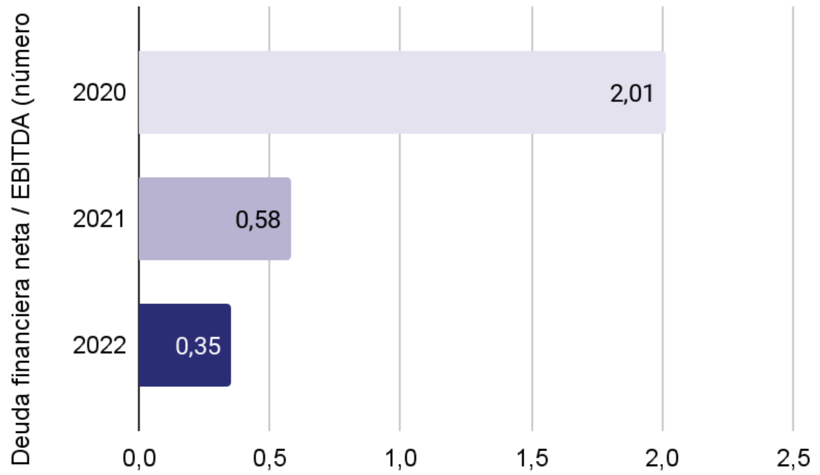
.- **Net financial debt (Millions of Euros)**



.- **Share price at year end (Euros)**



.- Net financial debt / EBITDA (number of times)



1.1.2 Business model and value chain

13 Factories

21 Service centres

28 Warehouses

54 Sales offices

25 Sales representatives

64 Countries in which the sales network operates

Global presence

5 Continents

Sales in **77** countries

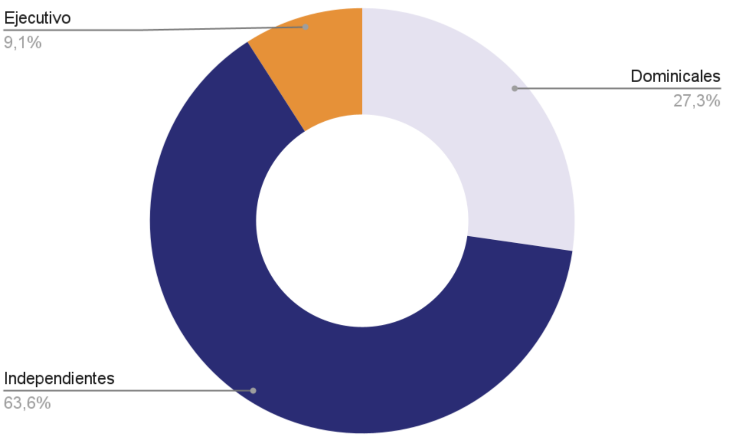
8,201 Employees

Customers

12,821

Acerinox's factories have **more than 120** quality certifications.

1.1.3 Board of Directors

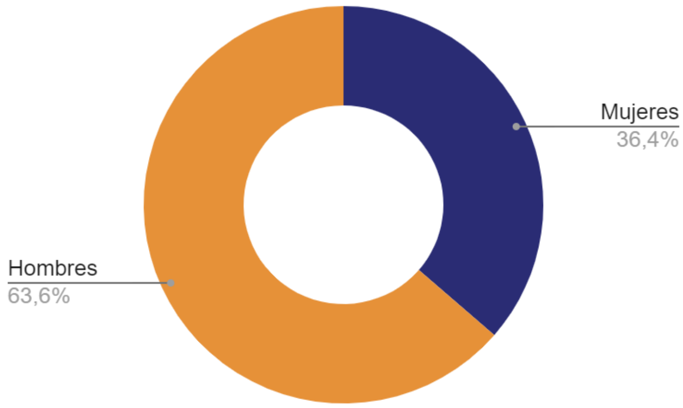


3 Proprietary

7 Independent

1 Executive

11 Directors



36.4% Women

63.6% Men

100%

63.6% Independent directors

35 Board committee meetings

15 meetings held by the Board of Directors

1.1.4 Production volume

2,107,543 metric tonnes of stainless steel.

82,341 metric tonnes of high performance alloys.

More than 18,000 combinations.
The widest range of products and solutions.

1.1.5 Products for all areas

- Transport
- Industrial & engineering equipment
- ABC & Infrastructure
- Food sector
- Electrical appliances and hardware
- Energy and environmental technology

1.1.6 Eco-efficient products

Our products contribute to:

- Circular economy
- Offering durable materials
- 100% recyclable alternatives
- Systems to reduce emissions
- Improving quality of life with a lower environmental impact

1.1.7 Purchases from suppliers

Euros **5,046** million

71% of suppliers are local (same country as the production centre)

Thus, promoting local development of the communities in which the Group operates.

1.1.8 Digitalisation and innovation

Euros 170 million earmarked for **investments in digitalisation and innovation**

Main R&D&i lines

- Research to improve quality
- Technological development
- Development of new types of steel and finishes
- Investments to optimise the circular economy
- Production line improvements
- Digitalisation, automation and control of the production process
- Investments to fight against climate change

'Excellence 360°' strategic plan

Comprehensive view of the business

- **Raw material purchases**: optimise the mix. Predictability of consumption, raw materials and consumables.
- **Production:** increase reliability and competitiveness.
- **Supply chain:** optimisation of inventories and delivery processes.
- **Sales:** improve margins. Demand planning.

1.1.9 Commitment to sustainability

Contribution of sustainability to the business strategy

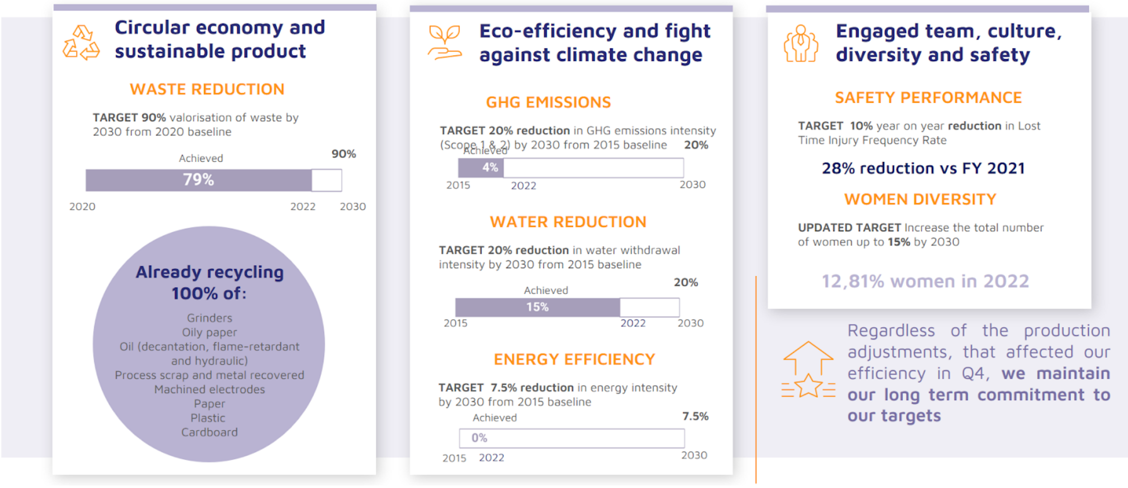
The Sustainability Plan, Positive Impact 360°, responds to one of the main areas of Acerinox's Strategy, which identifies sustainability as one of its fundamental lines of action and includes five pillars.

Ethical, responsible and transparent governance	**Eco-efficiency and the fight against climate change**	**Circular economy and sustainable products**	**Committed team, culture, diversity and safety**	**Supply chain and impact on society**

The **Positive Impact 360°** Plan responds to the ESG materiality and risk analysis carried out based on the Group's strategy. It also identifies the drivers for generating value and establishes the long-term objectives for their materialisation.

Acerinox has established 6 sustainability objectives with a view to 2030 associated with the pillars of the Positive Impact 360° Plan. The Group seeks to reduce, reuse and recycle as many of the resources used as possible to establish a more sustainable production model.

The energy crisis, accentuated by the invasion of Ukraine and the subsequent impact on economies around the world, as well as distributors' high inventory volumes in the wake of strong imports, led to a drop in stainless steel production in the last half of 2022. This drop in production had a significant impact on the factories' efficiency, worsening the indicators regarding CO_2 emissions intensity and energy intensity per tonne of steel produced, although the total volume of emissions decreased.



Committed to the United Nations 2030 Agenda

The Group has identified the Sustainable Development Goals to which it can make the most contribution.

3 GOOD HEALTH AND WELL-BEING · 5 GENDER EQUALITY · 6 CLEAN WATER AND SANITATION · 8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION

Recognition

Acerinox received the EcoVadis Platinum award for its sustainability performance (and the award from Responsible Chromium linked to EcoVadis), and a CDP B rating for its sustainable climate and water management.

1.2 About us

2-1 / 2-2

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

Acerinox is leader in its sector in the United States and in Africa, and is among the most renowned companies in Europe. It is also the world's leading company in high performance alloys in terms of turnover.

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

The Acerinox Group places its customers at the heart of the business, offering them the widest possible range of solutions and products, which are available on all five continents thanks to a global sales network comprising 21 service centres, 28 warehouses, 54 offices and 25 sales agents. This network allows Acerinox to distribute to 77 countries.

Stainless steel and high performance alloys are benchmarks of circular economy, given that they can be reused as many times as necessary without losing any of their properties. For this reason, along with their resistance to corrosion, durability, versatility, mechanical properties, aesthetic beauty and low maintenance, the materials manufactured by Acerinox are used in a wide variety of sectors.

Acerinox is listed on the continuous market of the Spanish stock exchange, is part of the IBEX 35, and has approximately 45,000 shareholders, consisting of both natural persons and legal entities.

At 31 December 2022, **the majority shareholder of Acerinox was Corporación Financiera Alba (18.52%)**.

21	28	54	25	77
Service **centres**	**Warehouses**	Sales **offices**	Sales **representatives**	**Countries** in which Acerinox sells

1.2.1 Parent

Acerinox, S.A.

Acerinox, S.A. is the holding company of the Acerinox Group. It approves and monitors the strategic lines of the business. It also provides various corporate services (including legal, accounting and advisory services) and manages the financing activities of the Group.

The Acerinox Group's head office is located in Madrid (Spain), where the Parent, Acerinox S.A., is based and where the main decision-making and management bodies convene.

The shares of Acerinox, S.A. are admitted to trading on the continuous market of the Spanish stock exchange, and the Company is part of Spain's selective IBEX 35 index.

At 31 December 2022, the share capital of Acerinox comprised 259,724,345 ordinary shares, each with a nominal value of Euros 0.25. The Annual General Meeting of Acerinox, held on 16 June 2022, approved the distribution of a dividend of Euros 0.50 per share, which gave rise to shareholder remuneration amounting to Euros 130 million. The dividend was paid on 5 July 2022.

1.2.2 Production companies

1970

- Acerinox Europa

Campo de Gibraltar (Spain)

1,900 employees

Fully integrated flat-product factory. In 2022 its melting shop production totalled **577,062** tonnes.

More information on Acerinox Europa at:

https://www.acerinox.com/en/grupo-acerinox/fabricas/acerinox-europa/inicio-acerinox-europa/

1990

- North American Stainless

Kentucky (the United States)

1,560 employees

Fully integrated flat- and long-product factory. In 2022 its melting shop production totalled **1,007,536** tonnes.

More information on North American Stainless at:

https://www.northamericanstainless.com/

2002

- Columbus Stainless

Middelburg (South Africa)

1,223 employees

Fully integrated flat-product factory. In 2022 its melting shop production totalled **522,945** tonnes.

More information on Columbus Stainless at:

https://www.columbus.co.za/

2009

- ### Bahru Stainless

Johor Bahru (Malaysia)

387 employees

Bahru has cold rolling lines, which processed **128,890** tonnes in 2022.

More information on Bahru Stainless at:

https://bahrustainless.com/en/

Long products

- ### Roldan, S.A.

Ponferrada (Spain)

381 employees

92,608 tonnes of hot-rolled products.

Its product portfolio includes bars, wire rods, angles, hexagonal bars and reinforcement bars.

More information on Roldán, S.A. at:

https://www.acerinox.com/en/grupo-acerinox/fabricas/roldan/inicio-roldan/

- ### Inoxfil, S.A.

Igualada (Spain)

99 employees

7,650 tonnes produced.

Manufactures stainless steel wire.

More information on Inoxfil, S.A. at:

https://www.acerinox.com/en/grupo-acerinox/fabricas/inoxfil/inicio-inoxfil/index.html

2020

High performance alloys

- ## VDM Metals

Unna, Duisberg, Siegen, Altena & Werdohl (Germany)

New Jersey & Nevada (the United States)

1,972 employees

82,341 tonnes produced.

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

More information on VDM Metals at:

https://www.vdm-metals.com/

1.2.3 Sales subsidiaries

1.3 Relevant events

A. Acerinox, at its best moment **in its history**

The Company's 2022 results were the best since its incorporation in 1970 and reflect its successful strategy in recent years.

Acerinox is at its best moment in its history thanks to market conditions, its ability to adapt, geographic and strategic diversification through high performance alloys with VDM, and operational excellence. This is aided by a sound financial position.

The supply chain disruptions arising during the pandemic, coupled with the difficulties brought about by the invasion of Ukraine and the trade defence measures in place in the Company's major sales areas, have made imports less attractive, and thus reducing this importation of material into the key markets where the Company has production sites and an established business. This will benefit our business in the coming years.

Acerinox is better prepared to take advantage of this scenario thanks to the work of previous years to improve processes and to the integration of the High Performance Alloys Division, which have led to a transformation based on efficiency and focused on competitiveness, while offering the widest range of materials in the sector.

The Company has a strong balance sheet and the potential to generate solid cash flow, which attests to its good financial health and enabled it to increase shareholder remuneration, earmarking Euros 336 million for this purpose in 2022. We ended the year with a net financial debt/EBITDA ratio of 0.35 times.

The products manufactured by the Group are benchmarks of circular economy and are essential in the energy transition. Moreover, they will lead to changes in demand drivers, which improve our long-term outlook for both stainless steel and high performance alloy products.

B. Acerinox, a benchmark in **circular economy**

The Group's activities contribute to sustainable development by minimising the impact on the environment through the manufacturing of durable and endlessly recyclable products, with scrap metal being the main raw material.

The Acerinox Group has a competitive advantage that constitutes a strategic asset: its product range. The stainless steel and high performance alloy products manufactured by Acerinox are examples of reduce, reuse and recycle, as the Company uses a large percentage of waste and scrap (more than 90%) as its main raw material, while the reuse rate of waste generated is more than 70%.

Therefore, its products are a paradigm in circular economy due to their long life cycle, for being entirely and endlessly recyclable, and because they do not lose any of their properties during the conversion and transformation process.

Stainless steel and high performance alloys are present in practically all areas of life, including transport, construction and infrastructures, engineering, the food sector, and energy and environmental technology.

At the end of their useful lives, the materials manufactured by Acerinox become a raw material once again, thus every customer who chooses to use and buy Acerinox products, as opposed to other materials, contributes to the circular economy.

Furthermore, with the firm intention of achieving a 360° circular economy, the Company is making a considerable effort in the recovery of slag, a by-product of the stainless steel production process, to use it as aggregates in the manufacture of concrete and other applications.

Since 2017, Acerinox has been part of the Spanish Circular Economy Pact, a commitment that involves maintaining the value of products, materials and resources for as long as possible, as well as minimising the generation of waste and promoting the correct treatment and recycling thereof.

C. Acerinox receives the most prestigious sustainability accolade, **the EcoVadis platinum award**

Acerinox has obtained the EcoVadis platinum accolade, the highest award granted by this rating platform, which rates the corporate social responsibility of global supply chains. This accolade places Acerinox among the most sustainable companies in the world, per EcoVadis.

EcoVadis rates the performance of companies in four main areas: environmental protection, labour practices and human rights, ethics, and responsible procurement. The rating methodology is in line with international rules, which are founded on the main benchmark standards.

Companies are rated on material issues as they pertain to their company's size, location and industry. To date, EcoVadis has rated more than 100,000 business partners of 200 countries, thus reducing the risks of the world's largest organisations, positively impacting environments, fostering transparency and driving innovation.

The score received by Acerinox places it among the top 1% of the best rated companies of its sector. The advances made in the supply chain include the recent approval of a Supplier Code of Ethics, which is shared with the business partners working with the Company, and the definition of its own system for rating ESG matters, with special attention being paid to risks. The Acerinox Group is committed to continually improving its performance in this area, reducing risks and identifying opportunities that enable the Group to prioritise initiatives for more sustainable management.

The improvement in the Group's rating with respect to the previous year, when it received the gold award, recognises the significant effort and progress made by Acerinox in the roll-out of its commitment to sustainability. This great achievement shows the positive impact of Acerinox's activities and ratifies the Group's firm commitment to achieving sustainable economic, social and environmental development.

D. Carlos Ortega Arias-Paz, new Chairman of Acerinox

On 16 June, following the Annual General Meeting, the Board of Directors appointed Mr Carlos Ortega Arias-Paz as Non-executive Chairman of Acerinox, replacing Mr Rafael Miranda, who had chaired the Company since 2014.

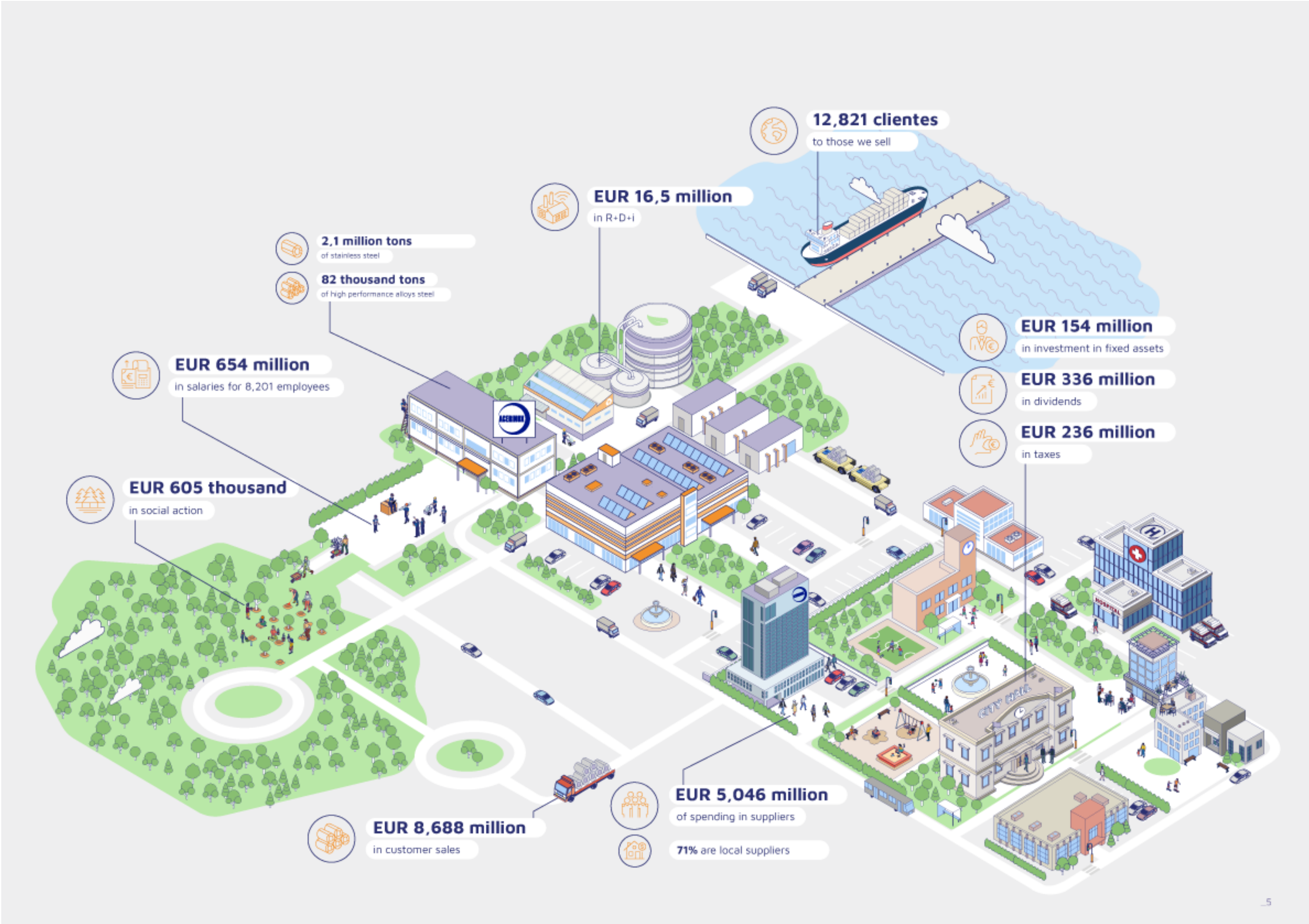
Mr Arias-Paz, currently Managing Director of Corporación Financiera Alba and member of the Acerinox Board as a Proprietary Director, assumed the position in June for a period of four years.

Mr Arias-Paz has a Cum Laude Undergraduate degree in Economics from the Harvard University and a Master’s degree in Business Administration from the Harvard Business School. In 2017 he joined Corporación Financiera Alba, S.A. as Strategy Director, leading the company's international strategy and collaborating in the investments made in Spain.

In addition to chairing the highest governing body of Acerinox, he is also a Board Member of Verisure, Piolin Bidco (Parques Reunidos), Rioja (Naturgy) and Atlantic Aviation.

The new Chairman of Acerinox replaces Mr Rafael Miranda, who held the position for eight years. The Acerinox Board of Directors and Senior Management, together with its employees, would like to thank Mr Miranda for his extraordinary contribution and dedication to Acerinox since his incorporation in 2014, as well as his contribution to the Group's progress and strategy.

2. Impact of Acerinox on the environment



3. Global context

3.1 Global context

The uncertainties arising from the invasion of Ukraine, including high energy costs, impacted the European industrial sector and stymied the recovery that began in the second half of 2020. An increase in production was reported in the first six months of 2022, which then fell in subsequent months as inventories were adjusted.

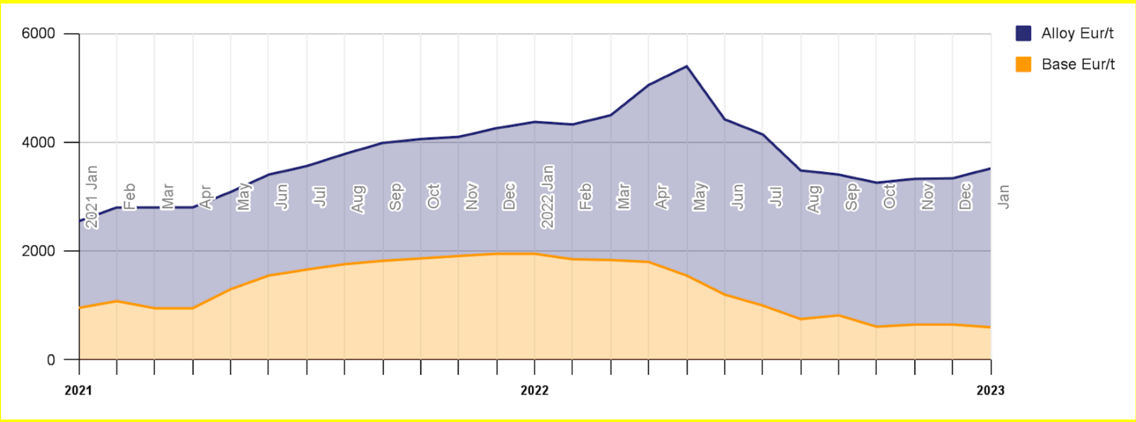
The stainless steel sector

The Stainless Division saw two very different six-month periods. The first was propelled by the highly positive market climate, in line with the trend seen the previous year. However, the second half of the year was impacted by distributors' high inventory volumes in the wake of strong imports. The arrival of these imports, driven by the "unreal" situation of scarcity, in many cases coincided with the change of cycle brought about by doubts over a possible recession.

Europe

Apparent consumption in Europe was similar to 2021. Actual demand declined due to uncertainties stemming from the invasion of Ukraine. This caused levels of inventories to close the period at higher-than-average levels versus previous years. Price inflation, especially energy, caused considerable damage and eroded the competitiveness of the European industry, especially in Spain.

Imports levels remained high (31% at year end), largely due to the price differential compared to Asia. In June the European Commission agreed to review the safeguard measure with a view to its fifth year of application (July 2022 – June 2023). On 16 March the European Union approved anti-subsidy duties against India and Indonesia. In July an anti-circumvention investigation was launched in respect of hot-rolled flat products from Indonesia via Turkey. A decision in this regard is expected in the first quarter of 2023.

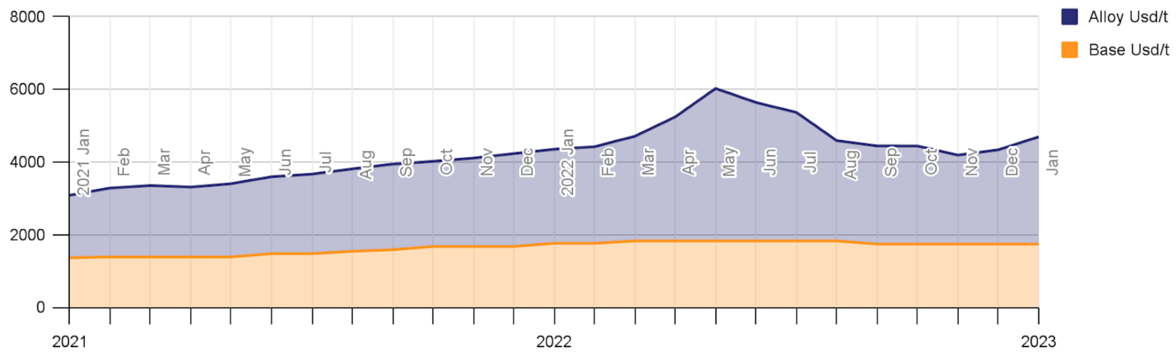


United States

Based on the latest available data, apparent consumption fell by 1% in 2022.

Activity in the piping, heavy goods vehicles, sinks and food sectors remained strong up until the third quarter. Production problems associated with shortages of components and labour continued to hinder end users in many industries, which limited overall production. Inventories at steel stockholders closed the year at higher-than-average levels.

Turning to imports of flat products, these increased sharply during the first six months of the year, only to taper off during the second half of the year to stand at 26% of the US market.

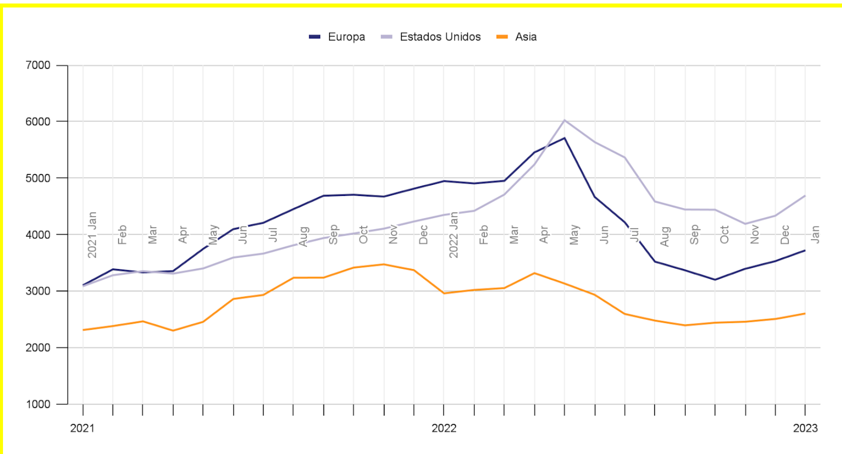


Asia

During the first half of the year, the Asian market was significantly affected by the volatility in raw material prices, which trended upwards until the suspension of nickel trading on the London Metals Exchange (LME) in March.

This, coupled with the aggressive pricing strategy of Asian producers, mainly in Indonesia, accelerated the reduction in prices.

The strict lockdowns in China led to a sharp drop in domestic Chinese demand, the recovery of which was tempered by the Chinese government's zero COVID policy and the profound crisis in the construction sector. Chinese and Indonesian producers continued to prioritise cash generation at the expense of prices.



The high performance alloys sector

The high performance alloys market behaved exceptionally well in 2022, primarily due to the positive demand in the oil and gas sector, the performance of which was very positive.

Demand from the chemicals process industry was strong in the first nine months of the year, although this declined slightly in the last quarter.

The aerospace sector continued to recover and the manufacture of gas turbines for the energy sector also improved. Demand for high performance alloys for the nuclear sector also increased over the past year.

Consumption in the electronics sector held steady, although came in at slightly lower than expected.

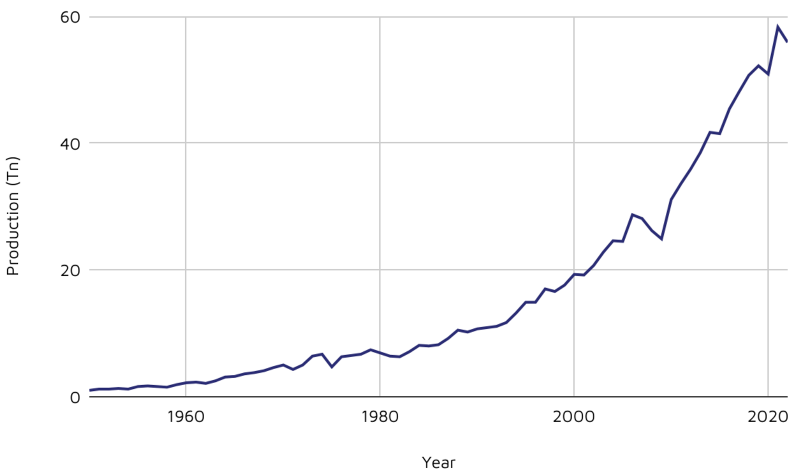
The automotive industry started the year somewhat weak due to the semiconductor shortage, although gradually recovered over the course of the second half of the year.

GDP growth (IMF - World Economic Outlook)

	2021	2022	2023
China	8.4	3	5.2
Germany	2.6	1.9	0.1
India	8.7	6.8	6.1
South Africa	4.9	2.6	1.2
Spain	5.5	5.2	1.1
US	5.9	2	1.4
ASEAN-5	3.8	5.2	4.3
Eurozone	5.3	3.5	0.7
Rest of world	6	3.1	2.4

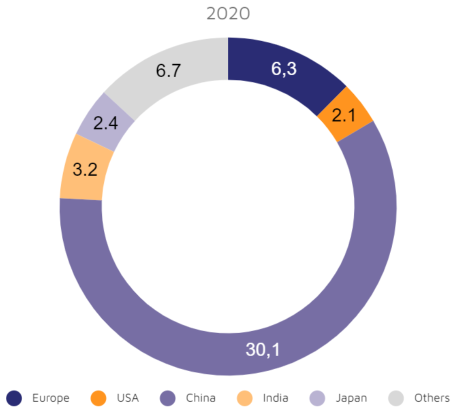
3.1.1 Global production

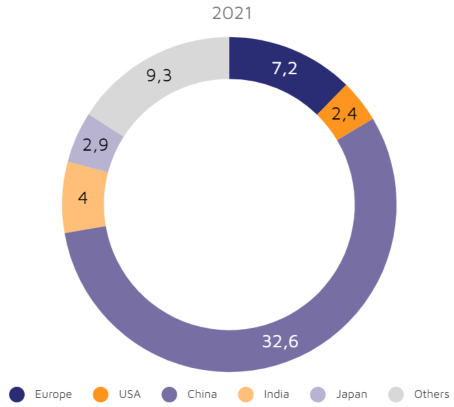
Global production of stainless steel 1950 - 2022

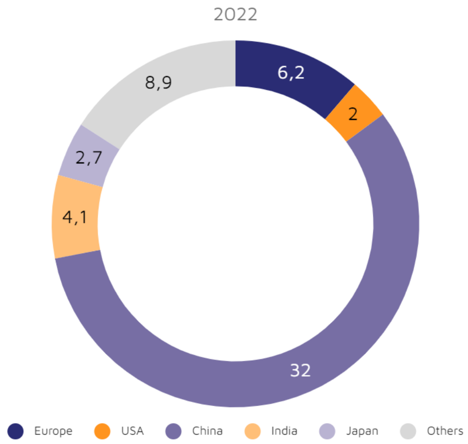


Compound annual growth rate 1950 - 2022: **5.8%**

Global production of stainless steel (Millions of Mt)







Global melting shop production (Thousands of Mt)

	Q1	Q2	Q3	Q4	Total
2021	15,022	15,023	14,040	14,203	**58,289**
2022	14,477	14,581	12,794	14,276	**55,932**

Global melting shop production by region/country (Thousands of Mt)

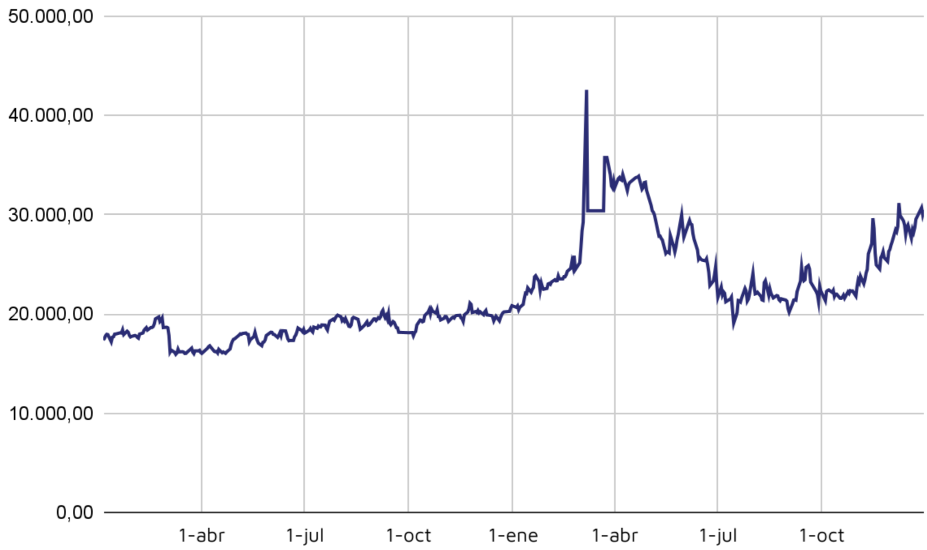
	2021	2022	Variation
Europe	7,181	6,280	-12.5%
US	2,368	2,017	-14.8%
China	32,632	31,975	-2.0%
India	3,965	4,135	4.3%
Japan	2,865	2,668	-6.9%
Other	9,278	8,856	-4.5%
Total	58,289	55,932	-4.0%

3.1.2 Raw materials

Nickel

Official price of nickel on the LME – 2021 – 2022

Average spot price / three months in **USD/Mt.**



Nickel price trends in 2022 were influenced by the following considerations:

- ✓ Pronounced increase in prices during the first few months of the year due to an ongoing decline in stocks at the London Metal Exchange (LME), concerns over new duties on Indonesian exports and uncertainty surrounding possible sanctions against Russia.
- ✓ The turning point came on 7 March when nickel prices hit their year highs at over US Dollars 42,000. It rapidly became clear that aggressive speculation was distorting nickel prices, which led the LME to implement preventative measures to stabilise prices. Following these measures, on 22 March nickel prices closed for the first time in excess of US Dollars 30,000, where they remained until the start of May.

- ✓ For the rest of the year, prices were extremely volatile, mainly due to a slump in liquidity in the trading of nickel contracts, the continued reduction in stocks on both the London and Shanghai markets, concerns over a possible global recession and the various news stories coming out of China on their handling of the pandemic restrictions.

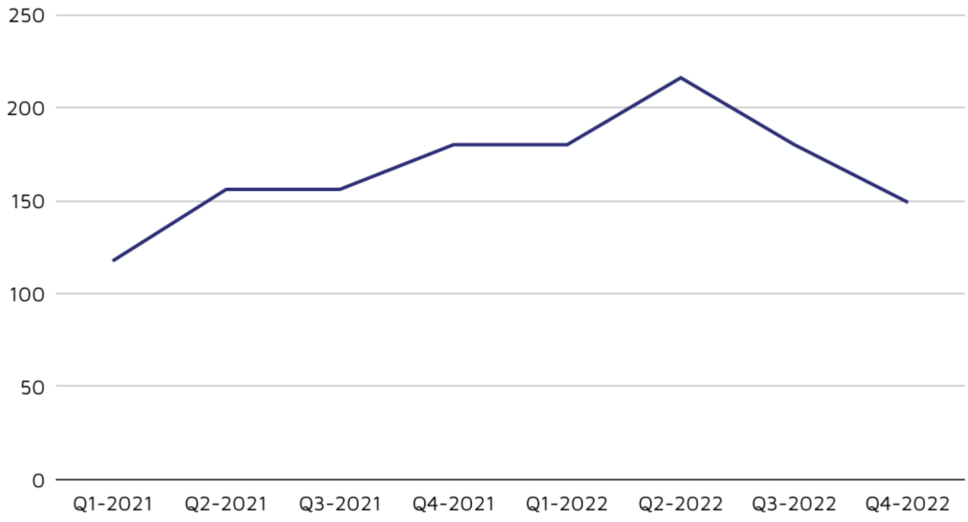
Ferrochrome

Of note is the price, which reached an all-time high of US¢ 216 / Lb. Cr. during the second quarter, prompted by the recovery of demand in Europe, the uptick in production costs and concerns surrounding supplies following the invasion of Ukraine.

The fall in demand for ferrochrome due to cuts in stainless steel production globally led to a sharp price correction in the second half of the year.

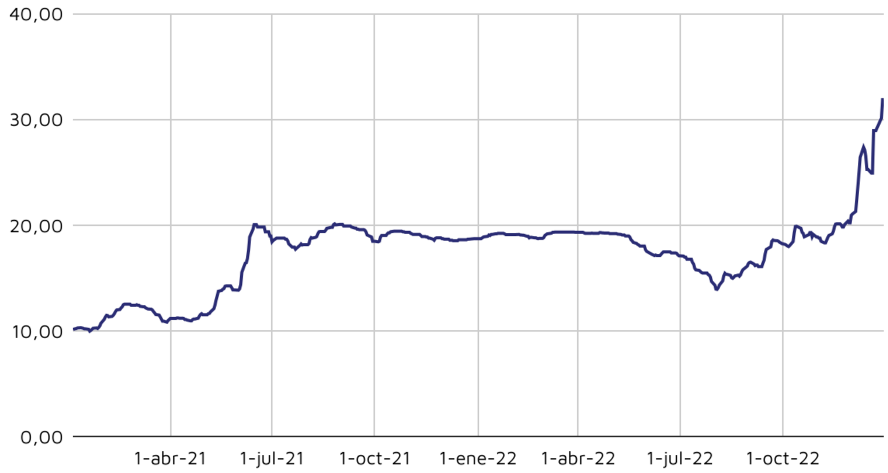
Average quarterly ferrochrome prices

US¢ / Lb. Cr



Molybdenum

Molybdenum prices remained at high levels during the first part of the year. Since November, supply problems owing to strikes in South Korea, a higher-than-expected shortfall in concentrate production and higher demand for special steel types, as well as social tensions in Peru at the end of December, caused prices to climb to over US Dollars 31/lb Mo, hitting a new record not seen since 2008.



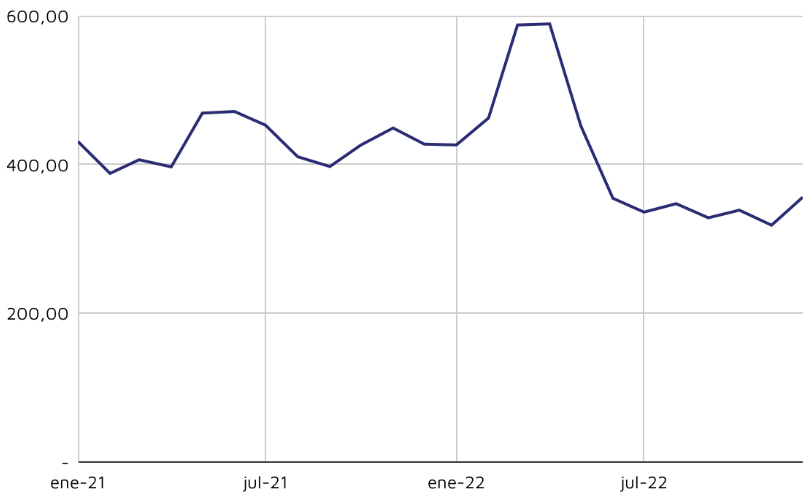
Price of molybdenum US¢ / Lb. Mo.

Ferrous scrap

Uncertainty due to a possible lack of materials in the wake of the Ukraine invasion forced prices to an all-time high in March.

Since May, in view of the economic climate globally and falling demand, prices fell drastically to reach US Dollars 350 and remaining at similar levels until year end.

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



3.2 Strategy

The Acerinox Group is now in the second year of implementation of its 2021-2025 Strategic Plan, the mission of which is to become a global supplier; one that meets present and future demand by offering a wide selection of materials, solutions and services. And at the same time, to distinguish itself as part of the transition towards a circular economy through the efficient production of stainless steels and high performance alloys that respect the environment.

2021-2025 Strategic Plan

The Acerinox 2021-2025 Strategic Plan is based on four basic pillars: Sustainability, Excellence, Added Value and Financial Soundness.

Strategic pillars

- **Sustainability.** Envisaged as a lever to create shared value in a sustainable manner over the short, medium and long term for all stakeholders.
- **Financial soundness.** Sustainable cash generation over time in order to make efficient use of capital and to create shareholder value.
- **Excellence.** Offering the best products and services with fewer resources through efficient operations, both in the production process and across the supply chain. The concepts of competitiveness and sustainability are therefore intertwined into our business vision.
- **Added value.** The acquisition of VDM Metals and the creation of the High Performance Alloy Division are testament to the Group's commitment to offer customers the widest possible product range. Its combination with the Stainless Division, as well as the focus on R&D&i strengthen the Group's position in strategic high-performance sectors, thus ensuring long-term growth.

3.3. Risk management

The purpose of the Acerinox Group's risk control and management model is to identify, categorise and assess potential events that may affect all of the organisation's relevant units and functions. Ultimately it aims to preserve its financial soundness for the benefit of all its stakeholders and to safeguard its ability to continue as a business with a commitment to sustainable development, efficiency and respect for the environment and human rights.

The Acerinox Group has a **Risk Control and Management Policy** which is available on its corporate website. This policy establishes the basic principles and general framework for the control and management of all types of risk faced by the companies making up the overall Group.

The risk-focused culture involves the Board of Directors which, with the support of the various committees and the Corporate Risk Officer, assesses the risks and approves the mitigation plans and their monitoring.

The Group regularly reviews the risk assessment process in order to obtain the best analysis as to their likelihood of occurring and potential impact, as well as monitoring the effectiveness of the mitigation plans.

Acerinox is exposed to various risks that are inherent to the various countries, sectors and markets in which it operates, as well as to the activities it performs. Such risks could prevent the Group from successfully achieving its objectives and from executing its strategies.

Impact of Russia's invasion of Ukraine

The geopolitical situation caused by Russia's invasion of Ukraine has not had a significant direct impact on the Acerinox Group this year. However, the Group was affected indirectly due to the rise in energy and raw material prices.

As regards the Group's activity, from the moment the war broke out, the Group's exposure to Russia was reduced to a minimum and sales were halted. The Group has closed its sales office in Russia.

As regards procurement, the Group has a diverse array of suppliers to source raw materials and pursues a responsible procurement strategy. A major effort was made during the year to source alternative supplies, thereby eliminating the need to purchase raw materials from Russia.

Main risks

In 2022 special emphasis was placed on reviewing cybersecurity and ESG (environmental, social and corporate governance) risks. Additionally, physical risks and transition risks related to climate change were identified as emerging or long-term risks (see detailed information in **5.2.1 Climate change management model**.

The main risks include:

- **Economic cycles**

  Currently, in view of integrated markets and economies, the impact of economic cycles acquires even greater relevance. As a global Company, Acerinox is not immune from fluctuations in supply and demand, which can impact a cyclical sector such as stainless steel.

- **Volatility of raw materials and energy prices**

  Stainless steel production requires raw materials, mainly nickel, ferrochrome, molybdenum and ferrous scrap, as well as energy. For the main part, raw materials and energy prices are subject to significant volatility. Moreover, 2022 was particularly complex due to the invasion of Ukraine, which led to even starker volatility in both raw materials and energy markets.

- **Cybersecurity**

  In an increasingly more technical world, cyber and other security threats are increasingly important given the repercussions for the organisation, which can include the loss of sensitive data, damage to physical assets, compromised product or service quality and business continuity.

- **Strategic risks**

  Strategic risks are those associated with business decisions or events that could stand in the way of the organisation achieving its objectives. Their impact on the Company's structure, production process and/or reputation could be irreversible.

- **Overcapacity**

  The global overcapacity of stainless steel production is placing added tension on the industry's economy. The rate of Asian exports, particularly from China and Indonesia, is leading to major market imbalances. In view of its major global presence, Acerinox is exposed to this risk.

- **Loss of competitiveness**

  Like in any other sector, steel is a competitive industry in which efforts are ongoing to improve the product. A sector in which we face increasing costs, price competition, product quality and product mix issues, among others.

- **Responsibility for the product**

  The commitment undertaken by the Acerinox Group to produce a reliable, responsible and quality product, obliges the Company to adopt measures and assume responsibilities across its entire production process.

- **Reputational risks**

  The potential loss or erosion of the Company's reputation -one which could adversely affect the stakeholders' perception of the Acerinox Group- is one of the primary risks facing the business. This possible reputational damage could lead, either directly or indirectly, to a reverse in the Group's value.

- **Regulatory risks**

  Acerinox is a global player: its activities encompass multiple countries and regulatory frameworks, in which fields such as environmental matters, data protection and competition laws, among others, are advanced. Failing to comply with applicable laws and other standards could lead to sanctions, loss of business, contractual breaches and reputational damage.

- **Climate change risks**

  The Group also considers that there are climate-related risks and opportunities (see further details in 5.2.1 The fight against climate change).

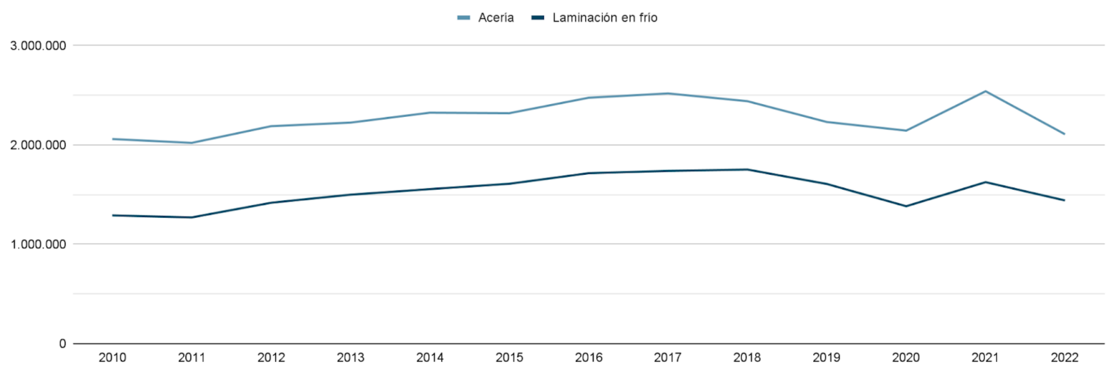
The mitigating measures (assurance plans, cybersecurity audits, supplier diversification, strategic plans and Excellence 360°, among others) are not only aimed at reducing risks, but also at establishing an opportunity framework.

4. Economic performance

4.1 Acerinox Group production

The Acerinox Group produced 2.1 million tonnes in 2022, of which 96% corresponded to the Stainless Steels Division and 4% to the High Performance Alloys Division.

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



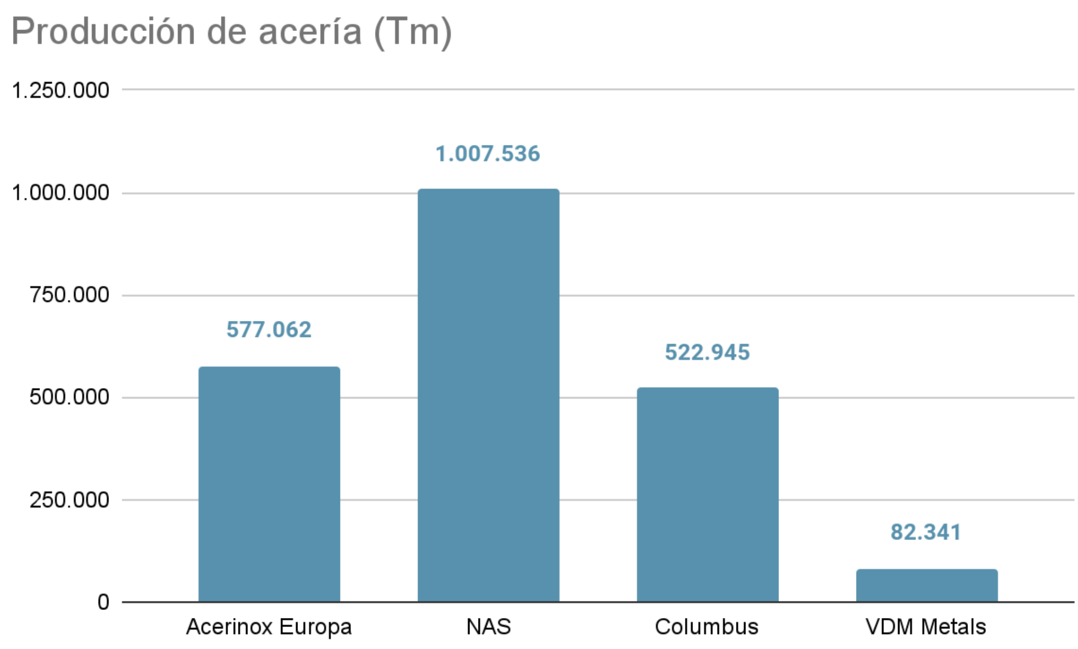
Quarterly evolution of the Stainless Division's production (Thousands of Mt)

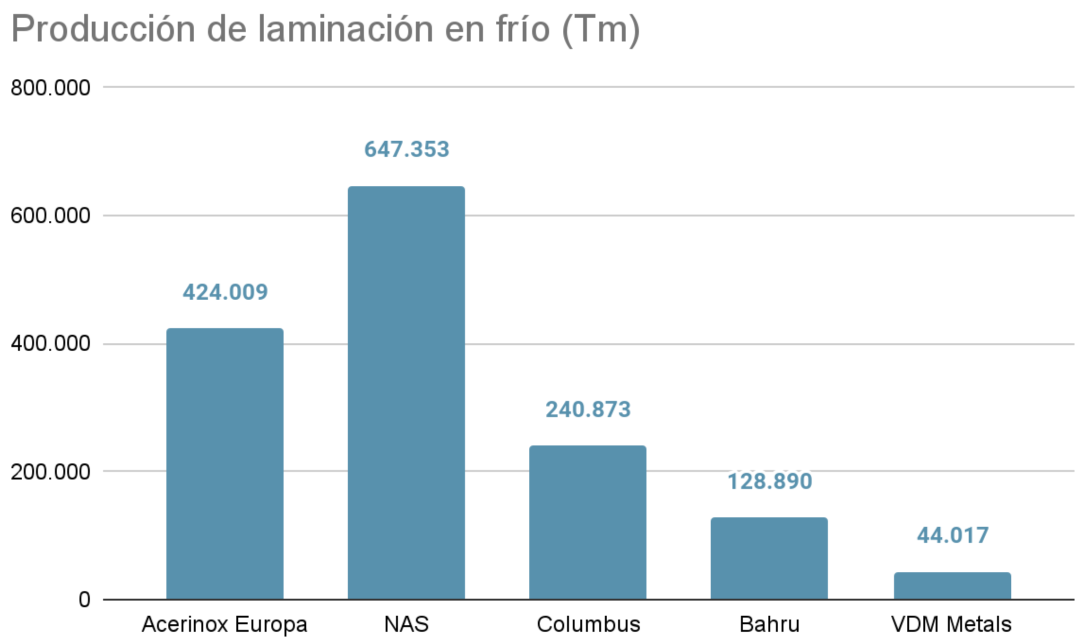
	2022					2021	Variation 2022-2021
	Q1	Q2	Q3	Q4	Cumulative	Jan-Dec	
Melting shop	646	601	482	379	2,108	2,541	-17.1%
Cold rolling	433	416	345	247	1,441	1,625	-11.3%
Long products (hot rolling)	65	61	59	48	232	245	-5.3%

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

	2022					2021	Variation 2022-2021
	Q1	Q2	Q3	Q4	Cumulative	Jan-Dec	
Melting shop	22	21	20	19	**82**	78	5.4%
Finishing shop	11	11	11	11	**44**	40	9.1%

Group production





In the first half of the year, the **Stainless Division** remained highly active on the heels of strong demand, although various incidents at the factories prevented an improvement on the previous year's figures.

From the third quarter onwards, production matched market needs. The following maintenance stoppages were carried out at the Stainless Division's plants: in Acerinox Europa the melting shop and hot rolling lines; in Columbus the melting shop; and in NAS the hot rolling lines.

Due to the unprecedented high prices of electricity and gas in Europe and especially in Spain, the Acerinox Europa factory furloughed employees as agreed with the workers' representatives in March

2022. This furlough plan was applied to all workshops in the third and fourth quarters, although the activity necessary to meet the commitments made to our customers was maintained.

The sound situation in the **high performance alloy market** translated into a 5% increase in melting shop production and a 9% increase in the production of finished products on 2021, both of which are new records.

4.2 Economic performance

Key indicators - *Millions of Euros*

1,276	8,688	556	440
EBITDA	TURNOVER	NET PROFIT	NET FINANCIAL DEBT

Consolidated Group results

The improved activity in 2021 carried into the first half of 2022, with significant increases in margins and solid cash generation. In the second half of the year, activity was affected by the process to decrease inventories, which led to a decline in apparent consumption.

EBITDA of Euros 1,276 million was secured in the midst of a highly adverse environment, marked by the geopolitical situation following the invasion of Ukraine, cost inflation (especially energy prices in Europe), supply chain problems and the collapse in March in the price of nickel on the London Metal Exchange (LME).

Multiple factors contributed to these record figures: on the one hand, strong demand in the first half of the year and sound management of raw material purchases in a volatile environment, and, on the other hand, cost control and efficiency improvements in recent years. This optimised margins despite the complexity of the situation.

The High Performance Alloys Division performed notably well; in its third year within Acerinox—two of them in the midst of the pandemic— it secured a new record in production and results.

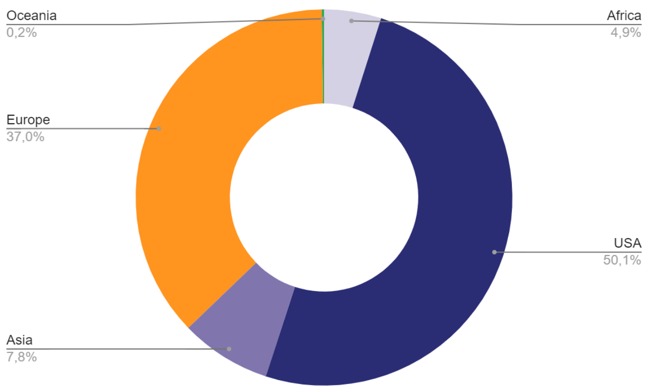
Note should also be made of the reduction in net financial debt by Euros 138 million in the year and the cash generated in spite of the increase in working capital. This cash generation also paved the way for a cash dividend, two share buyback programmes of 4% each and the continuation of the investment strategy.

The most significant figures this year and the variation compared with the prior year are summarised in the following table:

Millions of Euros	**12M 2022**	12M 2021	% 12M 22 / 12M 21
Melting shop production (Thousands of Mt)	2,190	2,619	-16%
Net sales	8,688	6,706	30%
EBITDA	**1,276**	**989**	**29%**
EBITDA margin	**15%**	**15%**	
Adjusted EBIT	1,080(1)	810	33%
Adjusted EBIT margin	12%	12%	
EBIT	876	810	8%
EBIT margin	10%	12%	
Profit before tax	831	766	9%
Profit after tax and non-controlling interests	**556**	**572**	**-3%**
Operating cash flow	544	388	40%
Net financial debt	440	578	-24%

Annual revenue, which totalled **Euros 8,688 million**, reached an all-time high, thanks to high sales price levels.

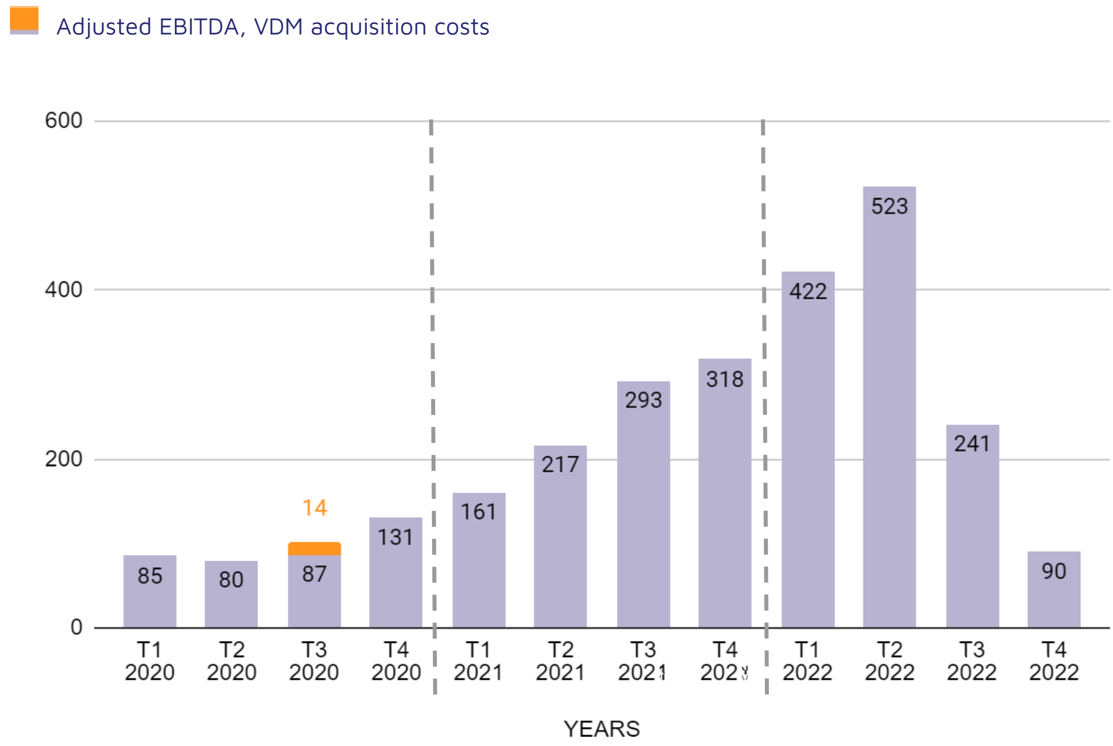
Geographical distribution of sales



Operating expenses increased significantly due to global inflation. Special mention should be made of the energy (including electricity and gas consumption, among others), which rose 91% for the Group's activity in Spain.

Despite higher costs, the Group's EBITDA hit an all-time high of Euros 1,276 million, up 29% on 2021, with a 15% margin. This figure includes an inventory adjustment to net realisable value of Euros 98 million.

Quarterly EBITDA evolution 2020, 2021 and 2022 - Millions of Euros



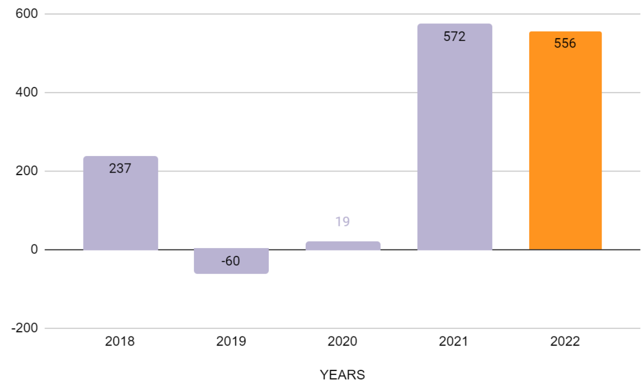
After eight consecutive quarters of EBITDA improvements, the second half of the year was affected by the circumstances described throughout this report (high volumes of imported material, which increased inventories in the steel stockholders sector and led to the decline in apparent consumption), in addition to inventory adjustments to net realisable value.

At Euros 193 million, depreciation and amortisation was 8% higher than in the previous year, due to appreciation of the US dollar.

Operating profit (EBIT) stood at Euros 876 million, which includes Euros 204 million for the impairment of assets at Bahru Stainless.

Profit after tax and non-controlling interests for 2022 amounted to Euros 556 million and was also affected by the impairment of Bahru Stainless.

Profit after tax and non-controlling interests - Millions of Euros



Impairment of Bahru Stainless

Oversupply and the aggressive pricing strategy of leading producers led to a downward revision of the reroller projections of the Acerinox Group in Malaysia, Bahru Stainless.

As a result, at year-end, the corresponding test was conducted, which led to an impairment of assets of Euros 204 million. This did not entail a cash outflow.

Cash generation

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

The sound results enabled the Group to secure an operating cash flow in 2022 of Euros 544 million. In a highly active year, with rising raw material and industry prices, a total of Euros 479 million was invested in working capital.

Cash flow - Millions of Euros

	12M 2022	12M 2021
EBITDA	**1,276**	**989**
Changes in working capital	-479	-467
Income tax	-238	-137
Borrowing costs	-25	-40
Other adjustments	10	43
OPERATING CASH FLOW	**544**	**388**
Payments for investments	-126	-90
FREE CASH FLOW	**419**	**297**
Dividends and own shares	-336	-145
CASH FLOW AFTER DIVIDENDS	**83**	**153**
Translation differences	55	41
Variation net financial debt	138	194

Income tax payments amounted to Euros 238 million, due to the Company's profit.

After investment payments of Euros 126 million, the free cash flow generated amounted to Euros 419 million.

Shareholder remuneration for the year stood at Euros 336 million, including Euros 130 million in ordinary dividends and Euro 206 million from share buyback programmes.

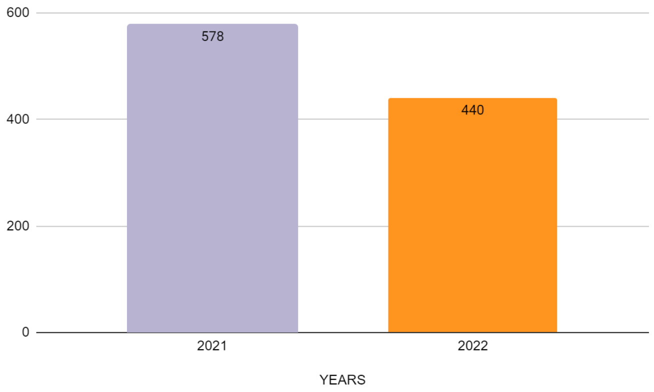
The appreciation of the US dollar led to positive translation differences of Euros 55 million.

Balance sheet and financing

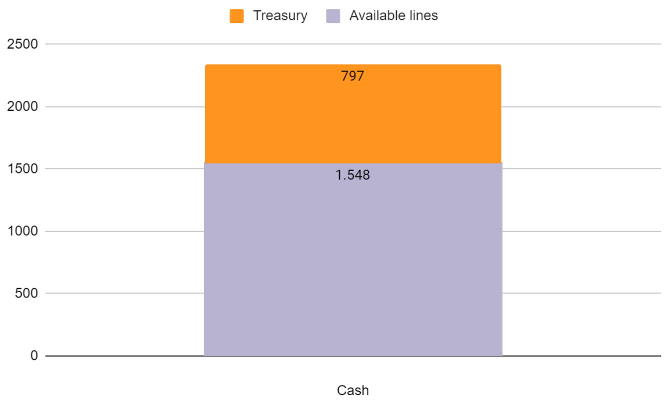
Millions of Euros	2022	2021	Variation
Non-current assets	1,902	2,067	-8%
Current assets	4,416	3,917	13%
Inventories	2,156	1,777	21%
Receivables	646	837	-23%
Trade receivables	575	773	-26%
Other receivables	71	64	10%
Cash and cash equivalents	1,548	1,275	21%
Other current financial assets	67	28	135%
Total assets	6,318	5,984	6%

LIABILITIES			
Millions of Euros	2022	2021	Variation
Equity	2,548	2,215	15%
Non-current liabilities	1,823	1,802	1%
- Loans and borrowings	1,394	1,368	2%
- Other non-current liabilities	429	434	-1%
Current liabilities	1,947	1,968	-1%
- Loans and borrowings	594	485	23%
- Trade payables	1,017	1,315	-23%
- Other current liabilities	335	168	100%
Total equity and liabilities	6,318	5,984	6%

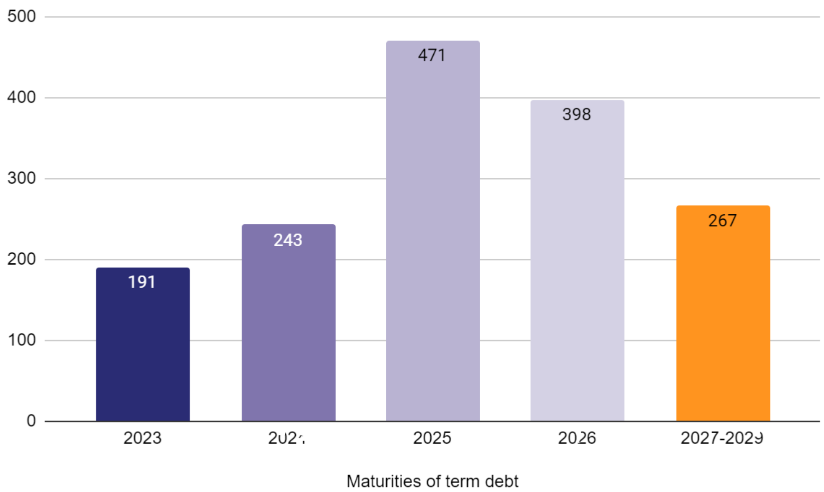
Net financial debt - Millions of Euros



Maturities of term debt - Millions of Euros



Euros 1,571 million



The net financial debt at 31 December 2022 of Euros 440 million had fallen by EUR 138 million (Euros 578 million at 31 December 2021).

In 2022, as in 2021, the Group continued to arrange and novate its financing facilities by renegotiating the fixed interest rate or spread, increasing the nominal amount and extending the maturity.

At year-end, the Group had sustainable financing of Euros 659 million, linking the cost of borrowings to changes in the two established indicators that are reviewed annually. At 31 December 2022, the majority of the Group's financing corresponded to term loans, of which 70% were due to mature in over a year. Overall, 77% of the Group's loans and private placements were at fixed interest rates (these figures include loans closed at floating interest rates but hedged with an interest rate derivative).

At 31 December 2022, the Acerinox Group had liquidity of Euros 2,345 million, of which Euros 1,548 million related to cash and short-term deposits and Euros 797 million to financing available at various Group subsidiaries.

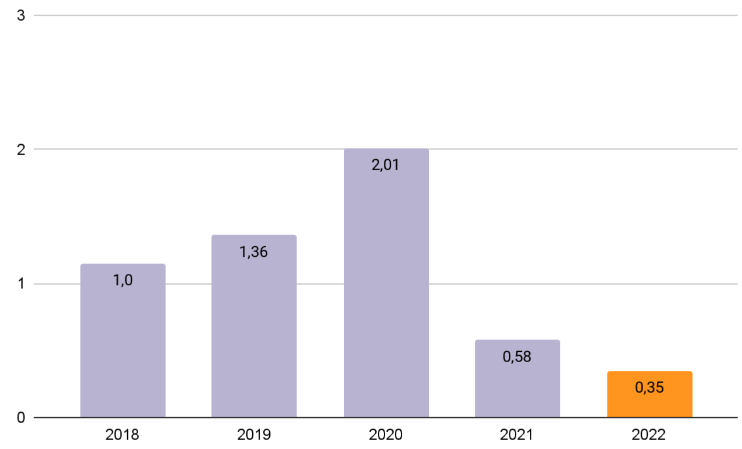
Financial ratios

The net financial debt to EBITDA ratio stood at

0.35x

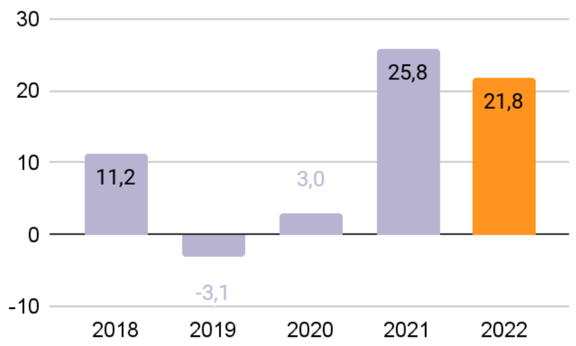
The second lowest in history, second only to 1995.

Net financial debt to EBITDA - no. of times

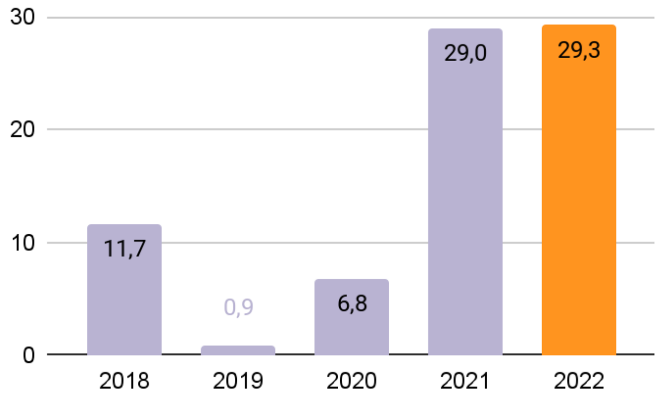


ROE in 2022 stood at 22% while ROCE remained at 29%

ROE - %



ROCE - %



Average supplier payment period

In relation to the average payment period, Law 18/2022 of 29 September 2022 on the creation and growth of companies amended the law related to this matter, specifically Additional Provision 3, which provides for the reporting requirement, requiring all listed companies to expressly disclose in their annual accounts their average supplier payment period, the monetary volume and number of invoices paid in a period lower than the maximum period set out in the legislation on late payment and the percentage that they represent of the total number of invoices and of the total monetary payments to their suppliers. The Group has taken this amendment into account.

The average supplier payment period of the Spanish companies that form part of the Acerinox Group, after deducting the payments made to Group companies, is as follows:

	2022	2021
	Days	**Days**
Average supplier payment period	63 days	63 days
Transactions paid ratio	62 days	64 days
Transactions payable ratio	80 days	58 days
	Amount	**Amount**
Total payments made	2,384,319	1,501,556
Total payments outstanding	189,759	303,307

The table includes payments made to any supplier, whether domestic or foreign, and excludes Group companies.

The new obligatory disclosures for Spanish Group companies are as follows:

	2022
a) The monetary volume of invoices paid within a period of time equal to or less than the maximum period provided in the legislation on late payment	1,129,490
Percentage of the total number of invoices of payments to suppliers	47%
b) Number of invoices paid within a period of time equal to or less than the maximum period provided in the legislation on late payment	22,172
Percentage of the monetary total of payments to suppliers	40%

Stainless Division results

Millions of Euros	12M 2022	12M 2021	% 12M 22 / 12M 21
Melting shop production (Thousands of Mt)	2,108	2,541	-17%
Net sales	7,426	5,900	26%
EBITDA	1,151	929	24%
EBITDA margin	16%	16%	
Depreciation and amortisation	-161	-149	8%
Adjusted EBIT*	987 (1)	779	27%
Adjusted EBIT margin	13%	13%	
EBIT	783	779	1%
EBIT margin	11%	13%	
Operating cash flow (before investments)	648	400	62%

*Includes the impairment of assets at Bahru Stainless amounting to Euros 204 million

Cash flow - Millions of Euros

Millions of Euros	12M 2022	12M 2021
EBITDA	**1,151**	**929**
Changes in working capital	-247	-386
Income tax	-233	-133
Borrowing costs	-14	-33
Other adjustments	-8	24
OPERATING CASH FLOW	**648**	**400**

Turnover rose 26% on 2021 as a result of price increases.

Despite the cost inflation experienced (33% increase in operating expenses), EBITDA for the year totalled Euros 1,151 million, up 24% on 2021. This figure includes an inventory adjustment to net realisable value of Euros 67 million.

Operating cash flow totalling Euros 648 million was generated, despite the increase in working capital, which amounted to Euros 247 million.

High Performance Alloys Division results

Millions of Euros	12M 2022	12M 2021	% 12M 22 / 12M 21
Melting shop production (Thousands of Mt)	82	78	5%
Net sales	1,262	806	57%
EBITDA	**125**	**61**	**105%**
EBITDA margin	**10%**	**8%**	
Depreciation and amortisation	-24	-23	3%
EBIT	102	38	164%
EBIT margin	8%	5%	
Operating cash flow (before investments)	-104	-12	-755%

Cash flow - Millions of Euros

Millions of Euros	12M 2022	12M 2021
EBITDA	**125**	**61**
Changes in working capital	-232	-81
Income tax	-5	-4
Borrowing costs	-11	-7
Other adjustments	18	19
OPERATING CASH FLOW	**-104**	**-12**

The Alloys Division exploited the favourable market momentum with a sound management of raw material purchases, the backlog and product mix, which led VDM to achieve the best results in its history.

High Performance Alloys turnover in the year reflected the favourable market momentum with 57% growth compared to 2021.

EBITDA generated—Euros 125 million—was 105% higher than in the previous year, setting a new record. At year-end, an adjustment of Euros 31 million was made.

Operating cash flow was Euros -104 million, due to an increase in working capital of Euros -232 million because of solid activity, the increase in nickel prices and the policy of diversifying raw material suppliers.

4.3 Acerinox, S.A. shares

At 31 December 2022, Acerinox's share capital totalled Euros 64,931,086.25, and was represented by 259,724,345 shares of Euros 0.25 par value each.

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

At 31 December 2022, Acerinox had a total of 45,000 shareholders:

3/1/23

	No. of shares	% share capital
Corporación Financiera Alba, S.A.	48,101,807	18.52%
Danimar 1990 SL	14,224,988	5.48%
Own shares*	10,392,904	4.00%
Industrial Development Corporation of South Africa LTDA	8,809,294	3.39%
Other investors	178,195,352	68.61%

*The 4% of the shares held by Acerinox have been acquired for the proposed redemption at order the next Annual General Meeting.

Spanish investors represented 64% of the share capital and foreign investors represented 36%.

Analyst and Investor Relations

Maintaining seamless and efficient communication with the financial markets, shareholders and investors is a priority for the Acerinox Group. The Investor Relations team serves the financial community intensively and proactively.

In 2022 Acerinox attended 30 events organised by brokers (conferences and roadshows), and with the direct contacts maintained by Acerinox, more than 280 entities were assisted. The most significant matters addressed were the following:

- Evolution of the markets by region.
- Protectionist measures: current and potential developments and the impact.
- Impact of the Russia-Ukraine conflict and rising energy costs.
- Evolution of VDM integration.
- Possible corporate transactions: other mergers and acquisitions.
- Sustainability master plan. Decarbonisation plan.
- Economic sustainability. Margins achieved.
- Capital allocation.
- Shareholder remuneration: share buyback programmes.

Performance of the share

In 2022 the various stock markets performed worse than might have been expected at the beginning of the year, perhaps affected by the uncertainty arising from Russia's invasion of Ukraine in February.

The year was affected by the aforementioned geopolitical conflict, escalating energy and raw material costs, as well as shortages of spare parts and critical components for many industries.

The high inflation caused the various competent bodies to take measures that impacted all exchanges: in the United States, the Fed raised rates seven times and, globally, central banks also raised interest rates for the first time in years to combat rising prices. These measures impacted investors' decisions.

Major indexes in all regions closed in the red after a year of volatility caused by the aforementioned geopolitical and energy conflicts.

Performance of the world's main indexes in 2022:

	2022%
Ibex 35	-5.5%
DJ Industrial	-8.7%
Nikkei	-9.3%
France CAC 40	-9.5%
Euro STOXX 50	-11.7%
Germany DAX	-12.3%
FTSE MIB	-13.3%
CSI 300	-21.6%
S&P 100	-22.4%
NASDAQ-100 Index	-32.9%

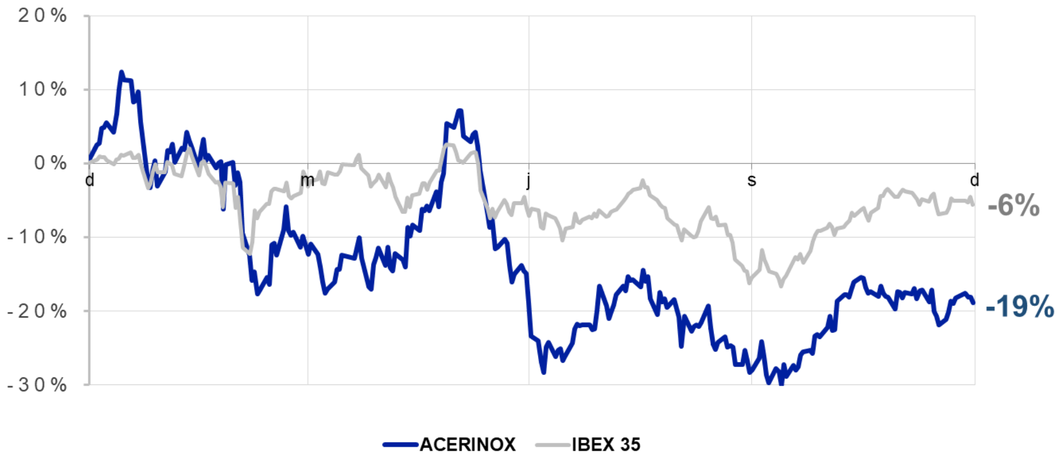
Source: Bloomberg

In Europe, the Euro Stoxx 600 closed down 12.9%, with the Spanish selective index experiencing the smallest fall (-5.5%).

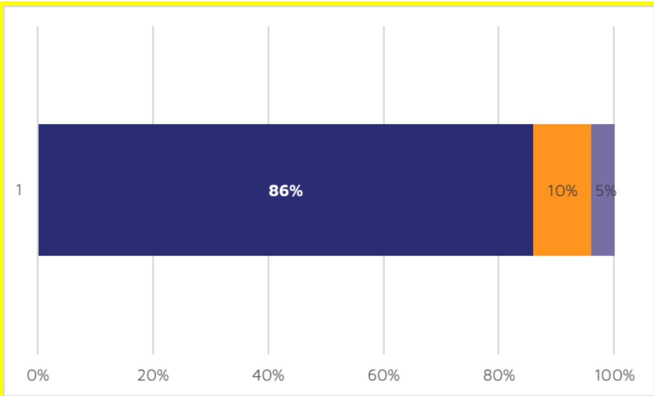
Acerinox shares peaked at Euros 12.8/share on 13 January and bottomed at Euros 7.9/share on 12 October. Acerinox ended 2022 with a 19% fall.

Stock market evolution of Acerinox and the IBEX 35

Daily percentage data, 2022. Source: Bloomberg

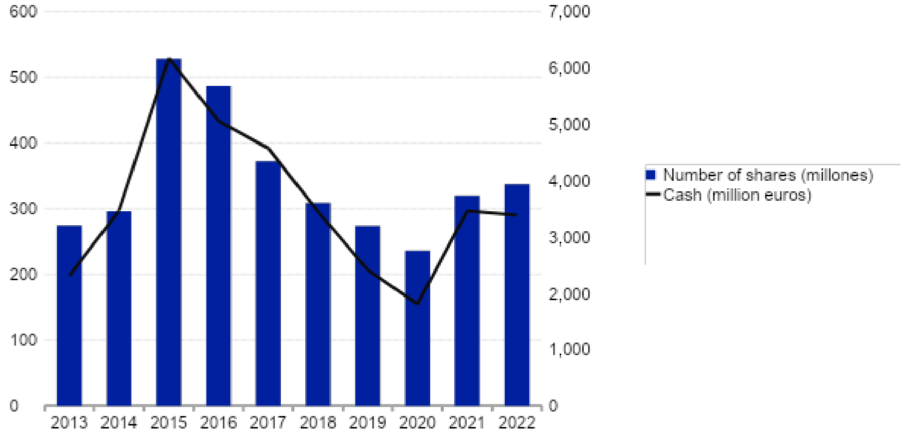


Analysts' recommendations changed throughout the year, decreasing from 95% Buy recommendations to 86% at year-end (with an average target price of Euros 12.6/share). 10% of the analysts covering the Company recommended **Hold** and 5% recommended **Sell**.



In 2022, Acerinox shares were traded on the 257 days that the Continuous Market was open. The total number of shares traded amounted to 337,538,706, equivalent to 1.30 times the number of shares that make up the share capital, with an average daily trading of 1,313,380 shares.

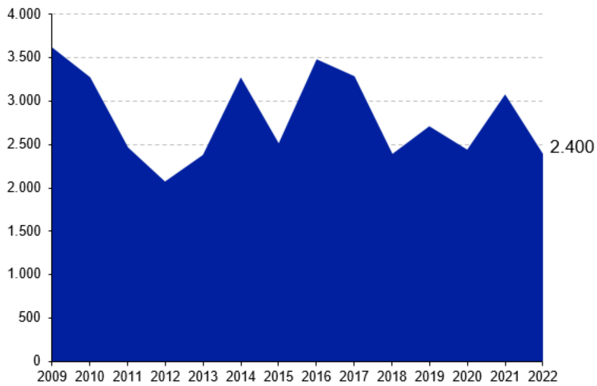
In 2022, trading totalled Euros 3,386,699,801.69, entailing a daily average of Euros 13,177,820.



At 31 December 2022, Acerinox's market capitalisation totalled Euros 2,400 million (Euros 3,080 million at 31 December 2021).

Market capitalisation of Acerinox, S.A.

Millions of Euros



4.4 Shareholder remuneration

In 2022, the Company invested a total of Euros 336 million in shareholder remuneration, up 132% on the previous year, representing a payout of 60% and 14% of market capitalisation at 31 December 2022.

In addition, a cash payment of Euros 0.50 per share was made, and two share buyback programmes were carried out. In addition, the Board of Directors approved a new shareholder remuneration policy.

Dividend payment

On 5 July 2022 the dividend of Euros 0.50 gross per share was paid, as resolved at the Annual General Meeting of Acerinox, S.A., held on 16 June 2022.

Share buyback programme

The Board of Directors met its commitment to improve earnings per share by redeeming the shares issued in the four years (2013-2016) in which the dividend was paid through a flexible or scrip dividend.

- Effective 30 August 2022, 10,821,848 shares of Acerinox, S.A. were delisted from the Madrid and Barcelona stock exchanges. This completed the execution of the share buyback programme for 4% of the share capital, which was published as inside information on 20 December 2021.

- At its meeting on 27 July 2022 ,the Board of Directors of Acerinox S.A. approved a new share buyback plan to redeem shares. On 26 October 2022, the Company completed the acquisition of 10,388,974 shares, or 4% of the Company's share capital. The redemption of the 10,388,974 shares acquired in this buyback programme will be proposed to the shareholders at the Annual General Meeting in 2023.

New shareholder remuneration policy

The Board of Directors resolved to propose at the Annual General Meeting in 2023 an increase of the annual ordinary dividend to Euros 0.60 gross per share considering the current number of Company shares. This dividend will be stable in its total amount and will increase per share as shares acquired through buyback programmes are redeemed.

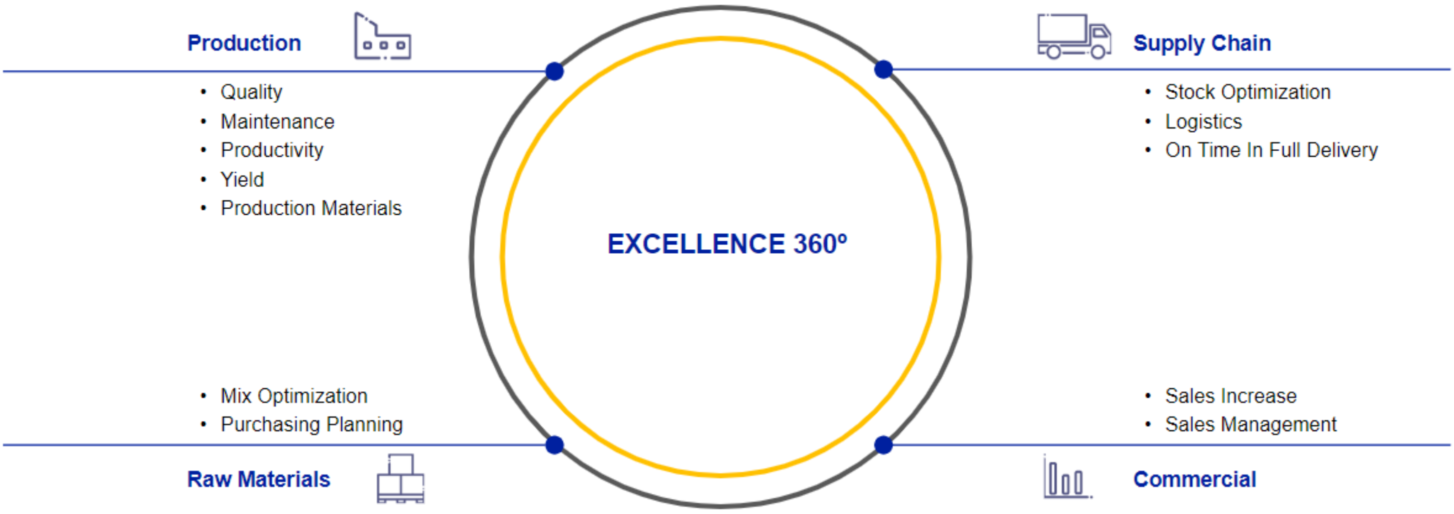
As a general rule, the dividend will be paid in two instalments: an interim payment in January and a final payment in July. In this connection, Acerinox paid an interim dividend of Euros 0.30/share for 2022 on 27 January 2023.

In addition, and depending on market conditions, the Company's earnings performance and that net debt does not exceed 1.2x the average EBITDA for the cycle, the Board may resolve to provide extraordinary shareholder remuneration through share buyback plans or the payment of extraordinary dividends pursuant to the authorisations granted by the shareholders at the Annual General Meeting.

4.5 Excellence 360°

Acerinox made progress in launching the Excellence 360° programme, which includes projects and initiatives to improve operational efficiency using continuous improvement and the digital transformation of processes.

Excellence 360° is focused on strengthening the business comprehensively: production (increasing process quality and productivity), supply chain (optimising stock and increasing accuracy in deliveries), sales (improving margins and the customer mix) and procurement of raw materials (optimising the mix at all times). The business is strengthened by taking into account the Group's sustainability objectives, with special emphasis on the continuous improvement of efficiency, reduced energy consumption, improved metal yields and machine running time, as well as reduced environmental costs by reducing and recovering process waste. This is all made possible thanks to the use of the new enabling technologies of Industry 4.0 and lean manufacturing.

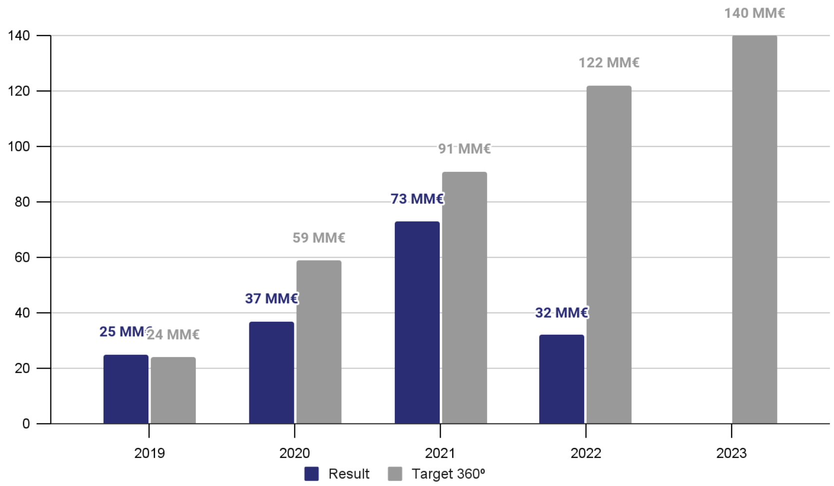


In 2022, the results of the Excellence 360° plan were affected by a multitude of incidents. In addition, the Group planned maintenance stoppages for critical assets during the summer months. The low activity in the last quarter triggered unplanned stoppages due to lack of production. These events reduced the factories' efficiency.

The Group continued to deploy all the programmes it has in place to improve operational efficiency, which have helped to mitigate adverse effects:

- Continuous improvement projects in all factory workshops.
- Digital transformation programmes.
- The optimisation of the purchase of raw materials that fill the charging bucket.

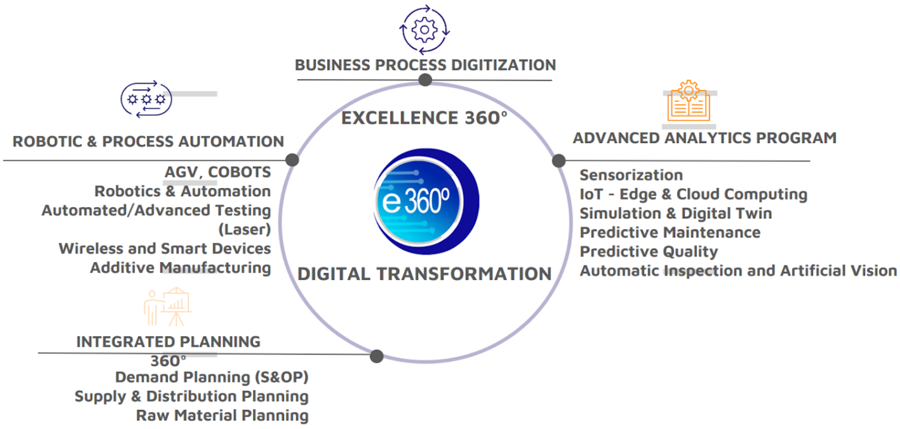
This resulted in estimated savings of Euros 32 million in 2022, representing a 26% achievement of the target set for the year (Euros 122 million).



4.5.1 Digital Transformation Plan

The Excellence 360° programme includes the Digital Transformation Plan, focused on Industry 4.0, and its path towards the "smart factory".

The Digital Transformation Plan is made up of three large programmes: process automation and robotisation, the Advanced Analytics Program and 360° Planning.



In 2022, the Group continued to undertake projects in each of these areas:

1. **360° Planning:**
    - Launch of the last phase of the design of the campaign-planning optimisation tool in the melting shop and hot rolling mill.
    - Deployment of the model and tools developed at Acerinox Europa and at the flat product production units of North American Stainless and Columbus Stainless.
2. ***Advanced Analytics Programme***: Based on the use of algorithms to make data-based business decisions, this programme enables predictive modelling, process simulation and cyber-physical systems through the use of IoT platforms.

    The most representative projects carried out in 2022 were as follows:

    - Development of a predictive maintenance model on critical equipment, i.e. use of real-time IoT sensor data and AI techniques to determine when to perform maintenance on specific equipment.
    - System for predicting the minimum energy required for melting in electric arc furnaces using machine learning.
    - Progress with a predictive quality model in the hot rolling mill to detect, through a simulation of the process, any anomaly in the process parameters in real time before a failure or defect is generated.
    - Systems for the early detection of surface defects through the use of computer vision.
    - Implementation of a flat product and plate traceability system.

3. **Robotisation and process automation**: Execution of the Group's second autonomous guided vehicle (AGV) project at the NAS plant in the United States. AGVs are 100% electric autonomous vehicles with a capacity to transport 60Mt of billets from the melting shop to the long product workshop, replacing the use of lorries.

The automation of internal logistics was reengineered to optimise the routes of the AGVs in operation from 2021 at Acerinox Europa, as well as the extension of routes to increase the use of autonomous mobility equipment.

Digitalisation improved processes by developing applications, such as the management of mobile maintenance work orders, and the performance, monitoring and management of 6S audits.

4.6 EU taxonomy on sustainable finance

Regulation (EU) 2020/852 for the classification of sustainable activities, adopted by the plenary of the European Parliament in June 2020, is a key part of the EU's Sustainable Finance Action Plan for the transition to a carbon-neutral economy. The Taxonomy provides a universal definition of the environmental sustainability of economic activities at European level and contributes to the dissemination of consistent and transparent information on how companies are progressing in line with EU-wide transition plans and contributing to the EU's environmental objectives.

Accordingly, under the Regulation, companies required to present their non-financial information statements (NFIS) pursuant to Directive 2014/95/EU (NFRD) must also include in their directors' reports information related to the degree of sustainability of their activities. In particular, non-financial companies must report the proportion of their turnover, CapEx and OpEx in compliance with the Taxonomy Regulation.

Application is being implemented progressively. The first exercise carried out in 2022 consisted of identifying the potential set of activities that could be classified as sustainable (eligibility) based on the aforementioned criteria. From 2023 onwards, compliance with the technical criteria set out in the Regulation that will determine the alignment of activities with the Taxonomy should be assessed.

Acerinox has set up a sequential method to apply the Taxonomy at Group level. The following sequence of actions identifies the stages followed in the process to determine eligibility and assess the contribution of its activities to the alignment .

Acerinox has an analysis tool that records the data used and the results thereof, serving as a document manager and guarantor of the traceability of the information.

Eligibility

The first step in determining eligibility entails a precise definition of the activities carried out and their correspondence with the statistical classification of economic activities as set out in Regulation (EC) No 1893/2006 (NACE codes).[1]

The activities carried out by Acerinox are included in Group C. Manufacturing industry, subgroups:

- 24. Metallurgy: manufacture of iron and steel and of ferroalloys.
- 25. Manufacture of metal products, except machinery and equipment of other products.

Both subgroups include activities that are potentially eligible.

Activities falling under NACE subgroups C24.10, C24.20, C24.31, C24.32, C24.33, C24.34, C24.51 and C24.52 qualify as transitional (eligible) activities under article 10(2) of Regulation (EU) 2020/852, when they meet the technical eligibility criteria.

For each of the Acerinox Group companies, the applicable NACE code has been identified and compared with the previous codes.

Alignment

The activity, in addition to being eligible, must demonstrate that it meets the requirements in article 3 of the Regulation, summarised as follows:

[1] The NACE (or CNAE, in their Spanish version) codes are the statistical nomenclature of economic activities in the European Community. The statistics on economic activities collected in the EU Member States must use the NACE codes or the national classifications derived from these codes. The NACE codes consist of a letter which identifies the section of economic activity and four digits that determine the division, group and class of this activity.

- Substantially contributes to one or more of the six EU environmental objectives.
- Does not cause significant harm to the other environmental objectives (Do No Significant Harm (DNSH)).
- Complies with minimum social guarantees.

At the time of writing, the technical criteria have been adopted that relate to substantial contribution for objectives 1 and 2 (mitigation of climate change and adaptation to climate change), included in Annex I and II of the Delegated Climate Regulation. For stainless steel, these technical criteria are only applicable to those facilities that use electric arc, setting specific thresholds for the indicator of carbon intensity per tonne of product and percentage of scrap used.

Some of the Acerinox Group companies were excluded from this analysis, as they form part of the production chain but do not have an electric arc in their facilities.

Once the compliance by the various eligible activities with the substantial contribution requirements had been analysed, the activities aligned with the climate change mitigation and/or adaptation objective were identified.

Compliance with the conditions set out to do no significant harm to the other environmental objectives and to comply with social safeguards was then verified.

Calculation of financial indicators

Acerinox has also defined a procedure to facilitate the identification of the financial information to be reported associated with eligible activities and/or aligned with the EU Taxonomy. Specifically, the procedure assists in the reporting of:

- **Quantitative information:** information on (1) turnover, (2) CapEx and (3) OpEx of sustainable and non-sustainable activities. (See table with breakdown of quantitative information)

- **Qualitative information:** Qualitative information consists of three blocks: (1) accounting policies, which include the form and basis on which KPIs were determined, referring to the affected items in the NFIS; (2) compliance assessment, which involves an analysis of how the eligibility of activities has been identified, indicating the nature of the economic activities and explaining the conduct of the assessment of the criteria for eligibility. In addition, an explanation of how any double counting of the three key indicators has been avoided is included; and (3) contextual information, which involves a breakdown of each of the KPIs, identifying the items included in the calculation of each KPI.

The procedure for obtaining quantitative data follows the following sequence:

1. **Identification of data to calculate indicators.** Firstly, the necessary information is collected from the Acerinox Group's IT systems. This information is taken from the consolidated data closed in the corresponding year. It is extracted from the information in the consolidation program with the highest level of account detail, considering the consolidated financial statements.
2. **Reconciliation with the annual accounts at heading level.**
3. **Selection of the accounts to be included in the calculation of the ratios.** The sum of the income and expense accounts is taken from the consolidation application. The amounts relating to investments are taken from the table showing movement in property, plant and equipment in the notes to the annual accounts. For the preparation of the notes to the Group's annual accounts, consolidation packages are received from all companies with the disclosures required by the notes, including movements in property, plant and equipment. All packages are automatically uploaded into the spreadsheets for the notes and reconciled with the account balances.
4. **Contribution per company to each of these accounts in order to exclude amounts corresponding to companies whose activities are not aligned.** From the consolidation application, the contribution per company to the balances of the accounts selected in the

previous section is extracted.

5. **Calculation of the ratios.** If a company is aligned, all the balances of the detailed accounts will be included in the numerator, since both the departments directly linked to manufacturing and all the supporting activities of the company are considered to be a necessary part of the activity. Accordingly, the balances of all companies that have been excluded from the scope in relation to the eligibility and alignment analysis are not considered in the numerator.

Taxonomy table

Turnover

Economic activities	Code	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum guarantees	Proportion of turnover that complies with the Taxonomy, year N	Proportion of turnover that complies with the Taxonomy, year N-1	Category (enabling activity)	Category (transitional activity)
A. ELIGIBLE ACTIVITIES UNDER THE TAXONOMY																
A.1. Environmentally sustainable activities (complying with the Taxonomy)																
3.9. Manufacture of iron and steel (CNAE 12.24)	3.9	6,430,967,992	74%	100%	100%	YES	YES	YES	YES	YES	YES	YES	74%			T
Turnover from environmentally sustainable activities (complying with the Taxonomy) (A.1)		6,430,967,992	74%	100%	100%								74%			T
A.2 Eligible activities under the Taxonomy but not environmentally sustainable (activities not complying with the Taxonomy)																
3.9. Manufacture of iron	3.9	972,130,527	11.2%													

and steel (CNAE 12.24)			
Turnover from eligible activities under the Taxonomy but not environmentally sustainable (activities not complying with the Taxonomy) (A.2)		972,130,527	11.2%
Total (A.1 + A.2)		7,403,098,519	85.2%

B. INELIGIBLE ACTIVITIES UNDER THE TAXONOMY

Turnover from ineligible activities (B)		1,285,395,457	14.8%
Total (A + B)		8,688,493,976	100%

CapEx

				Substantial contribution criteria		Do no significant harm criteria										
Economic activities	**Code**	**Absolute CapEx**	**Proportion of turnover**	**Climate change mitigation**	**Climate change adaptation**	**Mitigation**	**Adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum guarantees**	**Proportion of CapEx that complies with the Taxonomy, year N**	**Proportion of CapEx that complies with the Taxonomy, year N-1**	**Category (enabling activity)**	**Category (transitional activity)**
A. ELIGIBLE ACTIVITIES UNDER THE TAXONOMY			%													
A.1. Environmentally sustainable activities (complying with the Taxonomy)																
3.9. Manufacture of iron and steel (CNAE 12.24)	3.9	117,055,515	76%	100%	100%	YES	YES	YES	YES	YES	YES	YES	76%			T
Turnover from environmentally sustainable activities (complying with the Taxonomy) (A.1)		117,055,515	76%	100%	100%								76%			T
A.2 Eligible activities under the Taxonomy but not environmentally sustainable (activities not complying with the Taxonomy)																
3.9. Manufacture of iron and steel (CNAE 12.24)	3.9	7,548,753	4.9%													

Turnover from eligible activities under the Taxonomy but not environmentally sustainable (activities not complying with the Taxonomy) (A.2)		7,548,753	4.9%					
Total (A.1 + A.2)		124,604,267	81%					

B. INELIGIBLE ACTIVITIES UNDER THE TAXONOMY

Turnover from ineligible activities (B)		29,287,588	19%
Total (A + B)		153,891,856	100%

OpEx

				Substantial contribution criteria		Do no significant harm criteria										
Economic activities	**Code**	**Absolute OpEx**	**Proportion of OpEx**	**Climate change mitigation**	**Climate change adaptation**	**Mitigation**	**Adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum guarantees**	**Proportion of OpEx that complies with the Taxonomy, year N**	**Proportion of OpEx that complies with the Taxonomy, year N-1**	**Category (enabling activity)**	**Category (transitional activity)**
A. ELIGIBLE ACTIVITIES UNDER THE TAXONOMY																
A.1. Environmentally sustainable activities (complying with the Taxonomy)																
3.9. Manufacture of iron and steel (CNAE 12.24)	3.9	86,815,727	75.2%	100%	100%	YES	YES	YES	YES	YES	YES	YES	75%			T

Turnover from environmentally sustainable activities (complying with the Taxonomy) (A.1)		86,815,727	75.2%	100%	100%								75%			T
A.2 Eligible activities under the Taxonomy but not environmentally sustainable (activities not complying with the Taxonomy)																
3.9. Manufacture of iron and steel (CNAE 12.24)	3.9	5,981,470	5.2%													
OpEx of environmentally sustainable activities (not complying with the Taxonomy) (A.2)		5,981,470	5.2%													
Total (A.1 + A.2)		92,797,197	80.4%													

B. INELIGIBLE ACTIVITIES UNDER THE TAXONOMY

Turnover from ineligible activities (B)		22,700,676	19.6%
Total (A + B)		115,497,873	100%

5. Sustainable management model

2-3

In recent years Acerinox has reaffirmed its commitment to making the world more sustainable, creating its own responsible management model to structure, coordinate and reinforce the necessary activities to realise this goal.

To this end, the Board of Directors' **Sustainability Committee** was set up in 2020 and meets at least quarterly to address these matters. The Head of Sustainability reports to this Committee, directly to the CEO.

The Group has a regulatory framework with a **Sustainability Policy** and a suite of complementary policies laying out the commitments and procedures in a slew of areas, such as risk management, the fight against climate change, defence of human rights, equality, diversity, inclusion, and responsible procurement. These are all available on the company website.

Positive Impact 360°, the Company's **Sustainability Master Plan** responds to the ESG materiality and risk analysis carried out based on the Group's strategy. It also identifies the drivers for generating value and establishes the long-term objectives for their materialisation.

Positive Impact 360° sets out the Group's main environmental, social and corporate governance initiatives. This multi-year plan is implemented through annual sustainability programmes that are defined and agreed with the Group's different areas and factories. These programmes are a legitimate tool for achieving continuous improvement in the execution of the plan.

In 2022 Acerinox endeavoured to make progress in the systematisation of sustainability management, through procedures that implement the policies and enable better performance of duties, such as the assessment of ESG criteria in the supply chain, management of climate change risks, and transparent reporting of related information. Software was also installed to improve the traceability and reliability of the Group's non-financial information. The sections below expound upon the most relevant activities in each area.

5.0.1 Materiality analysis

2-29 / 3-1 / 3-2 / 3-3

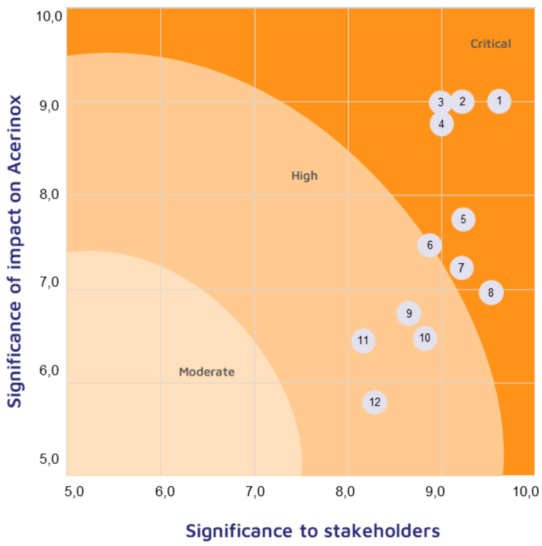
In 2022 the Acerinox Group reviewed and updated the material issues. This analysis process allowed the Company to identify risks and opportunities, and better understand the needs and expectations of stakeholders. To this end, Acerinox consulted its main stakeholder groups: customers, shareholders, employees, financers, suppliers, etc. in order to rank the most relevant aspects to them and to gauge their level of satisfaction with the performance of Acerinox. The consultation process included online questionnaires and one-on-one interviews with over 500 people, with a response rate of 50%.

The most relevant issues for stakeholders were health and safety, product safety and sustainability, supply chain, ethics, compliance and circular economy. The Group was well rated across all aspects, particularly in product safety and sustainability, circular economy, financial management and supply chain.

Acerinox also performed specific analysis to review ESG risks, following the same methodology as that applied in the corporate risk management model. This analysis revealed the most relevant risks to be those related to health and safety and the Company's decarbonisation. Additionally, physical risks and transition risks related to climate change were identified as emerging or long-term risks (see detailed information in **5.2.1 The fight against climate change)**.

Based on this information and other external sources, the material issues were ranked from a **double materiality** perspective, i.e. taking into account the material, human, social and environmental resources the Company needs to carry out its activity and the impact its business has on such resources. The double materiality approach makes it possible to rank the material issues from the perspective of the impact on people and the environment, and of the value created in the Group.

Shown below is the materiality matrix approved by the Board of Directors' Sustainability Committee / 3-2.



1. Health and safety
2. Circular economy and waste management
3. Efficient financial management
4. Decarbonisation strategy
5. Leadership, transparency and ethical behaviour
6. Supply chain management
7. Environmental risk management
8. Sustainable and safe products
9. Talent management (diversity, equality and inclusion)
10. Digitalisation and new technologies
11. Positive working environment. Training and professional development
12. Social contribution

5.0.2 Acerinox Positive Impact 360°

The Group reviewed its sustainability management model in order to foster continuous improvement in all the material issues. To this end, the **Positive Impact 360° Sustainability Plan** is implemented through annual programmes. The most relevant actions of these programmes are explained in the following sections of this report.

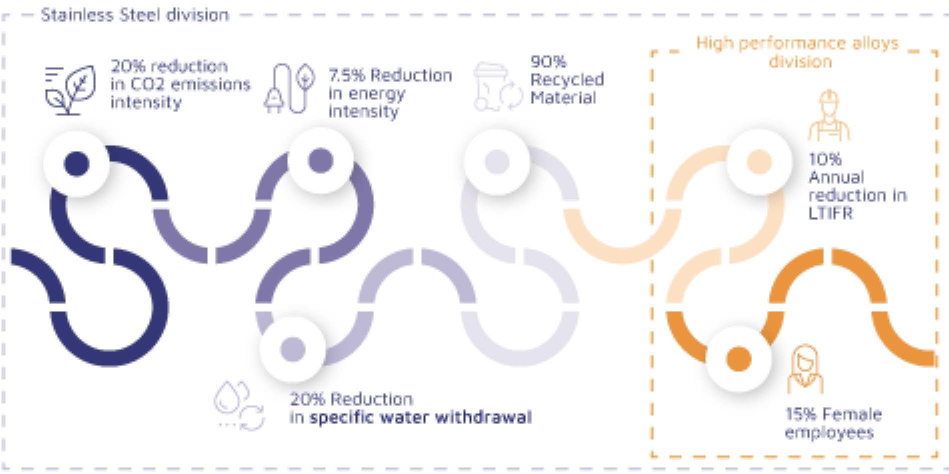
The Sustainability Plan is built around five strategic pillars:

Ethical, responsible and transparent governance	Eco-efficiency and the fight against climate change	Circular economy and sustainable products	Committed team, culture, diversity and safety	Supply chain and impact on society
				
Champion a responsible and transparent management model, and solid corporate governance with a sustainable, long-term vision that identifies and proposes responses to new ESG challenges and opportunities.	Establish commitments and objectives in the fight against climate change and develop an action plan to achieve them that includes energy efficiency measures, which are the bedrock of	Build circular economy processes into all operations, fostering the development of sustainable, low-emission products.	Further align people with Acerinox's values, encouraging their commitment to sustainability and promoting equality, talent development and climate improvement, while ensuring	Be known in our areas of operation for our commitment to society and our positive impact on the local community.

	the climate change model.		health, safety and well-being.	

5.0.3 Sustainability objectives

In 2020 Acerinox set sustainable goals linked to its environmental, social and corporate governance performance, aligned with Positive Impact 360°, its Sustainability Master Plan, and the main international standards (Paris Agreement, Sustainable Development Goals, etc.).



Progress in these objectives is as follows:

Pillar	2030 Objectives	Progress	2022 vs. 2021
	20% reduction in CO_2 emissions intensity (scopes 1 and 2) compared to 2015	-8% vs. 2015	+2%
	7.5% reduction in energy intensity compared to 2015	+3% vs. 2015	+6%
	20% reduction in specific water withdrawal compared to 2015	-15% vs. 2015	11%
	90% of waste recycled	79%	+10%
	10% annual reduction in LTIFR	-	-28%

	15% of employees are women*	-	-

*The diversity objective was revised to reflect a greater commitment to the presence of women employees in the Group, setting a 2030 target of 15%.

Achievement of some of these sustainability objectives is linked to the variable remuneration of employees, forming part of the short- and long-term incentives of the Group's c-suite and being rolled out across the organisation's different areas.

The specific objectives linked to variable remuneration for 2023, in line with the 2030 roadmap, are as follows:

Pillar	2023 Objectives	2023 vs. 2022
	**Reduction in CO_2 emissions intensity (scopes 1 and 2)**	-6%
	**Increase in recycled waste**	+3%
	**Reduction in LTIFR**	-10%
	Increase in presence of women employees	+2%

5.0.4 Contribution to the 2030 Agenda

The 2030 Agenda is a universal call for action by governments, institutions and businesses to end poverty, protect the planet, and improve the lives and future of people through the achievement of 17 Sustainable Development Goals by 2030.

The private sector plays a crucial role in this roadmap, making it an opportunity to align business objectives with sustainability. In this respect, Acerinox is firmly committed to helping achieve these global objectives through the manufacture of infinitely recyclable products, such as stainless steel, and through a responsible management model that contributes to protecting the planet, reducing inequality and developing a more prosperous and sustainable world.

The Group identified the Sustainable Development Goals where it can make the biggest contribution.

Contribution to the SDGs

SDG	CONTRIBUTION OF STAINLESS STEEL	ACERINOX'S 2030 OBJECTIVES
SDG 3 Good Health and Well-being	Stainless steel is a hygienic and clean material that is fundamental to development of the food industry and other sectors, such as pharma, medicine and transport.	Objective of reducing accidents, setting out specific initiatives to achieve this goal. (See 5.4.3 Health and safety for further information).
SDG 5 Gender Equality	The stainless steel industry has a low representation of women employees but is working hard to reduce this gender gap.	Objective of having 15% women employees by 2030, setting out specific initiatives to achieve this goal. (See 5.4.2 Equality, diversity and inclusion for further information).
SDG 6 Clean Water and Sanitation	Stainless steel is a hygienic and clean material that is fundamental to development of water pipes and treatment.	Objective of reducing specific water withdrawal by 2030, setting out specific initiatives to achieve this goal. (See 5.2 Eco-efficiency and the fight against climate change for further information).
SDG 8 Decent Work and Economic Growth	The stainless steel industry has a significant impact on jobs and the economy, and is fundamental to development of other sectors.	Acerinox employs over 8,000 people and generates an economic value of Euros 6,754 million in the form of salaries, taxes, payments to suppliers, etc. (See 2 Impact of Acerinox on the environment).
SDG 9 Industry, Innovation and Infrastructure	Stainless steel is a material used in the development of other industries, such as transport, energy, petrochemicals, etc. and in infrastructure, construction, etc.	Acerinox fosters innovation by making investments that improve efficiency through automation, new equipment, new methods, etc. and/or the development of new products, incorporating sustainability criteria into the investment decisions. (See 3.2 Strategy for further information).
SDG 12 Responsible Production and Consumption	Stainless steel is a very long-lasting and infinitely recyclable material. Its use in different sectors increases circularity and contributes to a more sustainable economic model.	Acerinox champions the efficient use of available resources and has set 2030 targets for reducing CO_2 emission intensity, energy intensity and specific water withdrawal, putting in place initiatives designed to achieve these goals. To increase circularity, it has also set a waste recovery objective. (See 5.2 Eco-efficiency and the fight against climate change and 5.3 Circular economy and sustainable products for further information).
SDG 13 Climate Action	Stainless steel contributes to the development of basic sectors in the economy, such as transport, infrastructure, industry, etc. and other sectors that foster renewable energy, batteries, fuel cells, etc.	Acerinox has set specific 2030 objectives to reduce its greenhouse gas emissions, such as carbon intensity, putting in place initiatives designed to achieve these goals. Moreover, to improve its adaptation to climate change, it has analysed the physical and transition risks related to climate change. (See 5.2 Eco-efficiency and the fight against climate change for further information).

The Group signed up to the 10 Principles of the United Nations Global Compact and incorporated them into its strategy. This is the framework for the 2030 Agenda that ensures the Company fulfils its basic responsibilities vis-à-vis people and the planet, paving the way for long-term success. This report lays out the most relevant aspects that generate sustainable development, in compliance with the commitment to release an annual Progress Report.

5.0.5 Acknowledgements

5.0.6 Memberships

5.1. Ethical, responsible and transparent corporate governance

5.1.1 Corporate Governance

3-3 / 2-19 / 2-20

In light of the entry into force of Law 5/2021 of 12 April, which amended, inter alia, the Spanish Companies Act, at their General Meeting on 16 June 2022 the shareholders approved changes to the articles of association and the regulations of AGMs. The Board of Directors regulations were also changed in December 2021 and the shareholders were informed of this in said General Meeting. The related documents were filed at the Madrid Mercantile Registry.

At the same meeting, the shareholders approved the Directors' Remuneration Policy applicable to the remaining part of 2022 and from 2023 to 2025, while in December 2022 the Board of Directors approved the Company's Dividend Policy.

All the above changes and policies can be consulted on the Acerinox website (www.acerinox.com).

In 2022 the Board of Directors of Acerinox, S.A. performed an annual assessment of the board's functioning and that of its committees, as required by the Spanish Companies Act.

Acerinox, S.A.'s Annual Corporate Governance Report, Directors' Remuneration Report and Directors' Report for 2022 have been available on the Spanish National Securities Market Commission's website and on the Acerinox, S.A. website since the 2022 annual accounts were published.

5.1.1.1 The Board of Directors and its Committees

3-3 / 2-9 / 2-11 / 2-12 / 2-13 / 2-14 / 2-17 / 2-18

In 2022 the Board of Directors of Acerinox, S.A. comprised 12 members until the Annual General Meeting on 16 June 2022, when the Chairman of the Board, Mr Rafael Miranda Robredo, stepped down after having reached the age limit established in the articles of association for reappointment as a Director. On the same day, 16 June 2022, in a Board of Directors meeting after the AGM, Mr Carlos Ortega Arias-Paz was named Chairman of the Board. He had been a director of Acerinox since 9 May 2022, when he replaced Mr Pablo Gómez Garzón who had stepped down that same day. Since the AGM, the Board of Directors of Acerinox has had 11 members.

Skills matrix

At the behest of the Appointments, Remuneration and Corporate Governance Committee, the Board drew up and approved its own skills matrix, which has since served as a mandatory guide for all board member selection processes and assignments to specific committees.

The Board of Directors brings together a huge range of skills, encompassing industry, sales, investment banking and finance, whilst specialising in areas such as audit, sustainability, energy and new technologies. Directors are usually required to have prior experience on other boards of major international companies. Similar criteria, extensive experience and expertise in various fields are taken into account when deciding to assign individuals to each committee.

Board of Directors

CARLOS ORTEGA ARIAS-PAZ

Chairman

Member of the Board of Directors since May 2022.

Chairs the Executive Committee.

Proprietary Outside Director, representing Corporación Financiera Alba.

Voted in by 91.99% of the subscribed capital with voting rights at the 2022 AGM.

Holder of 11,111 shares at 31 December 2022.

BERNARDO VELÁZQUEZ HERREROS

CEO

Member of the Board of Directors since 2010, re-elected in 2014, 2018 and 2022.

Chief Executive Officer since July 2010. Sits on the Executive and Sustainability Committees.

Executive.

Voted in by 92.55% of the subscribed capital with voting rights at the 2022 AGM.

Holder of 59,192 shares at 31 December 2022.

ROSA MARÍA GARCÍA PIÑEIRO

Independent Director

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

Chairs the Sustainability Committee and sits on the Executive Committee.

Independent Outside Director.

Voted in by 97.32% of the subscribed capital with voting rights at the 2021 AGM.

LAURA G. MOLERO

Independent Director

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

Chairs the Appointments, Remuneration and Corporate Governance Committee and sits on the Audit Committee.

Independent Outside Director.

Voted in by 97.94% of the subscribed capital with voting rights at the 2021 AGM.

DONALD JOHNSTON

Independent Director

Member of the Board of Directors since 2014, re-elected in 2019.

Sits on the Audit and Executive Committees.

Lead Independent Director.

Holder of 6 shares at 31 December 2022.

Voted in by 98.62% of the subscribed capital with voting rights at the 2019 AGM.

FRANCISCO JAVIER GARCÍA SANZ

Independent Director

Member of the Board of Directors since 2020.

Sits on the Executive and Appointments, Remuneration and Corporate Governance Committees.

Independent Outside Director.

Voted in by 92.78% of the subscribed capital with voting rights at the 2020 AGM.

TOMÁS HEVIA ARMENGOL

Proprietary Director

Member of the Board of Directors since 2016, re-elected in 2021.

Sits on the Audit and Sustainability Committees.

Proprietary Outside Director, representing Corporación Financiera Alba, S.A.

Voted in by 99.13% of the subscribed capital with voting rights at the 2021 AGM.

LETICIA IGLESIAS HERRAIZ

Independent Director

Member of the Board of Directors since 2020.

Chairs the Audit Committee.

Independent Outside Director.

Voted in by 92.59% of the subscribed capital with voting rights at the 2020 AGM

IGNACIO MARTÍN SAN VICENTE

Independent Director

Member of the Board of Directors since 2018.

Sits on the Executive and Sustainability Committees.

Independent Outside Director.

Voted in by 98.96% of the subscribed capital with voting rights at the 2019 AGM.

MARTA MARTÍNEZ ALONSO

Independent Director

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

Sits on the Sustainability Committee.

Independent Outside Director.

Voted in by 98.05% of the subscribed capital with voting rights at the 2021 AGM.

SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

Proprietary Director

Member of the Board of Directors since 2002, re-elected in 2006, 2010, 2014, 2018 and 2022.

Proprietary Outside Director, representing Corporación Financiera Alba, S.A.

Voted in by 91.57% of the subscribed capital with voting rights at the 2022 AGM.

Holder of 9,997 shares at 31 December 2022.

LUIS GIMENO VALLEDOR

Secretary

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

Holder of 14,953 shares at 31 December 2022.

Website of Board Members: URL:

https://www.acerinox.com/en/gobierno-corporativo/organos-de-gobierno-de-la-sociedad/consejo-de-administracion/

		Director			Committees				Other
Name	**Charge**	Executive	Propietary	Independent	Executive	Audit	Appointments, Remuneration and Corporate Governance	Suistainability	First appointment
Carlos Ortega Arias-Paz	Chairman		✓		✓				2022
Bernardo Velázquez Herreros	CEO	✓			✓			✓	2010
Laura G. Molero	Director			✓		✓	✓ *C		2017
Rosa María García Piñeiro	Director			✓	✓			✓ *C	2017
Donald Johnston	Director			✓	✓	✓			2014
Francisco Javier García Sanz	Director			✓	✓		✓		2020
Tomás Hevia Armengol	Director		✓			✓		✓	2016
Leticia Iglesias Herraiz	Director			✓		✓ *C			2020
Ignacio Martín San Vicente	Director			✓	✓			✓	2018
Marta Martínez Alonso	Director			✓				✓	2017
Santos Martínez-Conde	Director		✓		✓		✓		2002
Luis Gimeno Valledor	Secretary				SEC	SEC	SEC	SEC	-

***C: Chairman**

The articles of association establish that the board may have between 5 and 15 members. Although the maximum number has been reached in the past, there are currently 11 members after the former chairman stepped down. This number is considered adequate to understand the current needs of the Company, although it is subject to change in the future if the circumstances deem it necessary.

At the end of 2022, 36% of Board Members are women, with a target of reaching 40%.

Changes in the Board of Directors / 2-10 / 2-11

Mr Carlos Ortega Arias-Paz was appointed as a Director of Acerinox on 9 May 2022 and as Chairman of the Acerinox Group, replacing Mr Rafael Miranda Robredo, on 16 June 2022. Pablo Gómez Garzón, Proprietary Outside Director, stepped down from the Acerinox Board of Directors on 9 May 2022, having been a member since 2019.

Committees

Executive Committee

Eight members and eight meetings in 2022.

Audit Committee

Four members and 10 meetings in 2022.

Appointments, Remuneration and Corporate Governance Committee

Four members and 11 meetings in 2022.

Sustainability Committee

Created in 2020, five members and six meetings in 2022.

	See the powers of the committees at: URL: https://www.acerinox.com/export/sites/acerinox/.content/galerias/galeria-descargas/Regulation-of-the-Board-of-Directors-of-Acerinox-S.A..pdf

Senior Management Committee

At 31 December 2022, the Acerinox Senior Management Committee was composed of the following people:

Bernardo Velázquez	**CEO**
Hans Helmrich	**COO**
Mark Davis	**CEO of Bahru Stainless**
Cristóbal Fuentes	**CEO of NAS**
Fernando Gutiérrez	**CEO of Acerinox Europa**
Niclas Müller	**CEO of VDM Metals**
Johan Strydom	**CEO of Columbus Stainless**
Daniel Azpitarte	**Integration Director**
Miguel Ferrandis	**CFO**
Luis Gimeno	**Secretary-General**

The variable remuneration of Senior Management, and therefore of Executive Directors (only the CEO at present), was determined on the basis of a series of metrics:

- The first set of metrics are related to the financial performance of the Acerinox Group, such as EBITDA, profit after tax and non-controlling interests, and net debt.

- The second set are specific indicators of the companies for which the pertinent member of management was directly and particularly responsible.

- The last set of metrics reflect sustainability performance. Further details regarding the process of accrediting the CEO's bonus can be found in the Directors' Remuneration Report, which is published at the same time as this report and is available on the website of the Company and the Spanish Securities Market Commission. The total remuneration of Senior Management can also be consulted in the Annual Corporate Governance Report in the same places.

A portion of Senior Management remuneration, like the CEO and other ensembles within Group Management, is linked to the profit obtained by shareholders over a three-year period. This is measured based on the TSR and ROE during these three-year cycles. This component of remuneration is paid in Company shares.

For 2023, the effects of the clawback clauses included in the contracts of the CEO and Senior Management have been extended to all variable remuneration, i.e. annual variable remuneration and long-term incentives, as per the recommendations of the Good Governance Code.

5.1.1.2 Good governance practices

Acerinox carries out best corporate practices before they are reflected in international standards.

Creation and appointment of Lead Independent Director: Donald Johnston was selected for this role following the departure of the former Chairman, for reasons of age, and the appointment of Carlos Ortega Arias-Paz. Although the position of Chairperson is not executive, it was decided that this position be created on account of the advantages it brings.

When the Company decided to increase the dividend per share to Euros 0.60, compared to Euros 0.50 in prior years, it also approved a new Dividend Policy. This explicit policy states the commitments undertaken vis-à-vis shareholders and provides much-needed predictability regarding expected returns in future years.

The Board of Directors performs an annual assessment that includes an evaluation of its different committees. This brings to light areas for improvement and approves the necessary measures to enhance performance. The resulting improvement plans are periodically monitored and analysed halfway through and at the end of the year in question. The fact that the appraisals get better and better each year is a good sign that this process is useful. The 2022 evaluation was performed by the Company's in-house services, whereas in 2023 it will be performed by an outside party in accordance with the Good Governance Code.

At the behest of the Board of Directors, the Company has strengthened the area of Sustainability in recent years. First of all, a Department was created (which has dispensed with other non-sustainability functions) and then a specialised Committee was set up to report to the Board.

5.1.1.3 AGM

Acerinox held its AGM on 16 June 2022 in Madrid, with the Company's shareholders attending in person.

Including those present and those represented, a total of 1,887 shareholders attended the general meeting, accounting for 55.94% of subscribed capital with voting rights.

5.1.1.4 Significant events after the reporting period

At its meeting on 20 December 2022, the Board of Directors of Acerinox, S.A. resolved to propose to the shareholders at the Company's Annual General Meeting a dividend of Euros 0.60 per share out of 2022 profit, of which Euros 0.30 was paid as an interim dividend on 27 January 2023. This dividend will be submitted for approval at the Annual General Meeting to be held in 2023.

5.1.2 Ethics and compliance

3-3 / 2-15 / 2-16 / 2-25 / 2-26 / 2-27 / 205-2

The Acerinox Group's Code of Conduct and Best Practices is available on the company website and contains the rules and guidelines for professional behaviour that are mandatory for all employees and directors of the Group in all activities. In 2022 a Code of Conduct for Business Partners was approved, setting out the obligatory duties and commitments for maintaining commercial relations with Acerinox.

The Compliance Department, which reports directly to the Audit Committee, coordinates the roll-out of the compliance model in all Group companies. This model includes the Crime Prevention Programme, aimed at averting the risk of crimes being perpetrated, particularly those entailing criminal liability for the legal entity.

Key indicators 205-2

9 Queries made via the ethics hotline	89 % Queries resolved	4,175 Employees trained in Compliance	

Relevant activities

Milestones 2022

- Review of the offences included in the Crime Prevention Programme and update of the compliance officers.
- Specific training on new offences, corruption, bribery and competition.
- Approval and distribution to employees of instructions regarding bribery and corruption, conflicts of interest, gifts and invitations.
- Distribution to non-Spanish subsidiaries of instructions regarding good financial practices, powers and authorisations, travel and expenses, and confidentiality.

Challenges 2023

- UNE 19601 certification for Criminal Compliance Management Systems.
- Review of the Code of Conduct and Best Practices.
- Approval of compliance instructions.
- Adaptation of the whistleblowing channel to the Whistleblowing Guidelines.
- Approval of internal and external due diligence instructions.
- Progress in the implementation of the human rights due diligence model.
- Extension to all non-Spanish subsidiaries of measures to prevent cybercrime, against the tax authorities and against industrial and intellectual property.
- Training for employees affected by crimes of fraud, money laundering, asset concealment, criminal insolvency, terrorism and organised crime.

Code of Conduct and Best Practices

The objectives of the Acerinox Group's Code of Conduct and Best Practices are:

1. Regulate the conduct permitted and prohibited by the Acerinox Group.

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

All employees adhere to these objectives, undertaking to fulfil them and to ensure that external collaborators honour the commitments set out. This code is implemented through internal policies and procedures so it can be enacted in all Group companies.

The functions of the Code of Conduct Monitoring Committee, which reports to the Board of Directors through the Audit Committee, include supervising compliance with and internal dissemination of the Code among all employees, interpreting it, providing a whistleblowing channel to gather information on compliance, and controlling and supervising the processing of cases and their resolution, in accordance with the Protocol for Complaints and Internal Investigation.

Violation of the Code of Conduct could result in disciplinary action, without prejudice to other consequences.

Whistleblowing channel / 2-16

The whistleblowing channel is a communication tool accessible to all Acerinox employees and stakeholders to report behaviour that breaches the Code of Conduct and Best Practices.

The whistleblowing channel guarantees:

- Confidentiality of the whistleblower's personal information.

- No reprisals against employees who report suspected breaches in good faith.

- Respect for the rights of those allegedly involved in a possible breach.

- Exhaustive analysis of the information in question.

Acerinox provides the following whistleblowing channels:

- A whistleblowing channel on its company website. Complaints and Reports Channel.

- An email address (comitededenuncias@acerinox.com).

- A postal address (Comité de Denuncias, Acerinox S.A., Calle Santiago de Compostela 100, 28035 Madrid, Spain).

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

In 2022 nine complaints were received and managed in accordance with the Protocol for Complaints and Internal Investigation. Eight were resolved and one, received in December, is being processed.

Crime prevention model / 2-15 / 205-2

The crime prevention model is installed in the main Acerinox Group companies and is planned to be implemented in the remaining companies over the coming two years.

In 2022 the Company reviewed the offences included in the Crime Prevention Programme, including, for instance, harassment, and updating the related compliance officers. Moreover, the instructions regarding bribery and corruption, conflicts of interest, gifts and invitations were approved and distributed to employees.

Data protection

The Group has a data protection model that is adapted to local legal requirements where it is present. The Group periodically assesses compliance in order to design the necessary actions for continuous improvement.

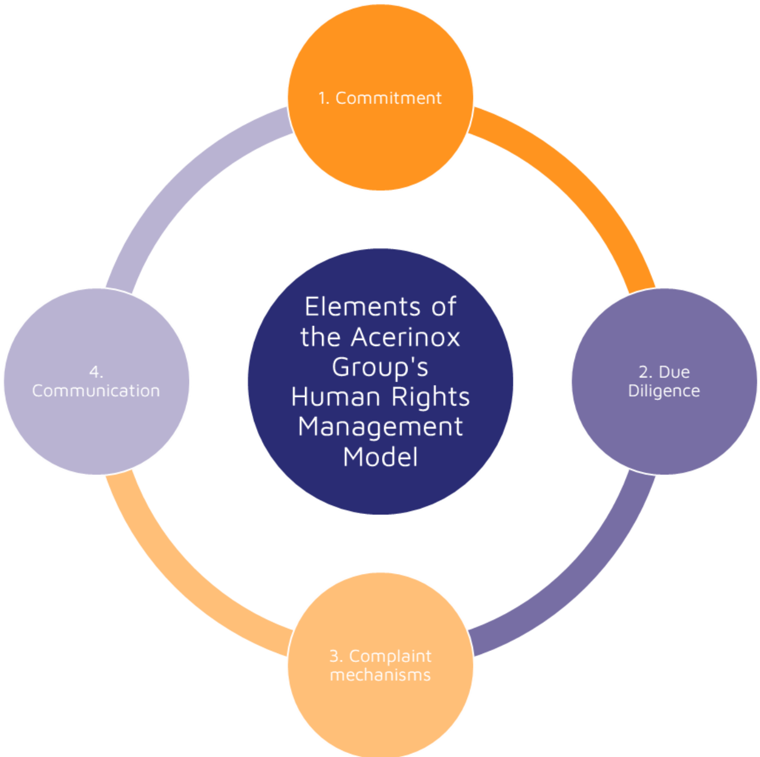
Commitment to human rights

Respect for human rights is a priority for the Acerinox Group. The Human Rights Policy is available on the company website and sets out the Group's commitments in this respect, in accordance with the principles established in the United Nations Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work and its Follow-up Procedure of the ILO (International Labor Organization), and the Guiding Principles on Business and Human Rights of the United Nations. Meanwhile, Acerinox maintains a firm commitment to the Principles of the Global Compact and the Sustainable Development Goals, the United Nations' frames of reference that are underpinned by various human rights declarations.

The policy applies to all the companies that make up Acerinox and binds all the governance bodies of the Group and their companies, employees and, as appropriate, the persons or entities that provide services or that supply goods to Group companies.

Human rights due diligence model

Acerinox is making progress in the development of a **human rights due diligence model** that follows the methodology defined by the United Nations Guiding Principles on Business and Human Rights, so that it has the necessary tools to ensure such rights are protected and respected.



No human rights violation reports were received in 2022.

Ethics and compliance training

Acerinox fosters a culture of business ethics within the organisation and within its decision-making at all times. To this end, it promotes communication and training initiatives that strengthen the culture of compliance among its employees, management and directors, as well as the stakeholders with which they interact.

All new employees must undergo specific training on ethics and compliance when joining the Group, including special training on the Code of Conduct and Best Practices, data protection, the Crime Prevention Programme, bribery, etc.

In 2022 there were training courses in person and online regarding corruption and bribery for all Acerinox Group employees, as well as training in competition matters for a group of professionals who are more affected by such practices.

5.1.3 Responsible taxation

3-3 / 201-4 / 203-1 / 203-2 / 207-1 / 207-2 / 207-3 / 207-4

Acerinox's commitment to fostering ethical, responsible and transparent corporate governance encompasses tax responsibility. Taxes are a fundamental tool for creating long-term sustainable value and now, more than ever, society needs a commitment from enterprises in all tax-related areas.

Acerinox firmly believes in strict adherence to tax legislation in all the countries where it operates, in cooperating with the tax authorities and in tax transparency. In recent years, in its integrated annual report on the website, the Group has published details of its tax contribution in the countries where it operates, as well as the General Tax Policy. Moreover, since its approval in 2011, Acerinox has adhered to the Code of Good Tax Practices and is an active participant in the Tax Forum for Large Companies.

In 2019 the Group voluntarily took part in the ICAP 2.0 programme (International Compliance Assurance Programme), which is a multi-lateral assessment that provides significant security and certainty as regards the main tax risks to which the Group is exposed. Participants in this programme include the Spanish, British, Canadian and US tax agencies. Having reviewed various tax-related aspects, they rated Acerinox's tax risk in these jurisdictions as low. This process ended in March 2022.

Acerinox has taken an active role in various cooperative procedures, including the request for a bilateral advance pricing arrangement (APA) between the tax authorities in Spain and in Germany, which was signed in 2017 and is currently being renewed. It also participated in the new ICAP programme launched by the OECD, which commenced in mid-2019 and ended in March 2022 following a major delay caused by the pandemic.

In 2022, as yet another sign of its commitment to collaborating with the tax authorities, Acerinox voluntarily submitted the 2021 Tax Transparency Report to the Spanish Tax Agency. It is weighing up whether to present this on a recurring basis.

Key indicators 201-1

€336M	€236M	€654M	€8,755M	€8,653M
Shareholder remuneration	Tax paid	Personnel remuneration	Direct economic value generated	Economic value distributed

Internal control and supervision framework / 207-1 / 207-2 / 207-3

The Acerinox Group's General Tax Policy forms part of the Group's corporate governance system. It is available on the company website and sets out the principles and good practices for tax management in the Group, with a view to ensuring compliance with applicable tax legislation, adequately coordinating the management of all Group companies, and preventing tax risks and inefficiencies when making business decisions. The tax risk management and internal control framework also falls under the Risk Control and Management Policy, available on the company website. See 4.3 Risk management in this report for details of the management principles.

The Acerinox Group is aware of this importance of BEPS (Base Erosion and Profit Shifting) principles within its activity. It has put into place various internal mechanisms to ensure compliance with these principles, which include an annual self-assessment of BEPS risks, in accordance with the 19 tax risks established by the OECD. Acerinox considers that its tax policy is compliant with the BEPS principles and actions approved by the OECD and does not carry out any aggressive tax planning for the purpose of: i) shifting profits to entities in countries with low or no taxation, or ii) using complex mechanisms that would erode taxable income.

Under 'Contribution to the welfare state', the Acerinox Group's Code of Conduct and Best Practices expressly prohibits the incorporation or holding of entities in territories classified as tax havens for the sole purpose of reducing the corporate income tax base.

Acerinox also complies with the legislation in each country where it operates and pays the corresponding taxes as per the regulations in force.

Tax contribution / 201-1

The Acerinox Group endeavours to maximise its financial and corporate profits without affecting the fulfilment of its tax obligations.

The value generated by Group companies is distributed to the tax authorities through the payment of taxes, to employees through the payment of salaries, to creditors through the payment of interest, and to shareholders through the payment of dividends.

To demonstrate the Group's commitment to fulfilling its tax obligations in each territory where it operates, disclosed below are the country-by-country earnings and the income tax paid. All the taxes paid and received by the Acerinox Group in 2022 are also disclosed.

Pre-tax profit and taxes paid by country (Thousands of Euros) / 201-1 / 207-4

Country	Pre-tax profit by country	Taxes paid
Spain	266,697	9,699
US	926,104	185,570
South Africa	98,502	28,203
Malaysia	-221,585	47
Canada	9,132	2,252
Mexico	6,893	1,537
Portugal	710	373
France	1,911	859
Germany	61,367	3,064
Italy	3,013	896
UK	1,934	174
Sweden	1,056	0
Switzerland	100	0
Austria	1,434	232
Poland	1,790	257

Chile	944	45
Argentina	758	234
Belgium	1,452	237
Russia	-214	15
Turkey	582	225
Brazil	-13	0
Colombia	-210	1
Peru	-54	0
Australia	397	150
China	5,454	1,188
Hong Kong	-47	2
Japan	2,536	560
South Korea	2,327	106
Singapore	22	10
India	176	0
United Arab Emirates	-96	0
Luxembourg	2	-251
Total	**1,073,073**	**235,684**

Taxes paid include all payments of income tax to the tax authorities during the year, whether payments on account, settlements of prior years, payments in respect of assessments or mutual agreements.

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

Except in the cases of Spain and Germany, there are no significant deviations between the current tax charge and the tax paid.

In Spain's case, the profit reflects dividends received by the Group's parent. An exemption of 95% is applicable to these as said parent files taxes in the home country. Per the regulation on minimum instalment payments in Spain, payments on account must be made based on accounting profit and not based on taxable income. This sometimes causes a difference between current taxes and taxes paid, as is the case this year.

In Germany's case, tax legislation allows different measurement criteria to be used for certain assets and liabilities, such as inventories or pension plans, which gives rise to temporary differences between accounting profit and taxable income. The profit/loss shown in the table reflects the amounts recognised under IFRS.

There are differences between the effective rate (current tax divided by profit before tax) and the nominal rate in each country for various reasons:

- Tax legislation establishes adjustments to profit/loss to obtain the taxable income/tax loss.
- Moreover, in many cases there are deductions that reduce the tax payable.
- In cases where there are tax loss carryforwards from previous years yet to be applied, the legislation allows them to be offset against the profit for the year. Each country has its own rules on offsetting, and in many countries there are limitations on their use.

As regards the income tax contribution, the table shows that the Company pays the most tax in the country where its profit is highest (USA).

In the remaining countries the profit obtained in each jurisdiction is in line with the amount of income tax paid.

The methodology used to determine the total tax contribution (TTC) measures the Group's payments to the different tax authorities.

This methodology generally allocates taxes paid and taxes received to each fiscal year on a cash basis.

- **Taxes paid** are those that entail a cost for the Group companies, such as income tax, social security payable by the Company, and certain environmental taxes, property taxes and other local taxes.
- **Taxes received** are those generated as a result of the Company's economic activity, with no cost to companies other than in their management, such as withholding tax on salaries (PIT), other withholdings on dividends or interest, and VAT.

Taxes paid	Amount (Thousands of Euros)	%
Income tax	235,684	76%
Social security	54,373	18%
Other indirect taxes (*)	8,091	3%
Local taxes	10,701	3%
Total tax paid	308,850	

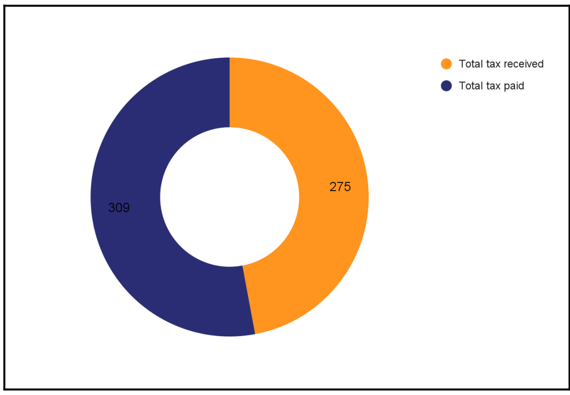
(*) Other indirect taxes include the taxes on electricity, imports, etc.

In keeping with the OECD's thinking, the analysis of the tax burden took into account the contributions made to social security or similar bodies in other jurisdictions, given that they are mandatory payments that generally account for a significant portion of a state's income and, in light of them being more tax-like than contribution-like, the Group considers them as taxes.

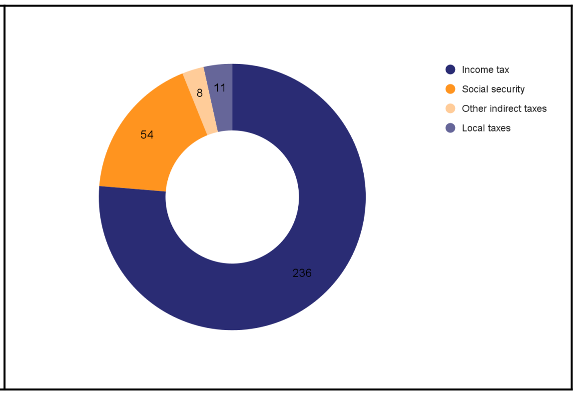
Taxes received	Amount (Thousands of Euros)	%
PIT and social security	125,604	46%
VAT	132,113	48%
Withholdings	16,856	6%
Total tax received	274,573	

(*) The VAT shown is the net amount of taxes received and paid.

Total tax contribution: €583M



Taxes paid: €309M



The amount of taxes paid represents 53% of the Group's total tax contribution, as shown in the chart below.

The Group's pre-tax consolidated profit amounted to Euros 831 million in 2022. Total taxes paid and received amounted to Euros 583 million. This means that the Acerinox Group's global tax contribution was 70% of its total pre-tax profit.

Government grants received in 2022

Government grants received (Thousands of Euros)	2022
R&D	14
Environment	9,879
Allocation of CO2 allowances	18,692
Aid related to COVID-19	198
Training	306
Other	67
Total	**29,156**

5.2. Eco-efficiency and the fight against climate change

5.2.1 The fight against climate change

3-3

Stainless steel is a durable and 100% recyclable material. It is a prime example of the circular economy and its use across multiple sectors contributes greatly to the fight against climate change. Nevertheless, like any industrial product, both its manufacture and subsequent use give rise to greenhouse gas emissions, which the Group endeavours to minimise through its climate change management model.

The Acerinox climate change management model is being brought into line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Its aim is to provide information on governance, strategy, risk and opportunity management, and metrics and targets to fight against climate change.

Main indicators 305-1 / 305-2 / 305-3 / 305-4

1.10 tCO_2/t steel Scopes 1+2 /production	**768,600 tCO_2e** Scope 1	**1,792,901 tCO_2** Scope 2	**4,083,456 tCO_2** Scope 3

Stainless Division

Relevant activities

Milestones 2022

- Carbon footprint verification based on ISO 14064 / GHG protocol, including Scopes 1, 2 and 3
- Analysis of physical and transition climate change risks, in line with the TCFD recommendations
- Completion of the CDP Climate questionnaire, obtaining a B score
- Pilot project involving the use of H_2 in the natural gas furnaces at the Algeciras plant
- Project analysing the capture, storage and utilisation of CO_2 at the Algeciras plant

Challenges 2023

- Review to ensure decarbonisation targets are in line with SBTi
- Plan to install photovoltaic renewable energy panels at the various plants
- Heat recovery unit at the Algeciras plant.

Climate change governance

3-3

The Board of Directors is the highest governance body in terms of climate change management at the Acerinox Group. The Sustainability Committee and the Audit Committee report to this body on a regular basis as regards their respective spheres of influence.

The Head of Sustainability reports to the Sustainability Committee on at least a quarterly basis regarding the primary climate change initiatives put into motion, as well as the metrics and monitoring of the associated goals. The Group has a team of professionals devoted solely to managing sustainability-related themes at each plant. These teams are charged with coordinating the geographical roll-out of this management model.

The Head of Risk reports to the Audit Committee on at least a quarterly basis regarding the main risks facing the Group, which include climate change risks.

Climate change strategy

3-3 / 302-4 / 305-5

Acerinox defined its climate change commitment by taking into account four pillars or specific areas of action:

- **Improving energy efficiency**: through initiatives such as heat recovery boilers and the use of autonomous guided vehicles (AGVs), etc.
- **Increase the use of renewable energy**: by entering into PPAs and obtaining renewable energy certifications, as well as through the installation of solar panels for self-supply at the Group's facilities.
- **Use of sustainable fuels**: by analysing the feasibility of replacing natural gas consumption with other carbon-neutral fuels, such as biomethane and green hydrogen.
- **Carbon capture, utilisation and storage**: through studies into the technical and economic feasibility of capturing a portion of the CO_2 produced at the plants.

Management of climate change risks and opportunities

201-2

The Group integrated climate risk management into its corporate risk management system.

To strengthen this area, in 2022 the Group also analysed the physical and transition climate change risks using TCFD methodology. This analysis considered the impact climate change could have on the Group based on two time horizons, namely 2030 and 2050, and taking into consideration two climate scenarios: for the physical risks, the IPCC, RCP 2.6 (aligned with the Paris Agreement) and RCP 8.5 scenarios were taken into account; as regards the transition risks, the International Energy Agency Scenario, Stated Policies Scenario (STEPS) and Sustainable Development Scenario (SDS) were considered (aligned with the Paris Agreement).

The analysis results enabled the Group to identify the following most salient risks and opportunities:

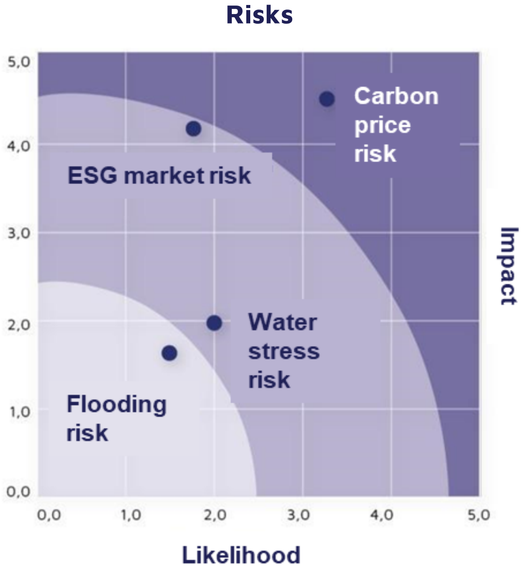
Risks and opportunities / 201-2

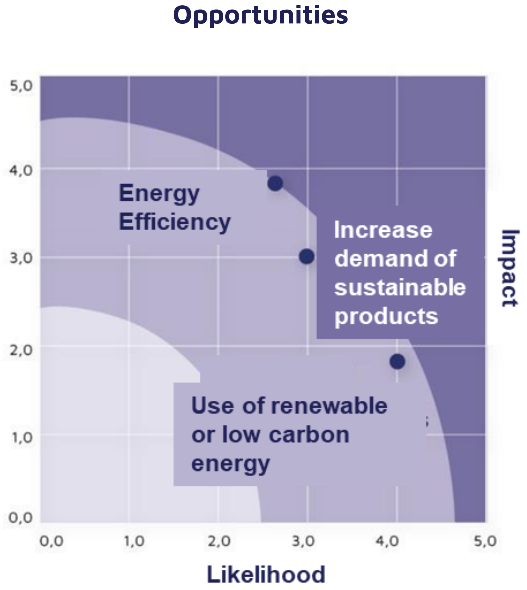
Risk	Type of risk	Mitigation and control measures
Risk of flooding due to very heavy rain and/or rivers bursting their banks	Physical - acute	• Placing primary equipment at height to avoid it being affected in the event of flooding. • Putting in place containment and drainage measures to channel flood water.
Risk of water stress and drought	Physical - chronic	• Setting objectives to reduce water consumption. • Implementing water consumption efficiency measures. • Investing in water treatment and recovery plants.
Risk associated with the introduction of mechanisms or levies that tax carbon emissions	Transition - political or legal	• Setting targets aimed at improving carbon intensity. • Adopting energy efficiency and emissions reduction measures.

		• Increasing the consumption of renewable electricity. • Looking into replacing natural gas with low-carbon fuels (hydrogen and biomethane). • Analysing carbon capture, utilisation and storage projects.
Changes in customer preferences	Transition - market	• Setting of 2030 sustainability targets. • Sustainability Master Plan - Positive Impact 360°. • Developing premium products that meet more stringent sustainability criteria.

Risks and opportunities / 201-2

Opportunity	Type of opportunity	Stimulus measures
Increasing demand for more sustainable products.	Products and services	• Setting 2030 sustainability targets. • Sustainability Master Plan - Positive Impact 360°. • Developing premium products that meet more stringent sustainability criteria.
Improving energy efficiency	Resource efficiency	• Setting targets aimed at improving carbon and energy intensity. • Adopting energy efficiency and emissions reduction measures.
Use of renewable or low-carbon energy	Energy sources	• Setting targets aimed at increasing the consumption of renewable energy. • Increasing the consumption of renewable electricity. • Looking into replacing natural gas with low-carbon fuels (hydrogen and biomethane).





Energy efficiency plan - initiatives 2022 / 302-4

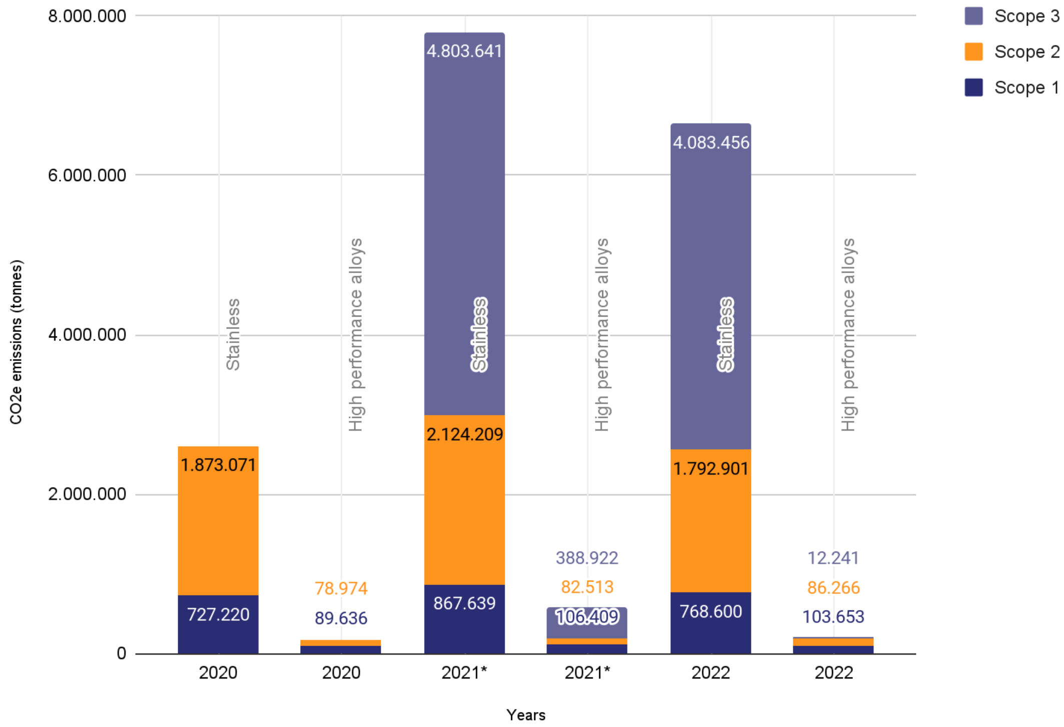
Measure	Type of saving	Scope
Replacing natural gas with green H_2: pilot study underway to replace up to 15% of natural gas consumption with H_2 in boilers.	CO_2 emissions	Scope 1
Improving furnaces and burners, sensorisation and recovery boilers.	Natural gas consumption	Scope 1
Increasing the scrap metal use rates and reducing the consumption of electrodes	CO_2 emissions	Scope 2
Using automatic learning algorithms to optimise the use of electricity by electric arc furnaces.	Electricity consumption	Scope 2
Increasing the purchase of energy with renewable guarantee of origin (PPAs and GOs).	CO_2 emissions	Scope 2
Switching to LED lighting	Electricity consumption	Scope 2
Launching the freight train service between Algeciras and Roldan, replacing the use of lorries for a more sustainable transport mode.	Consumption of diesel	Scope 3

Metrics and targets in fight against climate change

3-3 / 302-1 / 302-3 / 302-4 / 305-1 / 305-2 / 305-3 / 305-4 / 305-5

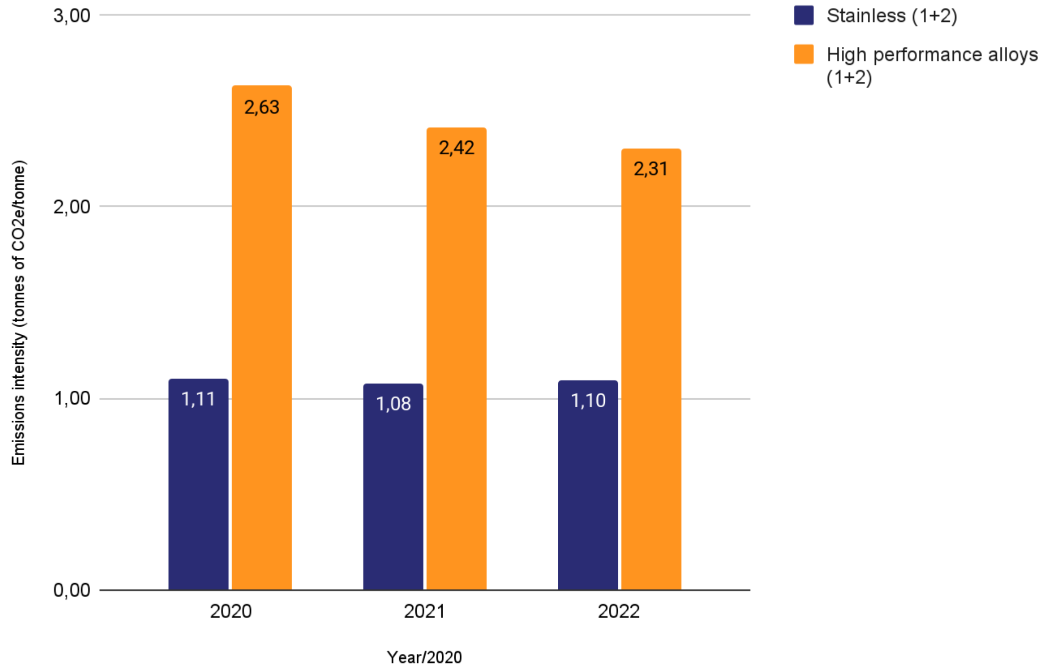
The Acerinox carbon footprint is certified using ISO 14064 Standard / GHG protocol. In 2021 a significance analysis was carried out regarding the new Scope 3 categories under the ISO 14064-1:2019 standard, the most salient of which were incorporated into the certified footprint.

Group CO_2e emissions (Scopes 1, 2 and 3) / 305-1 / 305-2 / 305-3



The energy crisis, accentuated by the invasion of Ukraine and the subsequent impact on economies around the world, as well as distributors' high inventory volumes in the wake of strong imports, led to a drop in stainless steel production in the last half of 2022. This drop in production had a significant impact on the factories' efficiency, worsening the indicators regarding CO_2 emissions intensity and energy intensity per tonne of steel produced, although the total volume of emissions decreased.

Group emissions intensity (Scopes 1, 2 and 3) / 305-4



Emissions table Scopes 1, 2 and 3) / 305-1 / 305-2 / 305-3

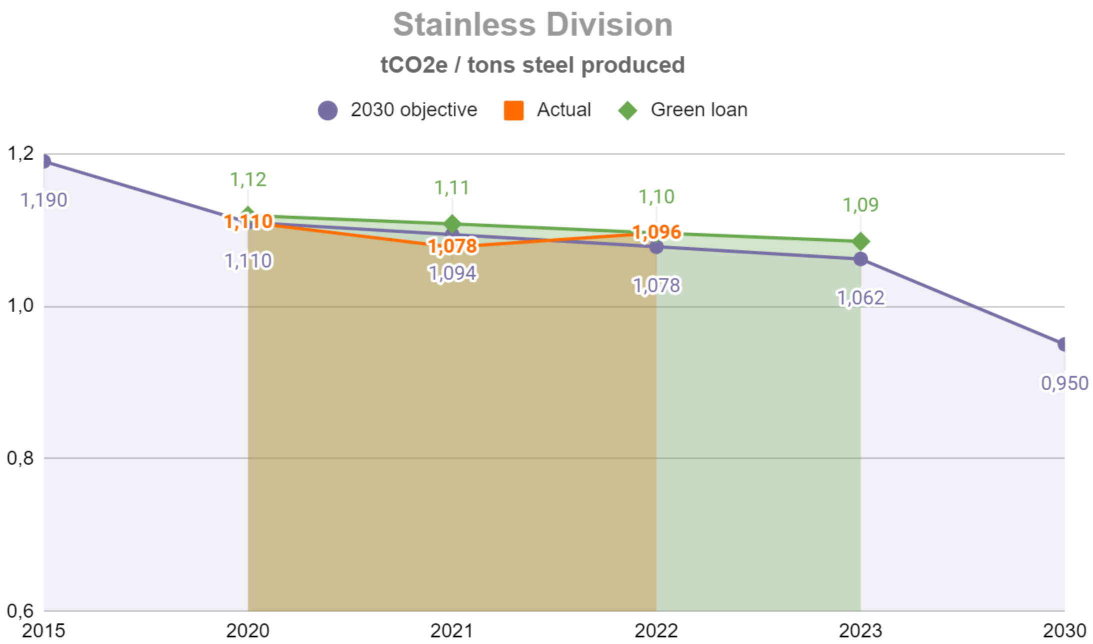
Emissions	GHG categories	Stainless	High Performance Alloys
Direct	1. 1. Fixed	596,826	101,645
	1. 2. Mobile	7,347	0
	1. 3. Process	158,860	1,880
	1. 4. Fugitive	5,567	128
Total direct		**768,600**	**103,653**
Indirect	2. 1. Energy	1,792,901	86,266
	3. 1. Goods and services purchased	3,051,193	901
	3. 2. Capital goods	0	0
	3. 3. Fuel- and energy-related activities not included in Scope 1 or Scope 2	235,845	11,311
	3. 4. Upstream transportation and distribution	72,428	0
	3. 5. Waste generated in operations	233,789	0
	3. 6. Business travel	598	0
	3. 7. Transport used in itinere	6,138	0

	3. 8. Upstream leased assets	0	0
	3. 9. Downstream transportation and distribution	482,267	0
	3.10. Processing of sold products	0	0
	3.11. Use of sold products	0	0
	3.12. End-of-life treatment of sold products	1,198	29
	3.13. Downstream leased assets	0	0
	3.15. Investments	0	0
Total indirect		**5,876,357**	**98,508**
Total		**6,644,956**	**202,161**

The Acerinox Group set a target for its Stainless Division of reducing by 20% the intensity of its direct and indirect carbon emissions (Scopes 1 and 2) by 2030 with respect to 2015 levels. As discussed earlier, the drop in steel production in the latter part of the year had a major bearing on this indicator.

Moreover, the Stainless Division has sustainable loans associated with the reduction of its carbon footprint. These are tied to emissions intensity (Scopes 1+2) and consist of an annual reduction of 1%. The compliance target for this year is 1.10 tCO_2e/ tonne of production.

Target CO_2 emissions intensity and sustainable loan - Stainless Division (Scopes 1+2)/ 305-4

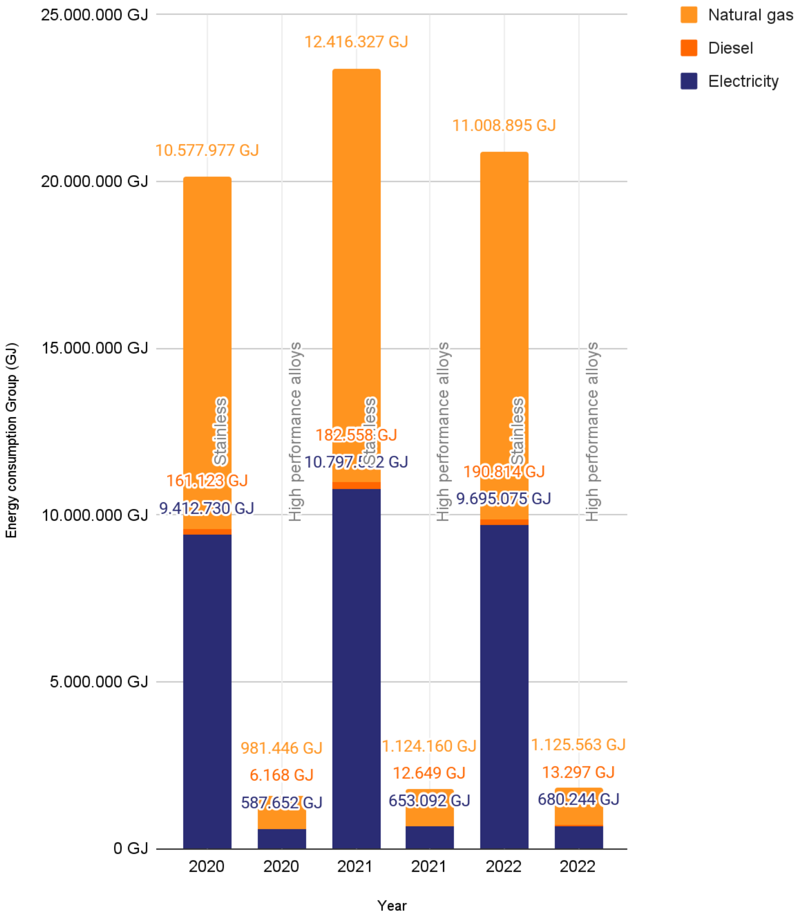


In 2022 Acerinox joined the Science Based Target initiative (SBTi) to set science-based goals for the coming two years. The Group is currently contributing to this project on sector guidelines for the steel industry, which are expected to be published over the course of 2023.

Responsible energy consumption is an essential feature of the Group's business activity. The Group is therefore aiming to reduce its energy consumption and improve energy efficiency, strategic issues in view of the Group’s nature as an intensive user of electricity.

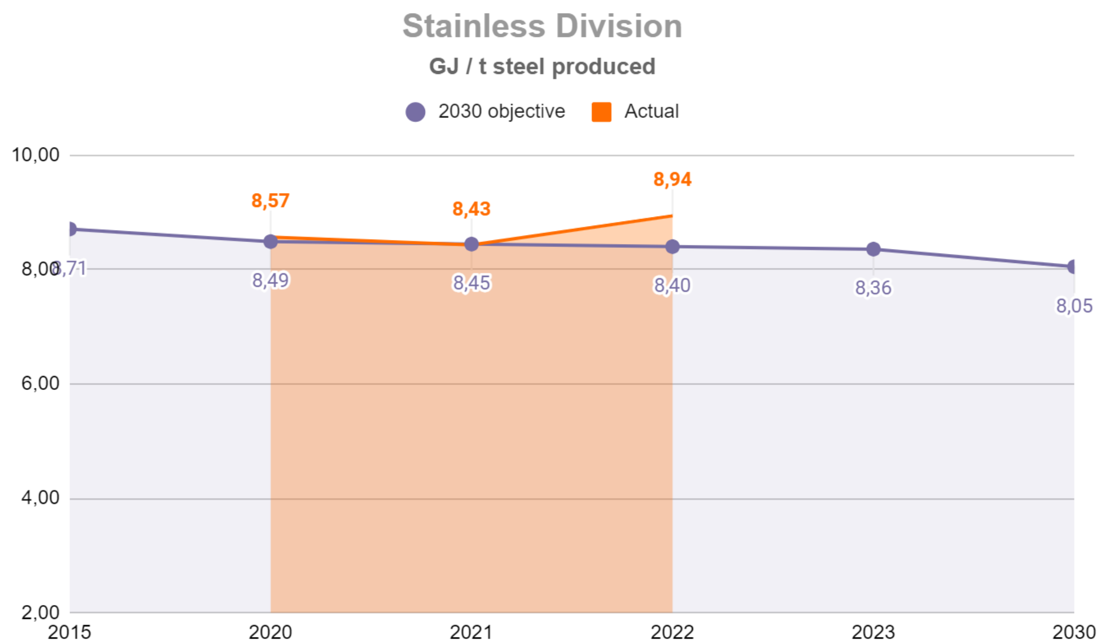
The Group is ramping up its use of renewable electricity by arranging renewable PPAs for the various plants, while bearing in mind the specific traits and possibilities of the various countries in which the Group operates.

The Group's energy consumption / 302-1



A further target was set to reduce the energy intensity of the Stainless Division by 7.5% by 2030 with respect to 2015 levels. However, this target is being impacted by the drop in production.

Target energy intensity of the Stainless Division / 302-3



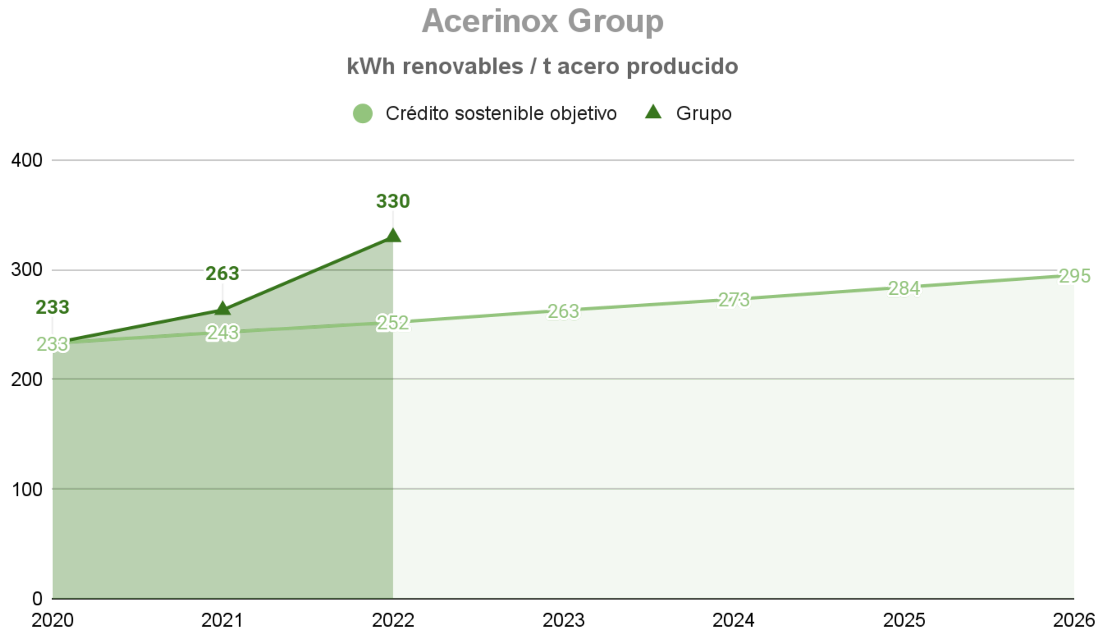
Both concepts are broken down into annual targets that are linked to the variable remuneration of the CEO and Senior Management. These targets are cascaded down through the various organisational levels.

Renewable energy certificates / 302-1 →

284,750 MWh + 170% increase on the previous year

One of the targets tied to the sustainable financing has been the 4% annual improvement in the renewable energy intensity ratio for the entire Acerinox Group (Stainless and High Performance Alloy Divisions) since 2020.

The Group's renewable energy intensity / 302-1



*Renewable energy consumption (PPAs + GOs), remaining energy from national energy mix (location-based)

5.2.2 Water stewardship

3-3 / 303-1 / 303-2 / 303-3 / 303-4 / 303-5

The production of stainless steel and high performance alloys requires a considerable volume of water, making its availability a key factor for Acerinox. Water stewardship is a crucial element for the Group. Water quality is assured by means of analyses performed by in-house and third party laboratories which provide information and analytical data. The analysis parameters include: suspended solids, pH and other water treatments, alkalinity and the water's iron, calcium, phosphorus and aluminium content, among others.

Acerinox is keenly aware that access to clean water and sanitation is a human right. In this regard the Group is an adherent to Sustainable Development Goal 6, Clean Water and Sanitation. As part of its sustainability commitment, the Company ensures all employees are provided WASH facilities (Water, Sanitation and Hygiene). These are provided safely and are fully operational at all plants, based on their specific needs. Acerinox guarantees that employees have appropriate access to clean water for drinking and washing purposes, as well as sanitation systems, thereby ensuring a healthy and safe working environment.

Main indicators / 303-3 / 303-4 / 303-5

8,940,757 Collection m^3	**5,490,924** Discharge m^3	**3,449,832** Consumption m^3

Relevant activities

Milestones 2022	Challenges 2023
• Water footprint calculated • Completion of CDP Water questionnaire, obtaining a B score • Specific water withdrawal objective met	• Water strategy

Water footprint

Acerinox has calculated its water footprint, an explicit indicator of how freshwater is consumed, such as when and where, and measured at each facility. The footprint takes into consideration both freshwater consumption and pollution. The Group is currently studying the water consumed by its processes, looking specifically at the consumptive use of freshwater, i.e. freshwater lost through evaporation or taken from one body of water and returned to another, or returned at a different time. This is known by the Water Footprint Network (WFN) as the blue water footprint. It also analyses the impact of its effluents, estimating the degree of pollution of freshwater resources by means of a grey water footprint.

In order to identify which production plants are located in areas of water stress, the Group uses the baseline water stress conditions as a reference, which are indicated in the World Resources Institute's Aqueduct Water Risk Atlas. Based on the classifications provided by this tool, Acerinox considers areas with water stress to be those in which the ratio of total surface or ground water withdrawn per annum for various uses (civil, industrial, agricultural and livestock) and the total available supply of renewable water per annum is high (40-80%) or very high (>80%). The resulting information allows for comparisons to be drawn between the water required for production and water availability in the country or catchment area. This determines the relevance of the water risks posed in order to adopt appropriate measures and facilitate dialogue with stakeholders. Each plant is assessed using the most geographically specific data available. Based on data from the Aqueduct Water Risk Atlas, currently four out of the 13 municipalities in which the Acerinox plants are located are in regions with high or very high water stress (Spain, South Africa and the United States).

The impact and risk of each facility are unique, based on the local context. The water footprint project will help facilities gain an understanding of their vulnerability to water scarcity and/or declines in water quality.

The influence of Acerinox on water catchment areas will enable it to devise on site water sustainability strategies as a local player, launch projects involving water replenishment in natural ecosystems, improvements to water quality, the reuse of waste water within catchment areas and the regeneration of water through efficient treatment processes.

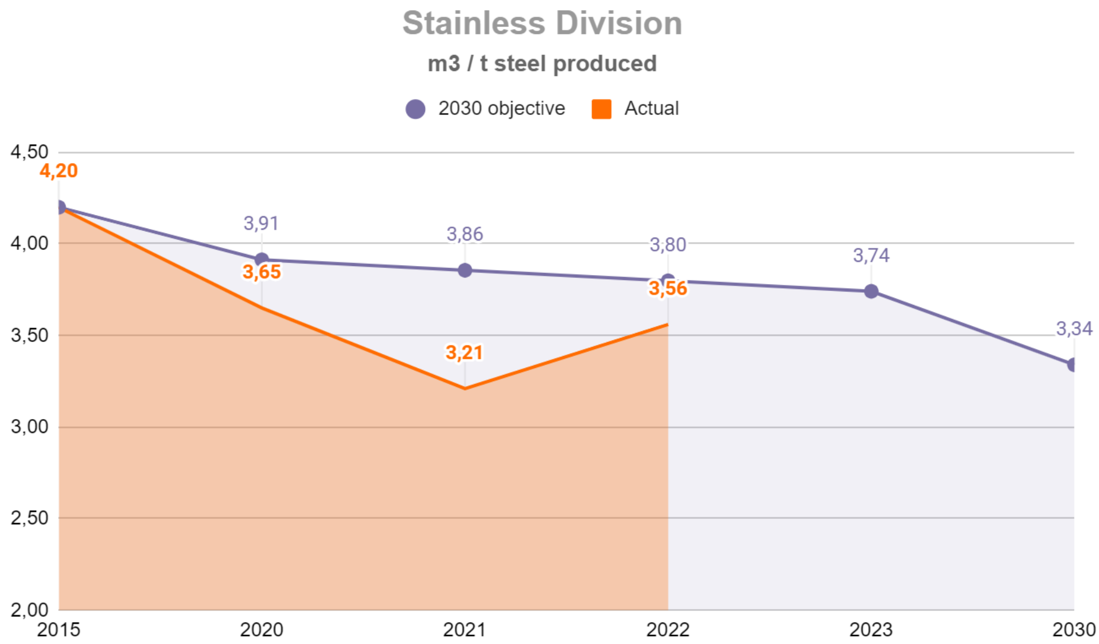
Improving the Group's water footprint will be addressed from various angles: reducing water used in manufacturing processes; optimising and making good use of raw and auxiliary materials; and treating and regenerating water for other uses or to be returned to nature. To that end, the reuse of water at the manufacturing plants is fundamental, as is increasing its possible uses, enhancing the processes that use water and tightening controls over water consumption in order to gain greater knowledge.

To assess these long-term risks (2030 and 2050), Acerinox considered the IPCC, RCP 2.6 and RCP 8.5 scenarios (for further information please refer to section 5.2.1 The fight against climate change).

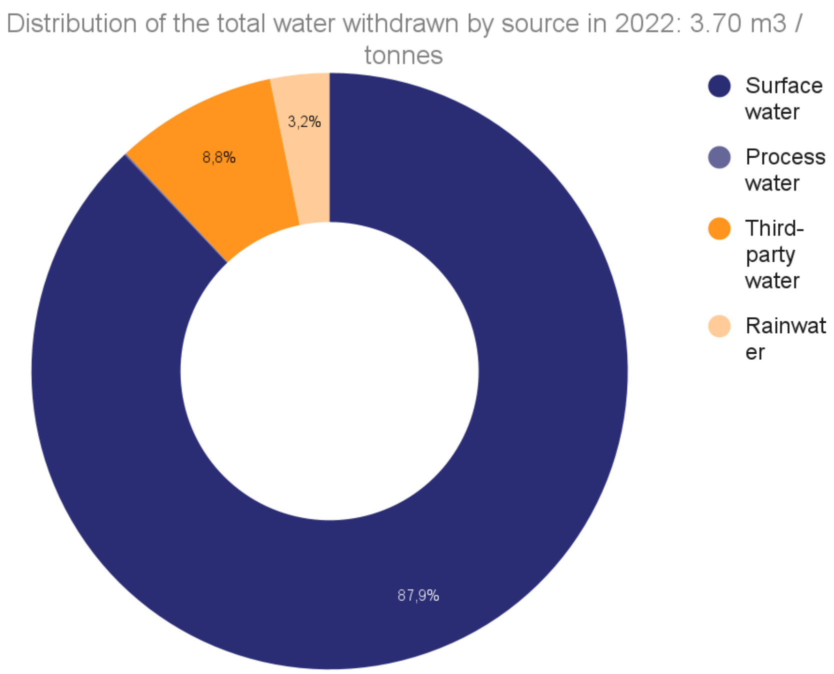
Water collection / 303-3

Water volumes withdrawn are measured on a daily basis using flow meters. This monitoring is not only performed for production processes, but also to ensure compliance with water permit requirements. Water volumes withdrawn are verified annually by a third party. The Acerinox Group is keenly aware of the importance of reducing water consumption, including a specific KPI in this regard in its Strategic Sustainability Plan.

In order to remain faithful to its principle of ongoing improvement, the Group continued to work towards its goal of reducing by 20% the specific water withdrawal of the Stainless Division by 2030, using the 2015 data as the baseline. The Group has met the annual targets thus far.



Acerinox also records the water collection source used for plant operations. Water volumes are taken from official and verified data and are measured daily by means of flow meters. The Acerinox Group uses various sources, the quality standards of which are certified by the supplier: surface water (main case), production water and third-party water (municipal water providers).



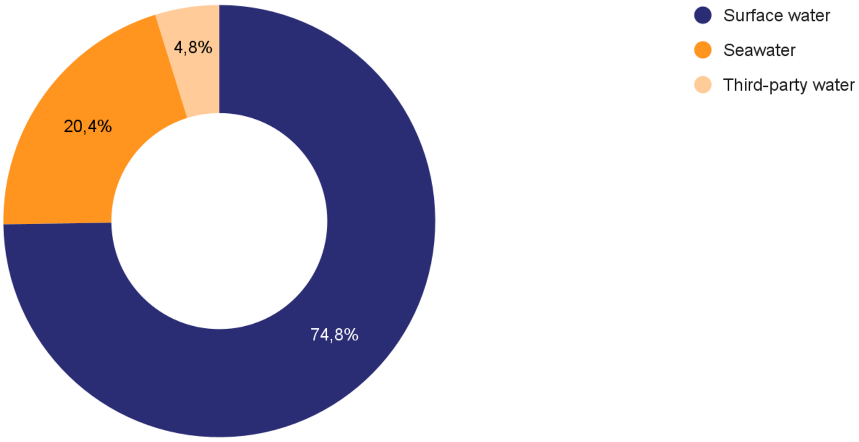
	Total			Stainless		HPA	
2022	**Total**	Non-water scarce areas	Water-scarce areas	Non-water scarce areas	Water-scarce areas	Non-water scarce areas	Water-scarce areas
Surface water	**7,859,120**	4,720,887	3,138,233	4,312,930	3,138,233	408	-
Groundwater	**0**	0	0	0	0	0	-
Seawater	**0**	0	0	0	0	0	-
Process water	**7,475**	7,475	0,000	7,475	0	0	-
Third-party water	**785,902**	492,219	293,683	287,230	293,683	204,989	-
Rainwater	**288,260**	0	288,260	0	288,260	0	-
Total	**8,940,757**	**5,220,581**	**3,720,176**	**4,607,635**	**3,720,176**	**613**	**-**

Water discharge / 303-2 / 303-4

Water discharge levels are a key environmental indicator for the Group and volumes are controlled in line with official requirements. Acerinox monitors discharges on an hourly basis by means of flow meters, which record the quantity and quality per destination: surface water, seawater or third-party water. Acerinox treats water prior to its discharge and has technology in place to measure and monitor major flows ahead of time. The plants carry out primary, secondary and tertiary treatments.

The factories have acid recovery and neutralisation plants for the efficient management of pickling acids and the correct treatment of acid and basic water. There are also emergency secondary containers to avoid spills and to recirculate flows. As regards the Acerinox Europa plant in particular, local authorities are connected to this monitoring system. Water discharges are tightly controlled in order to meet and ensure compliance with legislation and Emission Limit Values (ELVs). The plants adhere to applicable standards to verify their quality. For example, certain plants are certified under ISO 17025 to manage this quality system.

Distribution of the total water discharged by source in 2022: 5,490,924 m3



	Total			Stainless		HPA	
2022	**Total**	Non-water scarce areas	Water-scarce areas	Non-water scarce areas	Water-scarce areas	Non-water scarce areas	Water-scarce areas
Surface water	**4,105,172**	3,722,827	382,345	3,661,956	382,345	60,871	-
Groundwater	**0**	0	0	0	0	0	-
Seawater	**1,122,091**	0	1,122,091	0	1,122,091	0	-
Third-party water	**263,662**	229,929	33,733	0	33,733	229,929	-
Total	**5,490,924**	**3,952,755**	**1,538,169**	**3,661,956**	**1,538,169**	**290,799**	**-**

Responsible use

Acerinox considers water recycling an essential element within its commitment to sustainability and the circular economy. The manufacture of its products requires a continuous and intensive water-based refrigeration process. To that end the Group has various waste water treatment facilities (WWTF). The Group performs pickling processes in which the quality of the water is paramount. Acerinox implemented Best Available Techniques to optimise the use of recycled water with a view to attaining Zero Waste Status at all its plants (100% reuse of water). Various Group facilities have already implemented Zero Waste initiatives, while others are lining up investments to achieve said status.

5.2.3 Other environmental aspects

305-7

In line with its fight against climate change, Acerinox channels its efforts into minimising the impact of its operations on the environment, including the reduction of atmospheric emissions, such as dust and particulates. In this regard, the Group's plants monitor and control their emissions of nitrogen oxides, volatile organic compounds and particulate matter (PM).

648 tonnes	32 tonnes	280 tonnes
NOx	VOCs	PM

	2022		
	Total	**Stainless**	**HPA**
NOx	648	620	28
VOCs	32	32	0
Particulate matter	280	280	0

The plants are fitted with catalytic towers that reconvert nitrogen oxides into molecular nitrogen, which helps to minimise these emissions, alongside other filtration systems. The Group is also committed to initiatives that avoid the emission of atmospheric pollutants and other environmental damage, such as the use of canopies and noise barriers. Acerinox is also driving the implementation of work methodologies and technologies that mitigate the emission of dust and suspended particulate matter, such as the success story at the NAS plant.

Reuse of AOD dust

Acerinox identified the opportunity to reduce CO_2 emissions by avoiding the elimination of waste and reducing raw material consumption thanks to the reuse of the AOD dust (Argon Oxygen Decarburization) that is emitted by the filtration chambers at the NAS melting shop. AOD dust is renowned for its high concentration of dolomitic lime (>50%) and low metal content. Researchers concluded that although it was not possible to recover the metal, the considerable percentage of dolomitic lime could be reused in the process. After receiving the green light from the authorities, NAS commenced use of AOD dust as an ingredient in the electric arc furnace. AOD dust is now therefore acting as a replacement for freshly sourced dolomitic lime. The practice of using AOD dust as a substitute for dolomitic lime in the furnace gives rise to cost savings and waste recovery, as well as a reduction in the CO_2 emissions associated with both.

Biodiversity / 304-3

The Acerinox Group is committed to preserving biodiversity. Conscious of the urgent need to put the brakes on the rapid loss of species, the Group performs its activities in harmony with nature and pays special attention to its impact on ecosystems.

In order to place biodiversity at the forefront of its commitment to sustainability, Acerinox is carrying out a thorough review of its commitment to biodiversity protection, which enables it to strengthen the preservation of ecological diversity throughout the life cycle and minimise its impact on flora and fauna.

Case study

Project FIUS Research study into the exotic Rugulopteryx Okamurae species of algae.

The problems associated with the spread of the invasive Rugulopteryx Okamurae algae, native to warmer tropical waters, are unprecedented in both the Strait and Bay of Gibraltar in view of its environmental, social and economic impact, as well as its effect on the natural landscape. In terms of diversity, the impact generated by the algae is profound. In addition to its environmental impact, which has become all the more apparent in recent years, its interference with fishing activities and its appearance on beaches has also had a major socio-economic impact.

Scientific knowledge regarding the physiology and biology of this species, as well as the associated ecological work, was extremely thin on the ground. Acerinox Europa's support for the research is aimed at developing effective surveillance and early detection measures to mitigate potentially invasive exotic species in port infrastructure and surrounding ship anchoring sites that are the origin of the invasion.

5.3. Circular economy and sustainable products

5.3.1 Circular economy

3-3 / 306-1 / 306-2

Acerinox is a leader in circular economy, which is demonstrated by its products. Stainless steel is a material with a long useful life that can be recycled infinitely. To produce it, Acerinox uses scrap as its main raw material, attaining values of over 90% of recycled material at the start of the process.

During manufacture and at the end of the process, Acerinox seeks to recycle and reuse as many of the resources used as possible. Such is its commitment that Acerinox has a long-term target linked to recycling 90% of all waste generated by 2030.

To promote sustainable growth and the responsible use of resources, Acerinox has a general Sustainable Production and Marketing Policy, accessible on the corporate website, which sets the Group's general principles of sustainable action in the acquisition of goods and services, production and distribution and ensures that all its production activities are carried out in a way that respects people, the environment and the community in general, all within the possibilities offered by science, the best available techniques and competitiveness.

Main indicators 301-2 / 306-4

2,259,217 tonnes RECYCLED MATERIAL AS RAW MATERIAL	**79 %** OF WASTE RECYCLED

Relevant activities

Milestones 2022

- Performance of various initiatives to recover slag from the Algeciras plant
- Awarding of the most prestigious sustainability accolade, the EcoVadis platinum award
- Awarding of the Responsible Chromium recognition associated with the EcoVadis platinum award

Challenges 2023

- Obtaining CE certification for slag from the Algeciras plant

Raw materials / 301-1

2,259,217	697,324	316,862	39,968	16,264
Recycled material*	**Alloys**	**Gases**	**Acids**	**Recycled acid****

*Recycled material is defined as purchased scrap, process and internal scrap, metal recovered from slag and other recycled waste.

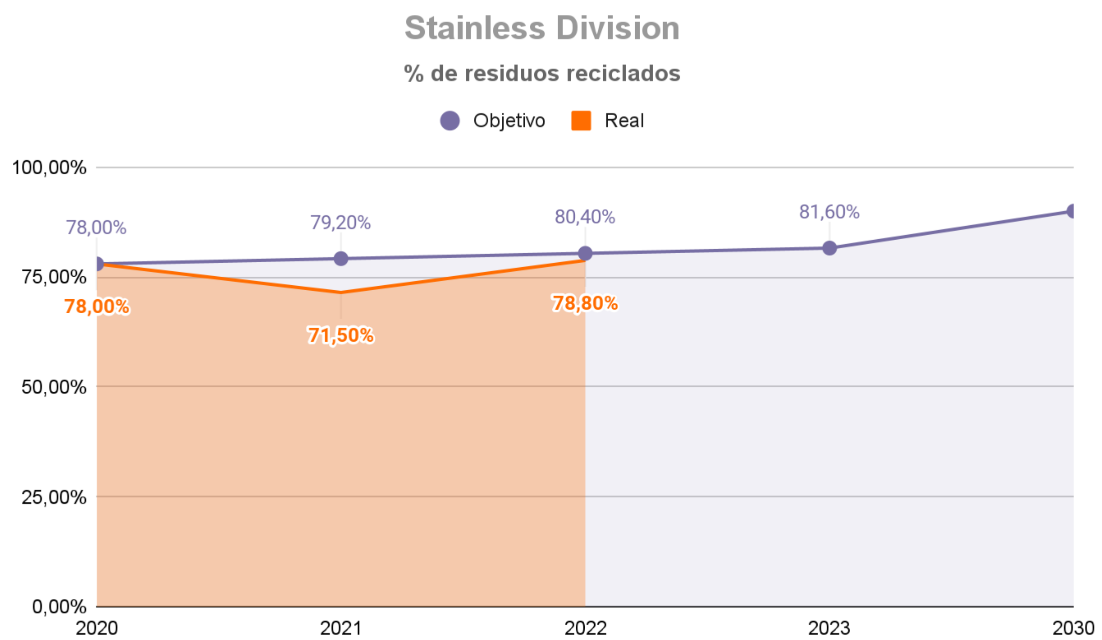
**Recycled acid: Total amount of nitric and hydrofluoric acid recovered.

Waste management

Waste generated, sorted by type of management and composition / 306-3 / 306-4 / 306-5

	2022		2021		2020	
Total waste	**1,572,089**	%	1,669,804	%	1,382,841	%
Landfill	333,533	21.2%	471,113	28.2%	302,191	21.9%
Recycled/Recovered	1,238,477	78.8%	1,193,399	71.5%	1,079,247	78.0%
Other (R&D&i)	79	0.0%	5,292	0.3%	1,403	0.1%
Total non-hazardous waste	**1,432,962**	91.2%	1,521,645	91.1%	1,253,389	90.64%
Landfill	252,595	17.6%	385,541	25.3%	232,600	18.6%
Recycled/Recovered	1,180,298	82.4%	1,135,377	74.6%	1,019,386	81.3%
Other (R&D&i)	70	0.0%	727	0.0%	1,403	0.1%
Total hazardous waste	**139,127**	8.8%	147,730	8.8%	129,452	9.36%
Landfill	80,939	58.2%	85,535	57.9%	69,591	53.8%
Recycled/Recovered	58,179	41.8%	57,630	39.0%	59,861	46.2%
Other (R&D&i)	9	0.0%	4,565	3.1%	0	0.0%

The Group worked towards the 2030 waste reduction target, using its best practices in the various factories, achieving recycling of almost 80% of the total waste generated.



Acerinox operates by minimising the generation of waste, seeking to make the most of all the resources used throughout the production process. The Group's factories therefore have management systems in place that include actions such as those mentioned below:

- Procedure for the correct labelling, storage, handling and transport of hazardous substances.
- Employee training in the safe handling and management of hazardous substances.
- Mapping of waste streams to sort waste and facilitate disposal through appropriate waste handling methods such as reuse and recycling.
- Effluent treatment plants.
- Heat recovery boilers: this is a system that simultaneously generates at least two different forms of energy from one single fuel source. The generator recovers and reuses its own waste heat from the combustion of natural gas or processed petroleum gas to generate steam that drives auxiliary turbines to produce additional power.
- Procedures relating to the correct storage and handling of hazardous substances, such as processes to prevent accidental spills or instructions on the use of appropriate personal protective equipment (PPE) when handling hazardous substances.

From neutralisation sludge to bricks

In 2022 Bahru shipped 1,749 tonnes of acid neutralisation sludge for the waste recovery project to turn the sludge into unfired bricks. These 1,749 tonnes of sludge have been converted into 1.4 million units of bricks and supplied to the local market for the construction of buildings and urban developments.

The Sludge-to-Brick project is currently in its final phase to obtain the MyHIJAU Mark, Malaysia's official green recognition for environmentally-friendly products and services, initiated and supported by the Malaysian government.

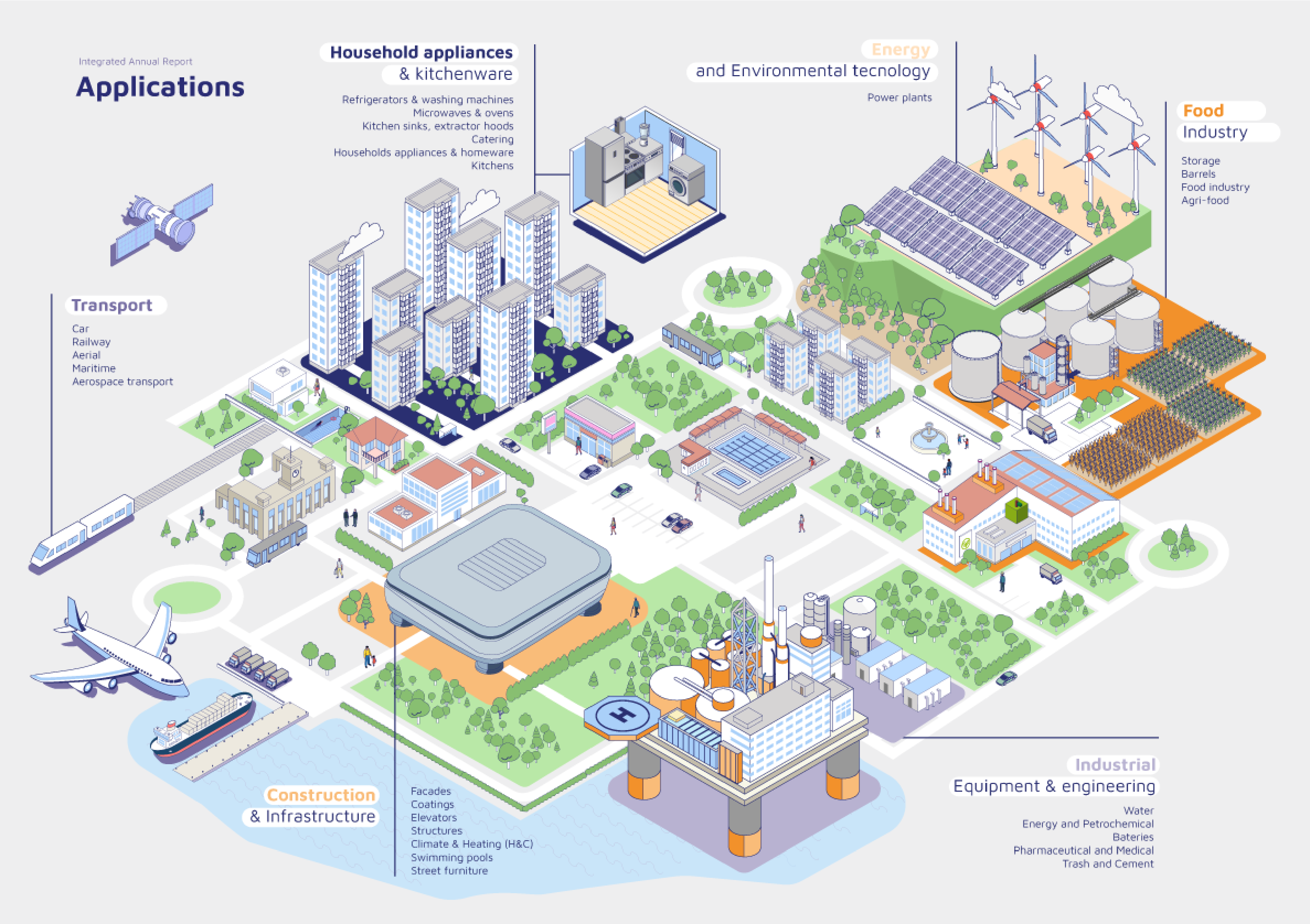
Bahru environmental awareness programme

The Environment Department organised the "From Waste to Pot" competition for World Environment Day.

The programme aims to encourage factory employees to make handmade pots from waste materials, to raise environmental awareness among workers and to promote waste recycling and reuse.

The handmade pots embody the efforts of our employees to support waste recycling to protect the environment and also boost employee engagement. The handmade pots were planted with beautiful green plants and used to decorate the offices.

5.3.2 Sustainable solutions



5.3.2.1 Process and product certifications and controls/ 416-1

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

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

Links:

ACX Europa: https://acerinox.com/en/grupo-acerinox/fabricas/acerinox-europa/informacin-de-inters/

NAS: https://www.northamericanstainless.com/quality/

Roldán: https://acerinox.com/en/grupo-acerinox/fabricas/roldan/informacin-de-interes/

Inoxfil: https://acerinox.com/en/grupo-acerinox/fabricas/inoxfil/informacin-de-interes/

Columbus: https://www.columbus.co.za/products/certification-markings.html

Bahru: https://acerinox.com/en/grupo-acerinox/fabricas/bahru-stainless/informacion-de-interes/

VDM Metals: https://www.vdm-metals.com/en/

5.3.3 Innovation

Investment in fixed assets

Investments in property, plant and equipment and intangible assets amounted to Euros 154 million. These investments include both the acquisition and installation of new equipment and recurring maintenance investments.

In many cases, they are investments to improve efficiency and productivity, but they are also of a strategic nature and geared towards sustainability, as they entail reductions in energy consumption.

At Acerinox Europa, the investments (including maintenance) totalled Euros 53 million, up 37% on 2021, including the slag storage facility and the new CS-6 cutting line.

The investments made by North American Stainless amounted to Euros 44 million, up 56% on 2021, earmarked for the maintenance of existing equipment, upgrading of the AP1, the new SL-5 longitudinal slitting line and replacement of equipment damaged by the melting shop incident and replacement of wiring.

At Columbus Stainless, investments in the year amounted to Euros 20 million, up 92% on the previous year, including notably the installation of tanks for oxygen and nitrogen storage as well as investments in equipment maintenance.

VDM invested Euros 28 million in the year, up 39% on last year, earmarked for production growth, product quality improvement, safety, environment and the maintenance of existing equipment.

For the Group's factory in Malaysia—Bahru Stainless—in 2022 Acerinox allocated Euros 2 million, compared to Euros 1 million in 2021.

Roldán and Acerinox, S.A. received an investment of Euros 5 million in 2022, compared to Euros 2 million in 2021.

R&D&i

Innovation is one of Acerinox's corporate values and is a source of improvement in order to compete in a market as globalised and competitive as the stainless steel market.

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

Three work groups were also created, focusing their efforts on the development of materials, improvement of production processes, implementation of new processes, and the promotion of innovation processes, which includes, inter alia, the management of Group patents and push for sustainable processes. Some examples of the projects launched in 2022 are related to the use of stainless steel for renewable hydrogen storage and the use of hydrogen as a fuel in the heating furnaces of factories.

This exchange of experiences between the Group's business units is open to the contribution of any employee with the aim of making the most of the extensive know-how of Acerinox staff.

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

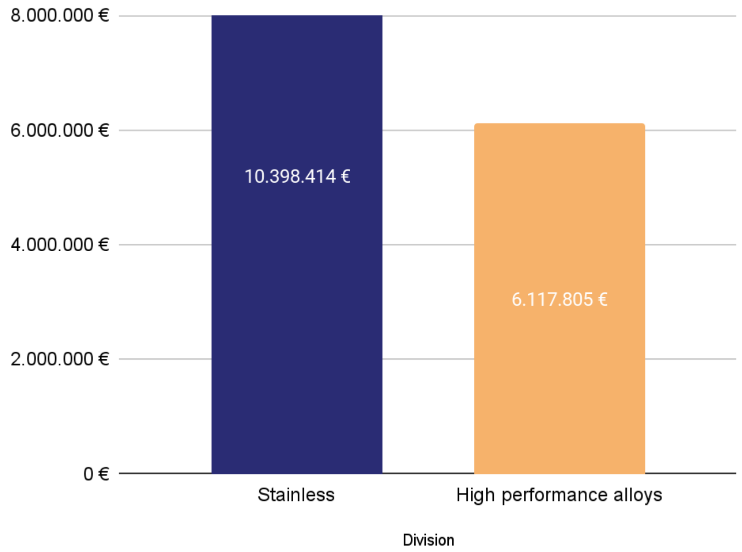
More than 40 people in the Group, located in various production plants, dedicate their knowledge and efforts to research and development tasks. In addition to these 40 people, there are also personnel who work in the laboratories of each of the Group's plants to find new alloys and improve the properties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

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

Active projects in 2022 include the AUSTRONG project, a European project performed alongside Italian, Spanish and Finnish institutions, which aims to develop a new, more sustainable steel for the hydrogen economy. This material is designed to withstand the most demanding working conditions, even when the hydrogen is in a liquid state. Also noteworthy in Spain is the CERES project. Led by Acerinox Europa, this project aims to evaluate the development of a circular economy based on mineral waste from steel plants. The project analyses the main challenges of these materials and their recovery in a safe legal environment that is sustainable in the long term.

2022 R&D&i investments and expenditure

Group total: €16,516,219



CEDINOX

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

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

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

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

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

World Exhibition and Conference in Maastricht, the Metal Madrid Fair and the Tube and Wire Fair in Düsseldorf allows it not only to know the market and the sector in depth, but also to take part in lectures and forums. It also collaborates in the World Stainless (International Stainless Steel Forum) activities and its working groups. Its growing presence on social media such as LinkedIn, Instagram and YouTube, is another way of bringing the material closer to all kinds of audiences. The association's actions are not limited to Spain, as it is also active in other international territories through International Advisory Centres (IACs).

But undoubtedly, one of the activities that Cedinox carries out that has the greatest impact on our society is the training activities it offers in universities and in companies. In 2022, Cedinox carried out a total of 37 courses in different Spanish universities, managing to bring stainless steel closer to nearly 1,500 engineering and architecture students. It also gave courses at different companies. Cedinox has a very close relationship with universities and the main research centres, and as a result of this link, the Acerinox Award was created for the best university engineering or architecture project related to stainless steels, which is now in its 7th year.

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

https://www.cedinox.es/en/cedinox/que-es-cedinox/

5.4. Committed team, culture, diversity and safety

The Acerinox Group culture is shaped by its mission, vision and values, which include specific references to human capital management and, specifically, to Acerinox's commitment to being a benchmark employer in its sector.

The Group is focused on attracting and retaining the best talent, to which end it implements initiatives that facilitate equal opportunities, foster diversity and the inclusion of all its professionals, and that promote a healthy and safe working environment.

5.4.1 Attracting and retaining talent

3-3

The Recruitment and Promotion Policy, accessible on the website, sets out the Group's basic principles in this area, which are implemented across all Group companies.

Acerinox is present on all five continents, providing skilled employment and professional growth opportunities in a trust-based environment that ensures stable, quality, safe and healthy employment.

Key indicators 2-7 / 404-1 / 404-3

8,124* EMPLOYEES	57.9 h TRAINING / EMPLOYEE			

*The headcount figures in this section do not include nine members of Senior Management and 68 employees from VDM Metals' sales subsidiaries.

Relevant activities

Milestones 2022

- Launch of the second edition of Ignite Next Generation, the programme to develop future leaders.
- Roll-out of the Management by Objectives (MBO) programme to 1,300 employees.
- Participation of women executives or women with high potential in the Progress-Promotion programmes rolled out by the Spanish Confederation of Employers' Organisations (CEOE).
- The entire HR team being certified as Experts in Equality and Diversity.
- The Excellence Talent programme to foster development based on external assessments of an employee's skills.
- Presence at job fairs at various universities.

Challenges 2023

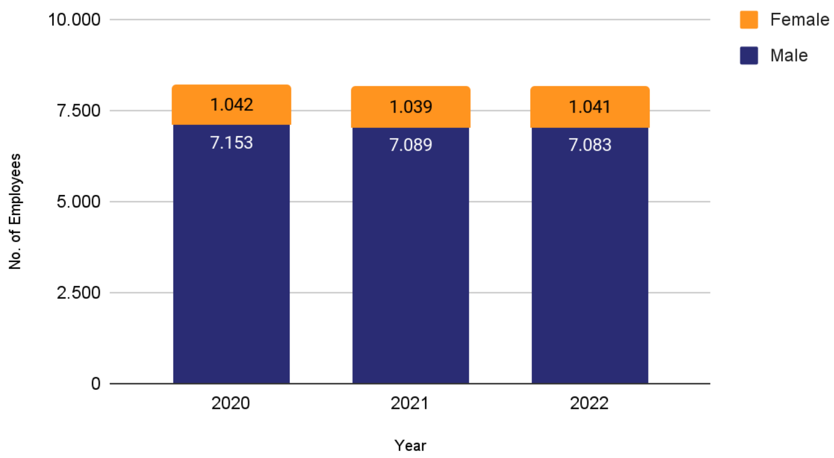
- Completion of the Management by Objectives (MBO) programme roll-out for the entire workforce and its inclusion in the target-based variable remuneration policy.
- Consolidation of the Group's position as a benchmark employer.
- Development of the Acerinox Global Insights communications programme.

The Acerinox Group had a total headcount of 8,124 people at 31 December 2022. Of this figure, 33.27% (2,703) perform their activity in Spain.

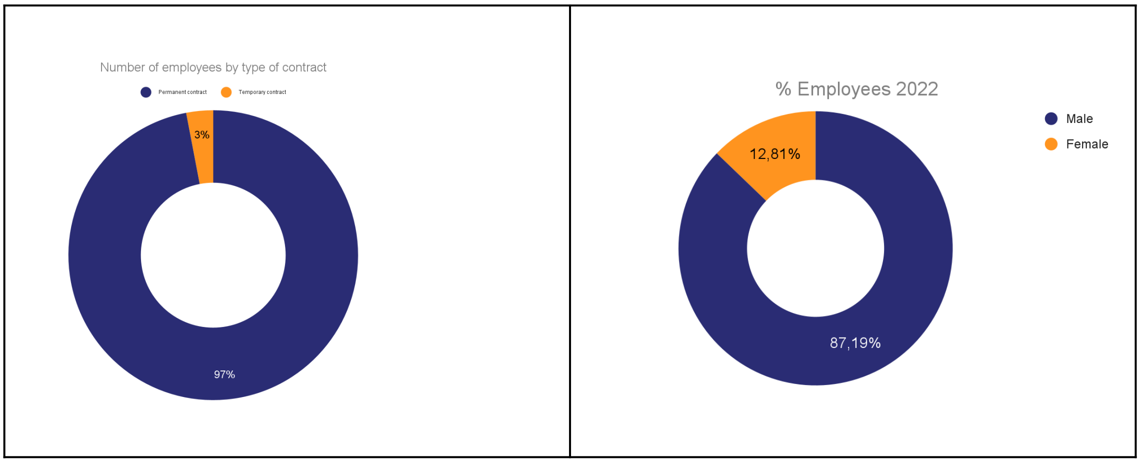
Acerinox Europa	Acerinox, S.A.	Bahru	Columbus	Inoxfil	NAS	Roldán	VDM	Subsidiaries and service centres	Total
1,775	102	387	1,223	99	1,560	377	1,904	697	**8,124**

Against the current uncertain backdrop, the Acerinox Group's commitment to its employees can be observed in its efforts to safeguard jobs and in the high percentage of permanent employment contracts (97%).

Variations in the workforce / 2-7



Distribution of workforce by gender and contract type / 2-7



The Group is implementing initiatives designed specifically to foster the hiring of highly-skilled professionals and young university graduates (e.g. "Commercial Graduate Program") with the aim of rejuvenating the workforce and increasing the presence of women (12.8%), in order to remain highly competitive.

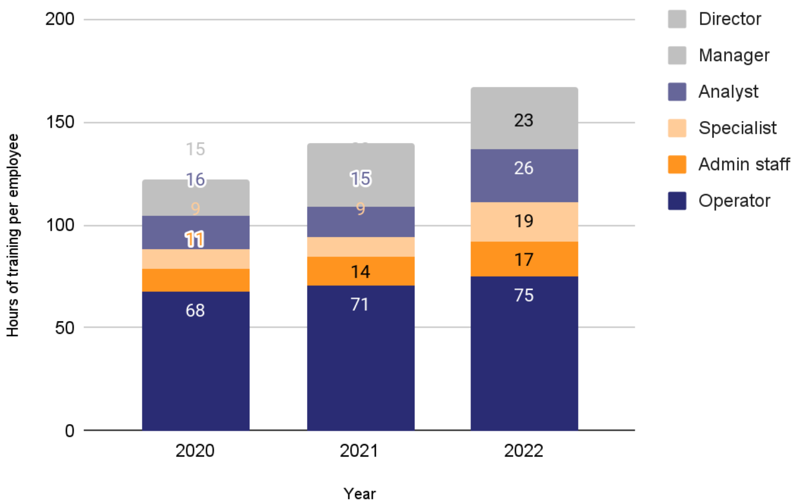
Of particular note in this regard are the collaboration agreements the Group has reached with some 30 universities and training centres to bring new talent on board that will ensure fresh and up-to-date expertise.

Acerinox is also upping its presence at universities by participating in job fairs in Europe, South Africa, the United States and Asia.

Acerinox promotes a training model that is adapted to the needs of each job position in order to enhance performance. The number of training hours per employee has increased significantly with respect to the prior year (9%).

The current environment is complex, dynamic, changeable and digital, which requires rapid and agile adaptation and the adoption of new ways of thinking, working and relating to others. The industry is constantly evolving, which requires learning to work in a new digitalised world, implementing flexible methods to upskill professionals, as well as changing the corporate culture and business mentality. To that end, Acerinox is focused on promoting technical skills.

Hours of training per year per employee / 404-1



Maintaining its position as a global leader in the sector is only possible thanks to a robust talent attraction and retention model, as the commitment and involvement of employees is what helps the Group create the Acerinox of the future.

To that end, in addition to the individual development plans, the Group also launched the Excellence Talent Programme, an internal talent management scheme that helps professionals to forward their careers within the Company.

This programme enables participants to identify their strengths and development opportunities based on a personalised report drawn up by external consultants, based on Acerinox's skills assessment model. This report also recommends concrete steps to take in order to enhance the individual's performance.

Dialogue is also fostered between the collaborator and the talent management area in order to best address the challenges that lie ahead.

The individual development programmes at every level of the organisation are aligned with the Management by Objectives (MBO) scheme and, consequently, with the Company's short and medium-term strategy, thereby ensuring a successful outcome for both employees and the business.

EXTENSION OF THE MANAGEMENT BY OBJECTIVES (MBO) PROGRAMME

The Group rolled out the Management by Objectives programme to a total of 1,300 employees in 2022, helping to improve individual and overall performance and bringing personal goals into line with the Company's strategic objectives. This programme forms the backbone of the annual variable remuneration policy as it sets objectives at a Group, department and individual level, thereby facilitating employee cohesion with the achievement of common goals. There are plans to extend this programme to the entire workforce in 2023 and to include it in the target-based variable remuneration policy. / 404-2

Collective agreements

The Group has entered into collective agreements at practically all its production centres. This ensures open, fluid and cooperative dialogue with workers' representatives on matters related to working conditions and health and safety, among other issues. Meetings with workers' representatives are held regularly or whenever required to address a specific issue.

CASE STUDIES

Ignite Next Generation 2022

This is an executive development programme that is run in conjunction with an internationally renowned business school. The first edition saw the participation of 60 professionals in leadership positions from every Group company. The 2022 edition saw the involvement of 90 individuals holding positions of responsibility in the various countries, business units and departments.

To design this programme the individual development plans were taken into account, as were current trends globally, and the future challenges and hurdles facing Acerinox.

The Ignite Next Generation programme is six months in length. It is a hybrid of online and classroom-based modules that aims to foster networking among the various business units and divisions across all geographical locations. In addition to the academic modules, there is a section given over to the execution of innovation projects and interaction with members of Senior Management.

The programme focuses on the performance of various leadership duties: innovation, business leadership through results and team leadership. The purpose is to prepare professionals to be agents of change and to be aware of the external environment and future trends in order to have a broader perspective of the global challenges.

EMPLOYEE SATISFACTION

Feedback from employees in 2022 revealed a high level of commitment within the organisation globally. Group employees recognised having a great deal of trust in the future of Acerinox and held in high regard the quality of its products and the Company's reputation in the industry. They also positively rated workplace safety and the working environment, as well as cooperation among employees. These are all fundamental aspects to build a better future for all Acerinox personnel.

This information was collated over the course of 2022 through all internal communication channels available to employees (suggestion boxes, fora, training, internal channels, meetings of various commissions and committees, feedback from performance evaluations, etc.). This initiative will be developed further in 2023 as an element of continuous improvement.

ACERINOX GLOBAL INSIGHTS

In order to improve dialogue with employees and align professionals with the business strategy, a new initiative, Acerinox Global Insights, was launched. These are regular conferences for all Group employees delivered by various business leaders. Thanks to these presentations, employees are given a more in-depth picture of the challenges that lie ahead and Acerinox's strategic aspects; a place to share and debate different matters of interest for the organisation.

5.4.2 Equality, diversity and inclusion

The Equality, Diversity and Inclusion Policy, accessible via the website, sets out the Group's basic principles in this area, which are implemented across all Group companies.

Acerinox has various initiatives in place to promote the participation of women, especially at professional levels and for positions in which women are under-represented.

Main indicators 2-7 / 404-1

12.81% Women	**75%** Of Equality Plan tasks complete	**256** Employees with a disability

Relevant activities

Milestones 2022

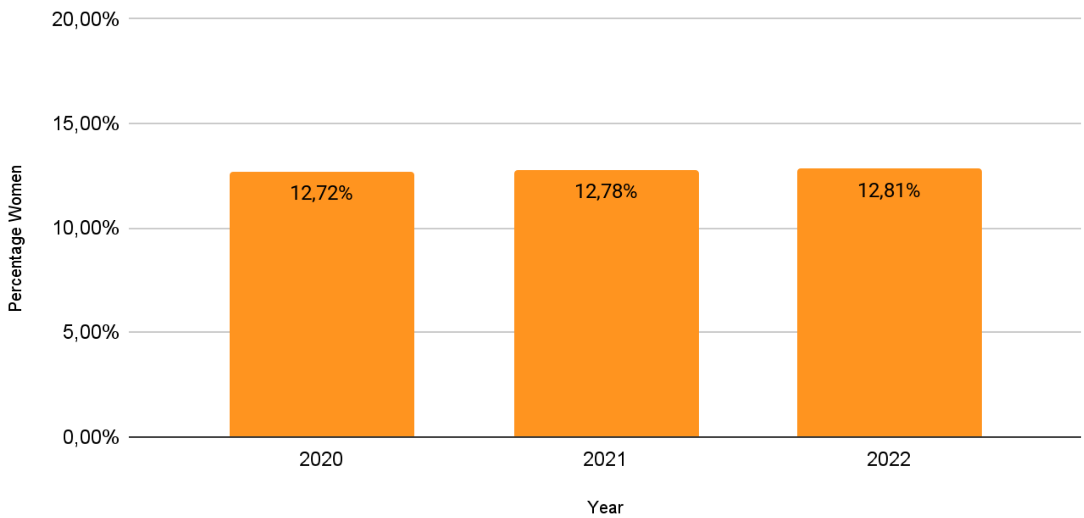
- Monitoring and Assessment Committee meetings regarding the equality plans in force.
- Equality and diversity training with 100% participation rate.
- Female leadership initiative with involvement in specific development tasks.

Challenges 2023

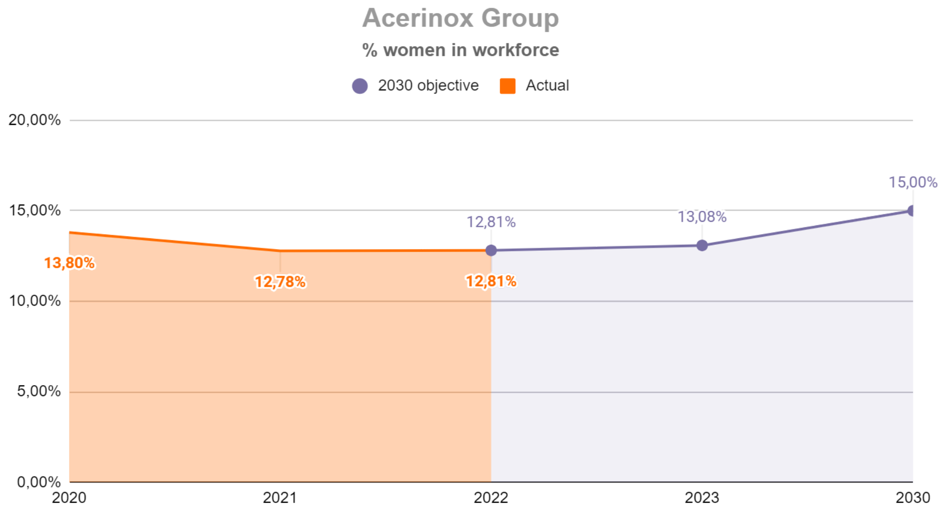
- Complete the initiatives agreed in the equality plans (75% complete).
- Press ahead and increase female leadership initiatives (Progress, Promotion and Women of Steel programmes).
- Promote an awareness campaign around comprehensive protection against sexual violence for all personnel.

The percentage of women in the workforce has remained steady, albeit up slightly on the previous year to represent 12.81% of the entire Acerinox headcount. If operators are removed from the equation, women represent 32.34% of the workforce.

Women in the workforce (%) / 2-7



The Acerinox Group has reviewed its target of adding women to the workforce, setting a target of 15% by 2030.



Acerinox has equality plans at all Group companies in Spain and drives specific initiatives that are adapted to the reality in each country. The equality plans are structured around eight pillars:

- Communication and awareness-raising.
- Selection and recruitment.
- Remuneration and the gender pay gap.
- Equal distribution of responsibilities and work-life balance.
- Classification, promotion and under-representation of women.
- Training and professional development.
- Occupational health and safety and the prevention of all forms of harassment.
- Attention paid to gender-based violence.

In 2022 75% of the tasks set out in the equality plans were accomplished, which notably included those related to communication and awareness-raising, specific training on this issue for both senior and middle management, as well as those sitting on the committees charged with monitoring the equality plans; improvements to recruitment and selection procedures to ensure they do not contain discriminatory or biased components of any kind; a regrading of positions based on their contribution to the business; measures to ensure the equal distribution of responsibilities; and the inclusion of a gender perspective in health and safety reports, etc. The initiatives included in these plans promote the hiring of women and their equal treatment, resulting in women representing 12.81% of the workforce.

To manage diversity and non-discrimination due to any kind of personal or social circumstances, the Group considers the specific conditions at the locations where it operates, which, in view of their geographical dispersion, present major cultural differences. Specifically, Acerinox fosters the workplace inclusion of people with different abilities. In this regard, the Group has 256 employees with some form of disability recognised by pertinent local institutions.

Moreover, the Group's remuneration model promotes fair and transparent pay that is not skewed by any discriminatory or gender-based bias. The pay gap between women and men stood at 14.66% in 2022, which is down 1.31% with respect to the previous year. This difference is primarily due to the later addition of women to the workforce and their under representation more broadly in the industry. These factors have an adverse effect on women in terms of receiving salary items associated with concepts such length of service, experience, specialisation or shift work.

In 2022, total remuneration paid to members of the Board of Directors was Euros 4,250 thousand. The four female members of the Board were paid Euros 514 thousand. Remuneration to the Senior Management team, excluding the CEO, totalled Euros 8,124 thousand. At the General Shareholders' Meeting held on 16 June 2022, the Policy for the Remuneration of Directors was endorsed by 83% of the votes.

Acerinox supports the work-life balance and well-being of its employees through flexibility measures and social benefits such as life insurance, medical insurance, flexible working hours and intensive working days, among other aspects.

Over the course of 2022, 335 employees took maternity and paternity leave, after which return-to-work and retention rates remained high (95%).

5.4.3 Health and safety

403-1 / 403-2 / 403-3 / 403-4 / 403-5 / 403-6 / 403-7 / 403-8 / 403-9 / 416-1

Safety is a cornerstone of working at Acerinox and one of its corporate values. The commitment to the health and safety of the people working at our facilities is woven into every level of the Company, from Senior Management to the entire workforce. These same stringent levels are also demanded of third-party contractors.

The Group has an **Occupational Health and Safety Policy**, the objective of which is to reach Zero Accidents involving employees or contractors. This policy, accessible via the website, sets out the Group's basic principles in this area, which are implemented across all Group companies.

In 2022 the Group drew up a health, safety and environment strategy for the coming five years based on six fundamental pillars:

- Integration of the health, safety and environment management system.
- Safety-focused corporate culture.
- Health, safety and environment corporate processes.
- Structure of safety processes.
- Reduction in the environmental footprint.
- Health, safety and environment in Industry 4.0

Key indicators 403-9

4.14 LTIFR * x 1,000K	**8.69** TRIFR ** x 1,000K			

*LTIFR: Lost time injury frequency rate

**TRIFR: Total recordable injury frequency rate

Relevant activities

Milestones 2022

- Global Lean Manufacturing based on a 6S management system (5S + Safety), the touchstones of which include 6S audits, and Gemba Walks
- A significant reduction in accident rates.
- Implementation of a leading indicator panel on HSE performance
- Variable remuneration tied to health and safety targets.

Challenges 2023

- ISO 45001 certification for all facilities.
- Variable remuneration tied to a reduction in the TIR rate.
- Development and implementation of corporate HSE management procedures.
- Development of a safety programme for corporate processes.

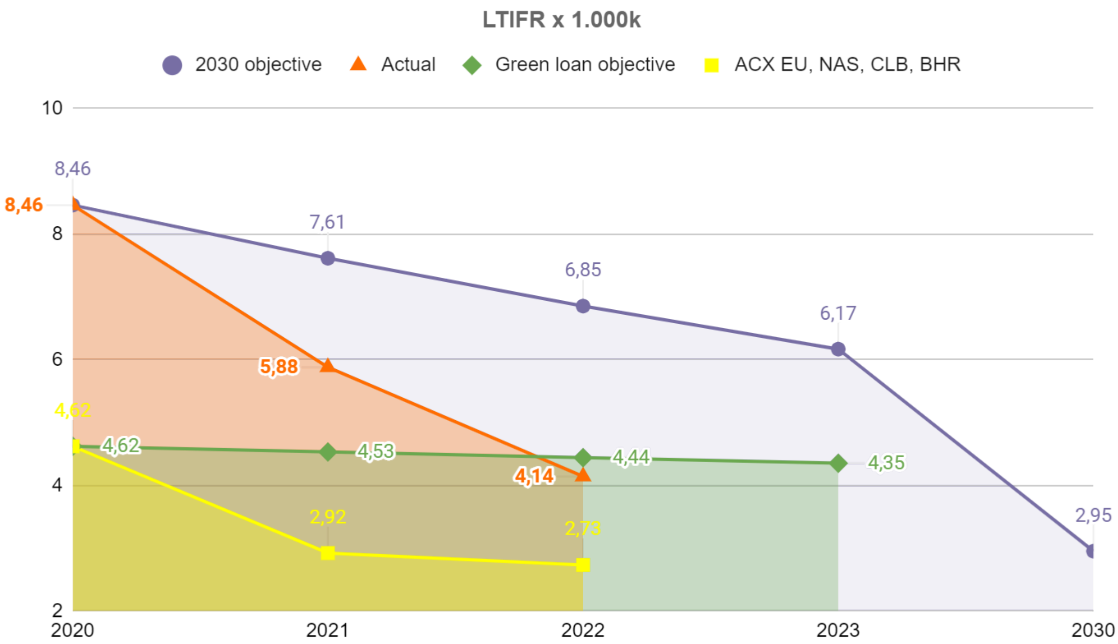
- Sustainable financing linked to a reduction in the accident rate.

All Acerinox Group companies have a health and safety management system. The goal for 2023 is to have all these system certified under ISO 45001.

The management system sets down the procedures, committees and participation mechanisms required to implement an appropriate safety culture at the Group and among contractors.

Since 2021 the Group has implemented various initiatives following Global Lean Manufacturing methodology, which are based on a 6S management system (5S + Safety), the touchstones of which include 6S audits, Gemba Walks, prevention observations, LOTO audits and problem-solving techniques.

Work was also performed in 2022 to identify and monitor the new leading indicators, thanks to the use of new tools such as ALMA. The roll-out of these initiatives at the Group's plants has strengthened the corporate safety culture and propelled the organisation forwards as regards improving the accident rates with respect to previous years.



LTIFR, decline of 29.6% on 2021, and TRIR, reduction of 36% with respect to 2021.

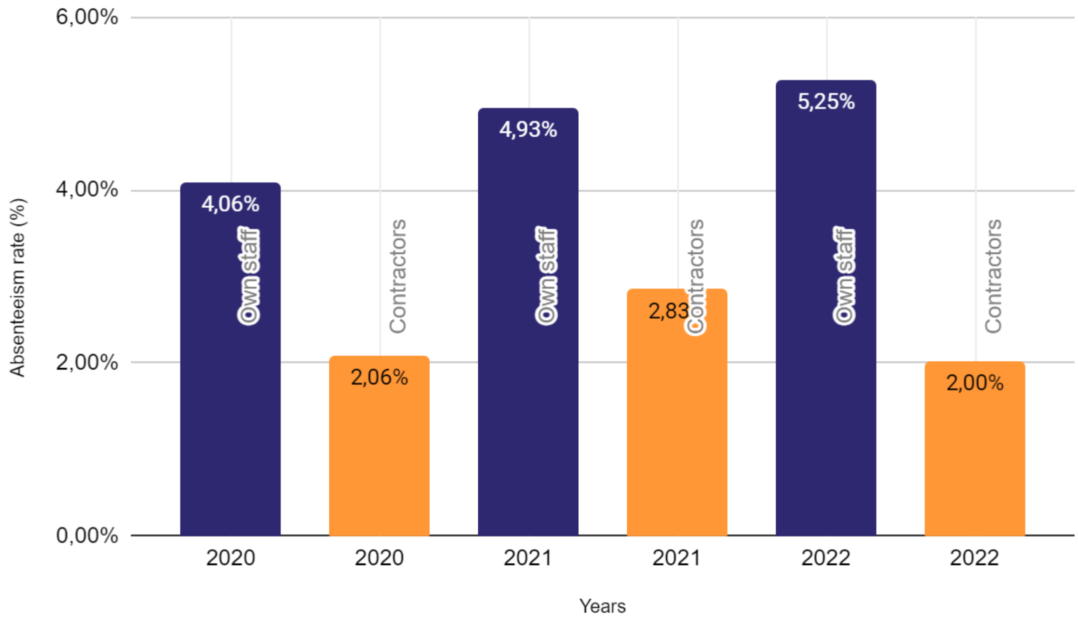
Another of the targets tied to sustainable financing is the 2% improvement in the LTIFR x 1,000k indicator with respect to 2021 at the Acerinox Europa, North American Stainless, Columbus Stainless and Bahru Stainless. This year, the combined LTIFR x 1,000k of the aforementioned factories was 2.73.

LTIFR / 403-9

The Group is continually working to fuse safety culture into all operations by tying the variable remuneration of Senior Management and Plant Managers to an improvement in these rates.

The decline in absenteeism is another focal point to which the Group dedicated sizeable efforts over the past year. Cases of absenteeism were followed up and consultations were undertaken with occupational health mutual societies in order to improve management of this area.

Absenteeism rate (%) / 403-9



CASE STUDY

Roldan, Prevention Excellence

The Ponferrada plant was awarded **Prevention Excellence** certification in recognition of its ongoing efforts to improve occupational health and safety and the work undertaken to reduce accident rates. This certification recognises the continual efforts made by the Group in terms of health and safety, an ineludible duty for Acerinox that lies at the heart of its decisions.

CASE STUDY

L6 Philosophy

As part of the Group's continuous improvement culture, the 6S system, also known as 5S + Safety, seeks to maintain a high level of productivity and safety throughout the working environment. There is, therefore, a positive impact on quality and productivity, and an environment is fostered in which employees can feel safe. The recognition of potential hazards is also supported through safety controls and additional awareness-raising.

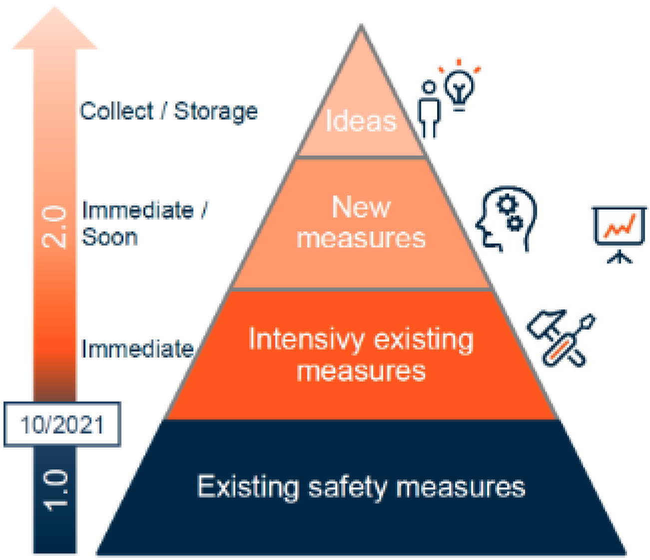
- 6S audits: Lean manufacturing 6S methodology audits: the Japanese words Seiri ("sort"), Seiton ("straighten"), Seiso ("shine"), Seiketsu ("standardise"), and Shitsuke ("sustain" + SAFETY)
- Gemba Walks: Management walking around and talking in the working areas.
- LOTO: Lock Out, Tag Out, Try Out.
- Safety minute: Safety Minute before starting work, where the employee performs an introspective analysis of their mental state before starting a task.

CASE STUDY

Safety 2.0 Programme, VDM Metals

Occupational health and safety are important aspects of the corporate cultural. VDM Metals is committed to continuous improvement within its health and safety management systems, which is why it is transitioning from an external reactive control system to a proactive model. To that end, VDM Metals launched a Safety 2.0 programme with objectives, actions and training, all based on observation methodology that revolves around safety-related behaviour. Its strategic approach can also be summarised as follows: Attention, Awareness, Prevention and Communication, which is materialised through:

- Five-minute safety chats
- Application of TRGS 561 (technical rules for hazardous substances)
- Measures to increase communication, information and transparency
- Changes in behaviour by increasing awareness around and attention paid to unsafe conditions and near-misses.



CASE STUDY

Safety World Steel Bronze Award

Acerinox Europa successfully improved the safety conditions of the AOD converter damper system thanks to the automation of the process to eliminate the lubricating grease. This prevention measure, aimed at avoiding the risks stemming from this task, which was hitherto performed manually by a maintenance officer, was awarded the World Steel Bronze Award.

5.5. Supply chain and social impact

5.5.1 Supply chain management

2-6 / 204-1 / 308-1 / 308-2 / 414-1 / 414-2

The acquisition of raw materials, products and services is pivotal for the Acerinox Group to conduct its activities and meet the required market standards on quality, pricing, logistics and sustainability.

The Group has a **Responsible Procurement Policy** through which it aims to forge stable and long-lasting relationships with suppliers based on shared ethics, and which allow for sustainable value creation. This policy is available on the corporate website. It outlines general principles for purchasing goods and services, with details of economic, competitive, social and environmental aspects, and defines the Group's objectives and core action framework which it rolls out to all of its companies.

In addition, in 2022 the **Code of Conduct for Business Partners** was approved, which defines Acerinox's principles and requirements with respect to its suppliers of goods and services, and vis-à-vis intermediaries, advisors and other business partners.

The Group also devised a procurement strategy for the next five years based on four pillars:

- Sustainability.
- Excellence, operational efficiency and purchasing.
- Helping to reinforce the business.
- Bringing added value to the customer.

All the improvements implemented in the supply chain management model led to Acerinox obtaining the EcoVadis Platinum award, the pinnacle of sustainability recognition.

Key indicators 204-1 / 308-1 / 414-1

8,019 TOTAL NO. OF SUPPLIERS	**70%** EXPENDITURE WITH LOCAL SUPPLIERS*	**107** ESG-ASSESSED SUPPLIERS	

Relevant activities

Milestones 2022

- Approval of the Code of Conduct for Business Partners.
- Approval of the procedure for assessing ESG risks in the supply chain.
- Definition of the supplier audit methodology and execution of a pilot test.
- Optimisation of procurement and contract arrangement processes and the associated costs.

Challenges 2023

- Definition of the Company's "core procurement processes", thus ensuring good management of responsible procurement.
- ESG assessment of most relevant suppliers in each business unit.
- Extension of audits to critical suppliers, "build a resilient and sustainable value chain"

- Awarding of the most prestigious sustainability accolade, the EcoVadis platinum award
- Implementation of a supplier portal to ensure "harmonised purchasing management" at global level.

The principles of supplier management within Acerinox are aligned with the ideals of openness, equality and transparency, and based on the Responsible Procurement Policy, the Code of Conduct for Business Partners, the General Terms of Business and the Group's other corporate policies.

The supplier accreditation process includes specific requirements for each factory as regards the environment, health and safety, labour practices and compliance with the Universal Declaration of Human Rights.

Acerinox collaborates with over 8,000 suppliers worldwide, more than 70% of which are local suppliers (from the same country as the production unit) with turnover amounting to approximately Euros 5,000 million in 2022, thus facilitating and fostering the economic and social development of the communities in which the Group operates.

No. of suppliers and expenditure / 204-1

	2022	
	Total	**% Local**
No. of suppliers	8,019	70.69%
Expenditure (€)	5,046,443,530	70.04%

The Acerinox Group has approved a new model for assessing sustainability risk in the supply chain, which includes an evaluation of indicators associated with environmental, labour and human rights aspects, ethics and responsible procurement. All suppliers that collaborate with the Group are screened using this method. Moreover, minimum requirements have been defined for each type of supplier depending on their criticality, and those suppliers that do not meet the specified thresholds must devise improvement plans if they are to continue working with the Group.

No. of suppliers screened using ESG criteria / 308-1 / 414-1

	2022	
	Total	**%**
No. of ESG-assessed suppliers	107	3%
No. of key ESG-assessed suppliers	23	32%

Along the same lines, a new supplier audit model is being defined and a pilot test has been run, which will be rolled out to critical suppliers in the coming year.

"CASE STUDY: EcoVadis"

Acerinox obtains EcoVadis Platinum 2022

Acerinox has obtained the EcoVadis platinum accolade, the highest award granted by this independent rating platform, which rates sustainability in global supply chains.

The score obtained by Acerinox places it among the top 1% of the best rated companies out of more than 100,000 firms in 200 countries worldwide.

EcoVadis rates the performance of companies on a scale from 0 to 100 in four main areas: environment, labour practices and human rights, ethics, and responsible procurement. The improvement in the Group's rating with respect to the previous year, when it received the gold award, recognises continuous improvement and the substantial progress made in the roll-out of its commitment to sustainability.

This great achievement shows the positive impact of the Group's activities and ratifies its firm commitment to contributing to sustainable economic, social and environmental development.

5.5.2 Contribution to the community

3-3 / 2-28 / 413-1

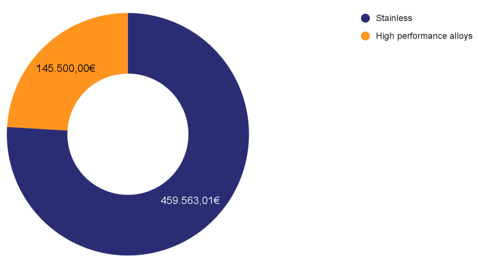
The Acerinox Group is committed to creating value and developing a more prosperous and sustainable environment, bolstering its engagement with communities in the countries where it has a presence and fortifying its positive impact in the societies where it operates.

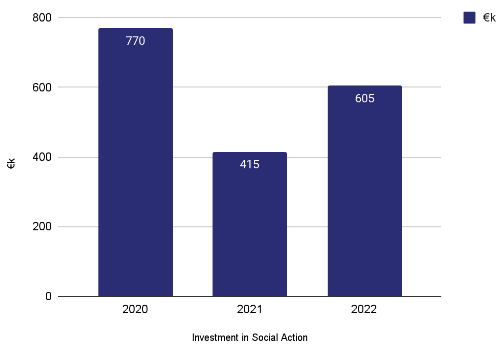
To achieve this objective, Acerinox has defined a **Social Action Framework**, which is intended to harmonise all activities and prioritises the areas of investment: economic development, education, inclusion, etc. Such aspects are, at the same time, essential to the progress of local communities and the well-being of society in the long term.

Key indicators

€605k INVESTED IN SOCIAL ACTION	46% YEAR-ON-YEAR INCREASE IN SOCIAL ACTION INVESTMENT	

Investment in social action by division (%)





For us, investing in the community is a strategic instrument for the development of society and the local environment where we carry out our activity. In 2020, Acerinox stepped up its collaborations with other organisations to address the crisis stemming from the pandemic. In 2022, community investing was 46% higher than in the previous year.

Milestones 2022	**Challenges 2023**
• Collaboration in Dual Training programmes as part of higher vocational training and university courses. • Collaboration with educational establishments in Carroll County, Kentucky, through mentoring projects and subsidies to support local students in their studies. • Acerinox Europa's "Twelve months, twelve initiatives" programme for community progress and well-being. • Collaboration agreement with the A LA PAR Foundation. • Collaborations to foster the employability of people with disabilities.	• Roll-out of the Social Action Plan to all of the Group's business units. • Identification of new lines of collaboration to maximise the positive impact.

The **Social Action Framework** is structured into five priority lines of action which focus on areas that contribute to economic growth, social sustainability and environmental protection, in response to the global challenges facing society:

- **Socio-economic development**. Initiatives that support the progress of the communities where the Group has a presence and generate opportunities to create value.
- **Social well-being of people**. Social initiatives focused on well-being and improving the quality of life of communities, particularly the most vulnerable people.
- **Environmental protection and recovery**. Projects that actively help to improve the environment, fight climate change and preserve local biodiversity.
- **Commitment to quality education.** Collaboration on initiatives that promote lifelong learning and talent development among future professionals. Actions intended to facilitate incorporation into the labour market, helping people and society to build a future.
- **Inclusive development.** Initiatives that encourage social and labour integration among disadvantaged groups, to promote a more inclusive world and ensure that nobody is left behind. Particular emphasis will be placed on women, older unemployed people and people with disabilities, seeking to bridge the inequality gap.

Actions must take into account the geographical setting of the operations, prioritising local initiatives, which are understood as those that bring tangible benefits to the towns or regions where the operations are based.

Corporate volunteering

Corporate volunteering is embedded in the Acerinox Group's culture with a clear social vocation. We encourage our employees to engage in collaboration and solidarity and advocate their participation in programmes intended to improve the living conditions and quality of life of disadvantaged groups, in order to help build a fairer world and a more egalitarian society.

Volunteering initiatives

NAS involvement with local schools. NAS employees volunteered as mentors to assist students with their academic tasks, gifting their time to carry out school-related activities with pupils whose mother or grandparents were not in a position to support them in the different activities.

Collaboration with associations / **2-28**

The Acerinox Group, as a component of the society in which it conducts its activity, collaborates directly with various Spanish and international associations and organisations to spotlight the core aspects of its activity, support knowledge and illustrate its positioning, in addition to sharing sector best practices.

CASE STUDIES

Socio-economic development: CEO Golf Day in Columbus

The CEO Golf Day is a business event organised for the sole purpose of raising funds and which is financed entirely by the participants. In this edition the funds raised were channelled into 16 local charity organisations in and around Middelburg, and were deposited in the CEO Charity Fund, set up to satisfy the growing socio-economic needs of the community by identifying the most deserving organisations for the purpose of devising community projects. The intention with Columbus Stainless's participation in these initiatives is to leave a positive footprint and an enduring legacy for the local community.

Social well-being: Acerinox supports Ukraine victims

Coordinating closely with the local authorities, VDM Metals provided accommodation in Werdohl, Altena and Neuenrade to 57 citizens affected by the invasion of Ukraine. The Group thus answered the United Nations' urgent call for action to help the population affected by the conflict. This proactive measure reasserts Acerinox's commitment to the Ten Principles of the UN Global Compact and, more specifically, to human rights.

Biodiversity preservation: Mangrove replantation in Johor Bahru

Acerinox took part in the mangrove replantation intended to protect the coast from big waves generated by large vessels moving along the waterway. The project is especially important to this area from a biodiversity perspective, inasmuch as this is the main breeding ground for many species in the food chain. The Johor Department of Environment was also involved in this project as part of Malaysia's National Environment Day.

Commitment to education: Attracting young talent

The Group seeks to attract young talent by hiring university students, offering them the opportunity to work and train in an area related to their studies. This system enables students to learn how the company works while also honing their own skills. In many cases, the students write their degree or master's thesis on company-related topics. In the specific case of VDM, more than 50% of the students are hired by the company once they complete their studies.

Collaboration with the A LA PAR Foundation: Funda Market and Family Day

Acerinox continues to collaborate with the A LA PAR Foundation to jointly carry out activities aimed at improving the quality of life of people with intellectual disabilities. Such collaborations notably include Funda Market, a solidarity market where products made by professionals from the Foundation combine with more than 50 striking brands to produce a weekend agenda filled with activities for the whole family. Two Family Days were also organised for employees and their families to take part in different activities at the Foundation's headquarters. In addition, goods and services are regularly procured from this Foundation.

Funda Market photos: https://fundamarket.alapar.ong/

Family Day photos: https://fundaland.es/acerinox/

6. Appendices

6.1 Scope of the report

Standards and principles used

The information included in this report relates to both financial and non-financial information and was prepared by the Board of Directors on 28 March 2023. The non-financial information statement has been favourably evaluated by the Sustainability Committee of the Board of Directors.

This 2022 Integrated Annual Report has been prepared taking into account the following reporting standards and principles:

- In accordance with GRI Standards 2021, tailored to specific GRIs in compliance with Spanish Law 11/2018 and voluntarily to other GRI standards on material issues. See "GRI Table of Contents" appendix.
- The Sustainability Accounting Standards Board (SASB) reporting standard for the SASB Iron & Steel Producers indicators. See "SASB Table of Contents" appendix.
- The recommendations of the Task Force on Climate-Related Disclosures (TCFD). See "TCFD Table of Contents" appendix.
- The Sustainable Development Goals (SDGs) approved by the United Nations General Assembly, which Acerinox includes in its strategy and which are detailed in the "Contribution to the 2030 Agenda" section.
- The Ten Principles of the United Nations Global Compact, which are mentioned in the "Sustainable Management Model" chapter.
- The recommendations in the Spanish Securities Market Commission's Guide for the Preparation of Management Reports of Listed Companies.

And also complying with GRI 2-14 requirements.

a) Directive 2014/95/EU as regards disclosure of non-financial and diversity information and related Spanish legislation (Law 11/2018).
b) In its first delegated act, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment lays down the obligation to disclose information on how and to what extent the undertaking's investments are associated with economic activities deemed to be environmentally sustainable in relation to the objectives of climate change mitigation and climate change adaptation. See "EU Taxonomy on Sustainable Finance" chapter.

Scope of information in this report

Timescale: 2-3

2022. The report is published annually.

Organisational scope: 2-1/ 2-2

Acerinox, S.A. and subsidiaries

In order to check and guarantee the reliability of the information provided to the various stakeholders, the Acerinox Group has submitted this report to external verification, through the professional services firm KPMG, with a **limited level of assurance**. As a result of the verification process, an independent review report is produced, which includes the objectives and scope of the process, as well as the verification procedures used and the related conclusions. This report is included in the appendices to this report. 2-5

6.2 Supplementary information (indicators)

Sustainable use of resources

Main raw materials (tonnes) / 301-1 / 301-2

	2022
Alloys	697,324
Gases	316,862
Acids	39,968
Recycled material*	2,259,217
Recycled acid**	16,264

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

Waste management (tonnes) / 306-3 / 306-4 / 306-5

	2022		2021		2020	
Total waste	**1,572,089**	%	**1,669,804**	%	**1,382,841**	%
Landfill	333,533	21.2%	471,113	28.2%	302,191	21.9%
Recycled/Recovered	1,238,477	78.8%	1,193,399	71.5%	1,079,247	78.0%
Other (R&D&i)	79	0.0%	5,292	0.3%	1,403	0.1%
Total non-hazardous waste	**1,432,962**	**91.2%**	**1,521,645**	**91.1%**	**1,253,389**	**90.64%**
Landfill	252,595	17.6%	385,541	25.3%	232,600	18.6%
Recycled/Recovered	1,180,298	82.4%	1,135,377	74.6%	1,019,386	81.3%
Other (R&D&i)	70	0.0%	727	0.0%	1,403	0.1%
Total hazardous waste	**139,127**	**8.8%**	**147,730**	**8.8%**	**129,452**	**9.36%**
Landfill	80,939	58.2%	85,535	57.9%	69,591	53.8%
Recycled/Recovered	58,179	41.8%	57,630	39.0%	59,861	46.2%
Other (R&D&i)	9	0.0%	4,565	3.1%	0	0.0%

CO_2e emissions (tonnes) / 305-1 / 305-2

	2022			2021*			2020		
	Total	Stainless	HPA	**Total**	Stainless	HPA	**Total**	Stainless	HPA
Scope 1	**872,252**	768,600	103,653	**972,302**	865,910	106,392	**816,856**	727,220	89,636
Scope 2 - market-based	**1,879,167**	1,792,901	86,266	**2,206,722**	2,124,209	82,513	**1,952,046**	1,873,071	78,974
Total (Scopes 1 + 2*)	**2,751,420**	**2,561,500**	**189,919**	**3,179,024**	**2,990,119**	**188,905**	**2,768,901**	**2,600,291**	**168,610**

CO_2e emission intensity (tonnes of CO_2e/tonne) / 305-4

	2022			2021			2020		
	Total	Stainless	HPA	**Total**	Stainless	HPA	**Total**	Stainless	HPA
Intensity (Scopes 1+2)	**1.14**	1.10	2.31	**1.11**	1.08	2.42	**1.15**	1.11	2.63

The greenhouse gas reduction commitment extends to all other atmospheric emissions. Acerinox is working to reduce its emission figures for nitrogen oxides, volatile organic compounds and particulate matter.

Other emissions (tonnes) / 305-7

	2022			2021			2020*		
	Total	Stainless	HPA	**Total**	Stainless	HPA	**Total**	Stainless	HPA
NOx	**648**	620	28	**600**	574	26	**618**	589	29
VOCs	**32**	32	0	**33**	33		**27**	27	
Particulate matter	**280**	280	0	**324**	324		**424**	424	

Energy consumption (GJ) / 302-1

	2022			2021			2020**		
	Total	Stainless	HPA	**Total**	Stainless	HPA	**Total**	Stainless	HPA
Natural gas*	12,134,458	11,008,895	1,125,563	13,540,487	12,416,327	1,124,160	11,559,423	10,577,977	981,446
Diesel	204,111	190,814	13,297	195,207	182,558	12,649	167,291	161,123	6,168
Electricity	10,375,318	9,695,075	680,244	11,450,674	10,797,582	653,092	10,000,382	9,412,730	587,652
Total consumption	**22,713,888**	**20,894,784**	**1,819,103**	**25,186,367**	**23,396,467**	**1,789,900**	**21,727,095**	**20,151,830**	**1,575,265**

* In addition to natural gas, the natural gas data of the High Performance Alloys Division includes mixed gas.

**2020 data are corrected pursuant to ISO 14064.

Energy intensity (GJ / tonne) / 302-3

	2022			2021			2020		
	Total	Stainless	HPA	**Total**	Stainless	HPA	**Total**	Stainless	HPA
Intensity	9.39	8.94	22.09	8.83	8.43	22.91	8.99	8.57	24.56

Electricity consumption (GJ)

	2022			2021*			2020		
	Total	Stainless	HPA	**Total**	Stainless	HPA	**Total**	Stainless	HPA
Renewable	2,604,380 GJ	2,296,229 GJ	308,150 GJ	2,928,417 GJ	2,632,566 GJ	295,851 GJ	2,028,873 GJ	1,874,674 GJ	154,199 GJ
Non-renewable	7,770,939 GJ	7,398,845 GJ	372,093 GJ	8,522,257 GJ	8,165,016 GJ	357,241 GJ	7,971,508 GJ	7,538,055 GJ	433,453 GJ
Total	**10,375,318 GJ**	**9,695,075 GJ**	**680,244 GJ**	**11,450,674 GJ**	**10,797,582 GJ**	**653,092 GJ**	**10,000,381 GJ**	**9,412,729 GJ**	**587,652 GJ**

Water

Water-scarce areas: permanent deficit situation in relation to water demand in a regional water resource system, characterised by either an arid climate or a rapidly growing demand in consumption.

Non-water scarce area: relates to the other facilities.

Water collection (m^3) / 303-3

	Total			Stainless		HPA	
2022	**Total**	Non-water scarce areas	Water-scarce areas	Non-water scarce areas	Water-scarce areas	Non-water scarce areas	Water-scarce areas
Surface water	7,859,120	4,720,887	3,138,233	4,312,930	3,138,233	408	-
Groundwater	0	0	0	0	0	0	-
Seawater	0	0	0	0	0	0	-
Produced water	7,475	7,475	0,000	7,475	0	0	-
Third-party water	785,902	492,219	293,683	287,230	293,683	204,989	-
Rainwater	288,260	0	288,260	0	288,260	0	-
Total	8,940,757	5,220,581	3,720,176	4,607,635	3,720,176	613	-

	Total			Stainless		HPA	
2021	**Total**	Non-water scarce areas	Water-scarce areas	Non-water scarce areas	Water-scarce areas	Non-water scarce areas	Water-scarce areas
Surface water	**8,390,933**	4,827,086	3,563,847	4,419,129	3,563,847	407,957	-
Groundwater	**0**	0	0	0	0	0	-
Seawater	**0**	0	0	0	0	0	-
Produced water	**3,712**	3,712	0	3,712	0	0	-
Third-party water	**903,018**	493,199	409,819	288,756	409,819	204,443	-

Rainwater	**219,740**	0	219,740	0	219,740	0	-
Total	**9,517,403**	**5,323,997**	**4,193,406**	**4,711,597**	**4,193,406**	**612,399**	**-**

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

Water discharge (m^3) / 303-4

	Total			**Stainless**		**HPA**	
2022	**Total**	Non-water scarce areas	Water-scarce areas	Non-water scarce areas	Water-scarce areas	Non-water scarce areas	Water-scarce areas
Surface water	**4,105,172**	3,722,827	382,345	3,661,956	382,345	60,871	-
Groundwater	**0**	0	0	0	0	0	-
Seawater	**1,122,091**	0	1,122,091	0	1,122,091	0	-
Third-party water	**263,662**	229,929	33,733	0	33,733	229,929	-
Total	**5,490,924**	**3,952,755**	**1,538,169**	**3,661,956**	**1,538,169**	**290,799**	**-**

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

Total	**Stainless**	**HPA**

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

Water consumption (m³) / 303-5

	Total			Stainless		HPA	
	Total	Non-water scarce areas	Water-scarce areas	Non-water scarce areas	Water-scarce areas	Non-water scarce areas	Water-scarce areas
2022	**3,470,591**	1,288,584	2,182,007	966,438	2,182,007	322,146	-
2021	**3,565,195**	1,263,671	2,301,524	942,072	2,301,524	321,599	-
2020	**3,474,888**	1,406,585	2,068,303	1,188,153	2,068,303	218,432	-

Health & safety

Accident rate of own staff / 403-10

	2022			2021			2020		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Hours worked	12,921,980	1,801,490	**14,723,470**	12,566,201	1,713,313	**14,279,514**	12,255,303	1,695,378	**13,950,680**
Total accidents*	125	3	**128**	195	4	**199**	219	6	**225**
Fatal accidents	0	0	**0**	1	0	**1**	0	0	**0**
Accidents with leave	61	0	**61**	83	1	**84**	116	2	**118**
TRIFR x 1,000,000**	9.67	1.67	**8.69**	15.52	2.33	**13.94**	17.87	3.54	**16.13**
LTIFR x 1,000,000**	4.72	0.00	**4.14**	6.61	0.58	**5.88**	9.47	1.18	**8.46**
Absenteeism hours***	668,476	104,554	**773,030**	646,021	58,415	**704,436**	511,466	54,834	**566,300**
Severity rate = (no. of days lost / no. of hours worked)*1,000	6.47	7.25	**6.56**	6.43	4.26	**6.17**	5.22	4.04	**5.07**
Absenteeism rate (%)***	5.17%	5.80%	**5.25%**	5.14%	3.41%	**4.93%**	4.17%	3.23%	**4.06%**

Work-related illnesses	0	0	**0**	0	0	**0**	0	0	**0**
Fatalities due to work-related illnesses	0	0	**0**	0	0	**0**	0	0	**0**

Accident rate of contractors / 403-10

	2022			2021			2020		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Hours worked	3,488,687	408,913	**3,897,601**	2,450,470	325,813	**2,776,283**	1,603,527	381,683	**1,985,210**
Total accidents*	50	7	**57**	117	4	**121**	105	3	**108**
Fatal accidents	0	0	**0**	1	0	**1**	0	0	**0**
Accidents with leave	19	3	**22**	54	2	**56**	50	1	**51**
TRIFR x 1,000,000**	14.33	17.12	**14.62**	47.75	12.28	**43.58**	65.48	7.86	**54.40**
LTIFR x 1,000,000**	5.45	7.34	**5.64**	22.04	6.14	**20.17**	31.18	2.62	**25.69**
Severity rate = (no. of days lost / no. of hours worked)*1,000	2.77	0.18	**2.50**	3.97	0.27	**3.53**	3.17	0.07	**2.58**
Absenteeism rate (%)***	2.22%	0.14%	**2.00%**	3.17%	0.22%	**2.83%**	2.54%	0.06%	**2.06%**
Work-related illnesses	0	0	**0**	0	0	**0**	0	0	**0**
Fatalities due to work-related illnesses	0	0	**0**	0	0	**0**	0	0	**0**

*Total accident data include fatalities, accidents with leave, restricted work cases and minor injuries. The severity index is not included.

**2020 data were modified following the x 1,000,000 criterion.

***Includes the number of hours of absence caused by sick leave due to workplace accidents, non-occupational illnesses, unjustified causes, accidents on the way to work and strikes.

Sales subsidiaries are not included

TRIFR: (no. of accidents recorded / no. of hours worked) * 1,000,000.

LTIFR: (no. of accidents with leave / no. of hours worked) * 1,000,000.

Health and safety management systems / 403-8

	2022	**2021***	**2020**
Number of employees covered by a health and safety management system	7,863	7,877	6,705
Percentage of employees covered by a health and safety	96.79%	96.91%	82.99%

management system	

*Corrected data

Workforce*

Total employees at year-end / 2-7

Acerinox Europa (Spain)	Acerinox S.A. (Spain)	Bahru (Malaysia)	Columbus (South Africa)	Inoxfil (Spain)	NAS (US)	Roldán (Spain)	VDM (Germany / US)	Subsidiaries and service centres	Total
1,775	102	387	1,223	99	1,560	377	1,904	697	**8,124**

Average number of employees in 2022 / 2-7

Acerinox Europa	Acerinox S.A.	Bahru	Columbus	Inoxfil	NAS	Roldán	VDM	Subsidiaries and service centres
1,852	96	398	1,264	113	1,560	385	1,881	693

Number of employees by type of contract and gender / 2-7

		2022	2021	2020
Permanent contract	Men	6,874	6,890	7,012
	Women	1,007	998	1,015
	Total	**7,881**	**7,888**	**8,027**
Temporary contract	Men	209	199	141
	Women	34	41	27
	Total	**243**	**240**	**168**
Total		**8,124**	**8,128**	**8,195**

Number of employees by type of workday and gender / 2-7

		2022	2021	2020
Full-time	Men	7,062	7,069	7,138
	Women	986	982	987
	Total	**8,048**	**8,051**	**8,125**
Part-time	Men	21	20	15
	Women	55	57	55
	Total	**76**	**77**	**70**
Total		**8,124**	**8,128**	**8,195**

Number of employees by age range and gender / 2-7

	2022	2021	2020

<30	Men	835	852	926
	Women	159	171	169
	Total	**994**	**1,023**	**1,095**
30-50	Men	4,061	4,167	4,169
	Women	607	625	625
	Total	**4,668**	**4,792**	**4,794**
>50	Men	2187	2070	2,060
	Women	275	243	246
	Total	2,462	2,313	2,306
Total		**8,124**	**8,128**	**8,195**

Number of employees by professional category and gender / 2-7 / 405-1

		2022	2021	2020
Director	Men	19	15	24
	Women	5	4	4
	Total	**24**	**19**	**28**
Manager	Men	220	220	242
	Women	49	45	43
	Total	**269**	**265**	**285**
Analyst	Men	570	572	580
	Women	176	173	181
	Total	**746**	**745**	**761**
Specialist	Men	321	312	337
	Women	138	129	135
	Total	**459**	**441**	**472**
Administrative staff	Men	598	596	627
	Women	458	471	480
	Total	**1,056**	**1,067**	**1,107**
Operator	Men	5,356	5,374	5,345
	Women	214	217	197
	Total	**5,570**	**5,591**	**5,542**
Total		**8,124**	**8,128**	**8,195**

Number of employees by type of contract and age range / 2-7

		2022	2021	2020

Permanent contract	<30	872	902	1,011
	30-50	4,555	4,685	4,714
	>50	2,454	2,301	2,301
	Total	**7,881**	**7,888**	**8,026**
Temporary contract	<30	122	121	84
	30-50	113	107	80
	>50	8	12	5
	Total	**243**	**240**	**169**
Total		**8,124**	**8,128**	**8,195**

Number of employees by type of workday and age range / 2-7

		2022	2021	2020
Full-time	<30	992	1,020	1,093
	30-50	4,611	4,736	4,744
	>50	2,445	2,295	2,287
	Total	**8,048**	**8,051**	**8,124**
Part-time	<30	2	3	2
	30-50	57	56	50
	>50	17	18	19
	Total	**76**	**77**	**71**
Total		**8,124**	**8,128**	**8,195**

Number of employees by type of contract and professional category / 2-7

		2022	2021	2020
Permanent contract	Director	24	19	28
	Manager	267	265	284
	Analyst	744	744	755
	Specialist	443	429	464
	Administrative staff	1,027	1,042	1,088
	Operator	5,376	5,389	5,407
	Total	**7,881**	**7,888**	**8,026**
Temporary contract	Director	0	0	0
	Manager	2	0	1
	Analyst	2	1	6
	Specialist	16	12	8
	Administrative staff	29	25	19

	Operator	194	202	135
	Total	**243**	**240**	**169**
Total		**8,124**	**8,128**	**8,195**

Number of employees by type of workday and professional category / 2-7

		2022	2021	2020
Full-time	Director	24	19	28
	Manager	269	265	284
	Analyst	744	744	760
	Specialist	450	433	468
	Administrative staff	1,011	1,019	1,060
	Operator	5,550	5,571	5,524
	Total	**8,048**	**8,051**	**8,124**
Part-time	Director	0	0	0
	Manager	0	0	1
	Analyst	2	1	2
	Specialist	9	8	4
	Administrative staff	45	48	46
	Operator	20	20	18
	Total	**76**	**77**	**71**
Total		**8,124**	**8,128**	**8,195**

Employment

New hires by age group and gender

		2022	2021	2020
<30	Men	808	437	243
	Women	218	136	37
	Total	**1,026**	**573**	**280**
30-50	Men	692	519	215
	Women	98	73	55
	Total	**790**	**592**	**270**
>50	Men	42	33	16
	Women	11	8	2
	Total	**53**	**41**	**18**
Total		**1,869**	**1,206**	**568**

% hires

		2022	2021	2020
<30	Men	96.77%	51.29%	26.24%
	Women	137.11%	79.53%	21.89%
	Total	**103.22%**	**56.01%**	**25.57%**
30-50	Men	17.04%	12.46%	5.16%
	Women	16.14%	11.68%	8.80%
	Total	**16.92%**	**12.35%**	**5.63%**
>50	Men	1.92%	1.59%	0.78%
	Women	4.00%	3.29%	0.81%
	Total	**2.15%**	**1.77%**	**0.78%**
Total		**23.01%**	**14.84%**	**6.93%**

Voluntary departures

		2022	2021	2020
<30	Men	139	100	84
	Women	27	12	11
	Total	**166**	**112**	**95**
30-50	Men	195	137	113
	Women	45	25	21
	Total	**240**	**162**	**134**
>50	Men	57	42	41
	Women	12	11	8
	Total	**69**	**53**	**49**
Total		**475**	**327**	**278**

Staff turnover / 401-1

		2022	2021	2020*
<30	Men	20.72%	15.73%	11.23%
	Women	18.87%	7.02%	8.88%
	Total	**20.42%**	**14.27%**	**10.87%**
30-50	Men	6.28%	4.25%	3.93%
	Women	7.91%	4.32%	4.32%
	Total	**6.49%**	**4.26%**	**3.98%**
>50	Men	6.22%	7.44%	7.77%
	Women	7.64%	9.47%	7.72%
	Total	**6.38%**	**7.65%**	**7.76%**
Total		**8.16%**	**6.48%**	**5.97%**

*2020 data have been corrected pursuant to the GRIs.

Dismissals

Number of dismissals by professional category and gender

		2022	2021	2020
Director	Men	0	0	0
	Women	0	0	0
	Total	**0**	**0**	**0**
Manager	Men	3	0	1
	Women	1	2	1
	Total	**4**	**2**	**2**
Analyst	Men	4	2	6
	Women	0	0	0
	Total	**4**	**2**	**6**
Specialist	Men	2	3	7
	Women	1	0	1
	Total	**3**	**3**	**8**
Administrative staff	Men	1	6	3
	Women	1	1	9
	Total	**2**	**7**	**12**
Operator	Men	99	130	124
	Women	6	1	4
	Total	**105**	**131**	**128**
Total		**118**	**145**	**156**

Number of dismissals by age range and gender

		2022	2021	2020
<30	Men	34	34	20
	Women	3	0	4
	Total	**37**	**34**	**24**
30-50	Men	60	40	51
	Women	3	2	6
	Total	**63**	**42**	**57**
>50	Men	15	67	70
	Women	3	2	5
	Total	**18**	**69**	**75**
Total		**118**	**145**	**156**

Training and performance

Number of employees trained

		2022	2021	2020
Director	Men	13	6	7
	Women	5	5	3
	Total	**18**	**11**	**10**
Manager	Men	205	159	163
	Women	46	42	36
	Total	**251**	**201**	**199**
Analyst	Men	487	427	445
	Women	167	134	135
	Total	**654**	**561**	**580**
Specialist	Men	248	188	221
	Women	99	64	71
	Total	**347**	**252**	**292**
Administrative staff	Men	428	382	359
	Women	274	289	227
	Total	**702**	**671**	**586**
Operator	Men	4,098	3,517	3,624
	Women	233	190	129
	Total	**4,331**	**3,707**	**3,753**
Total		**6,303**	**5,403**	**5,420**

Hours of training

		2022	2021	2020
Director	Men	92	95	41
	Women	71	73	40
	Total	**163**	**168**	**81**
Manager	Men	5,150	4,469	3,529
	Women	1,031	1,260	747
	Total	**6,181**	**5,729**	**4,276**
Analyst	Men	13,990	8,811	9,963
	Women	5,292	2,459	2,261
	Total	**19,282**	**11,270**	**12,225**
Specialist	Men	6,378	3,207	3,484
	Women	2,528	903	930
	Total	**8,905**	**4,110**	**4,414**
Administrative staff	Men	10,244	7,851	6,905
	Women	7,399	6,858	5,493
	Total	**17,643**	**14,709**	**12,398**
Operator	Men	395,500	372,473	363,830

	Women	23,074	23,083	12,128
	Total	**418,575**	**395,556**	**375,958**
Total		**470,748**	**431,542**	**409,352**

Hours of training per employee / 404-1

		2022	2021	2020
Director	Men	4.8	6.3	1.7
	Women	14.2	18.3	10.0
	Total	**6.8**	**8.8**	**2.9**
Manager	Men	23.4	20.3	14.6
	Women	21.0	28.0	17.4
	Total	**23.0**	**21.6**	**15.0**
Analyst	Men	24.5	15.4	17.2
	Women	30.1	14.2	12.5
	Total	**25.8**	**15.1**	**16.1**
Specialist	Men	19.9	10.3	10.3
	Women	18.3	7.0	6.9
	Total	**19.4**	**9.3**	**9.4**
Administrative staff	Men	17.1	13.2	11.0
	Women	16.2	14.6	11.4
	Total	**16.7**	**13.8**	**11.2**
Operator	Men	73.8	69.3	68.1
	Women	107.8	106.4	61.6
	Total	**75.1**	**70.7**	**67.8**
Total		**57.9**	**53.1**	**50.0**

Number of employees who have received performance evaluations

		2022	2021	2020
Director	Men	14	8	7
	Women	5	4	4
	Total	**19**	**12**	**11**
Manager	Men	157	100	110
	Women	40	33	31
	Total	**197**	**133**	**141**
Analyst	Men	297	253	294
	Women	110	117	118
	Total	**407**	**370**	**412**
Specialist	Men	105	104	140
	Women	43	44	54

	Total	**148**	**148**	**194**
Administrative staff	Men	275	268	264
	Women	164	173	190
	Total	**439**	**441**	**454**
Operator	Men	1,171	1,185	1,268
	Women	80	69	67
	Total	**1,251**	**1,254**	**1,335**
Total		**2,461**	**2,358**	**2,547**

% staff subject to performance evaluation / 404-3

		2022	2021	2020
Director	Men	77.78%	53.33%	29.17%
	Women	100.00%	100.00%	100.00%
	Total	**82.61%**	**63.16%**	**39.29%**
Manager	Men	75.48%	47.62%	48.67%
	Women	85.11%	76.74%	75.61%
	Total	**77.25%**	**52.57%**	**52.81%**
Analyst	Men	54.90%	47.29%	53.65%
	Women	67.90%	73.13%	70.66%
	Total	**57.89%**	**53.24%**	**57.62%**
Specialist	Men	38.32%	40.63%	49.47%
	Women	41.75%	46.32%	51.92%
	Total	**39.26%**	**42.17%**	**50.13%**
Administrative staff	Men	47.58%	46.21%	43.85%
	Women	42.82%	42.61%	46.80%
	Total	**45.68%**	**44.73%**	**45.04%**
Operator	Men	22.33%	22.47%	24.24%
	Women	37.56%	33.33%	34.36%
	Total	**22.92%**	**22.88%**	**24.60%**
Total		**31.64%**	**30.29%**	**32.52%**

Employee benefits

Parental leave / 401-3

		2022	2021	2020
Employees who have been entitled to parental leave	Men	6,267	6,214	6,253
	Women	823	818	804
	Total	**7,090**	**7,032**	**7,057**
Employees who have taken parental leave	Men	282	251	251

	Women	53	47	48
	Total	**335**	**298**	**299**
Employees who have returned to work after completion of parental leave	Men	280	242	250
	Women	37	35	37
	Total	**317**	**277**	**287**
Employees that returned to work after parental leave ended that were still employed 12 months after their return to work	Men	241	237	204
	Women	32	33	27
	Total	**273**	**270**	**231**

Number of employees covered by collective agreements / 2-30

	2022		2021		2020	
	Employees subject to agreement	**%**	**Employees subject to agreement**	**%**	**Employees subject to agreement**	**%**
Acerinox Europa	1,775	100%	1,797	100%	1,809	100%
Acerinox, S.A.*	102	100%	90	100%	69	100%
Bahru Stainless	199	51%	205	52%	235	53%
Service centres	102	100%	153	100%	166	100%
Columbus Stainless	659	54%	106	100%	693	55%
Inoxfil	99	100%	702	55%	106	100%
North American Stainless	N/A	N/A	N/A	N/A	N/A	N/A
Roldán	377	100%	420	106%	382	100%
VDM	1,715	90%	1,661	90%	1,635	87%

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

Rehire and retention rate

		2022	2021	2020
Return to work rate	Men	99.29%	96.41%	99.60%
	Women	69.81%	74.47%	77.08%
	Total	**94.63%**	**92.95%**	**95.99%**
Employee retention rate	Men	96.40%	94.80%	94.44%
	Women	80.00%	82.50%	84.38%

	Total	**94.14%**	**93.10%**	**93.15%**

% staff with access to / 401-2

	2022	2021	2020
Life insurance	27%	50%	65%
Health insurance	53%	52%	47%
Disability or invalidity coverage	82%	76%	97%
Pension fund	50%	48%	65%
Transport compensation	50%	50%	58%
Scholarships for employees / children	48%	48%	50%
Aid for the disabled	26%	26%	26%
Aid for death in the family	22%	21%	38%
School / childcare assistance	26%	26%	26%
Meal benefits	42%	43%	42%
Parental leave	87%	87%	86%

Contractors

Number of contractors

		2022	2021	2020*
Total staff	Men	1,200	1,225	1,300
	Women	216	211	212
	Total	**1,416**	**1,436**	**1,512**

* The 2020 figure has been corrected.

Remuneration and gap

Average remuneration by professional category (€)

	2022	2021	2020
Director	€308,121	€293,104	€331,544
Manager	€131,036	€119,063	€121,361
Analyst	€72,698	€68,035	€62,430
Specialist	€56,414	€49,143	€47,838
Administrative staff	€51,493	€49,574	€48,674
Operator	€50,628	€47,865	€44,050

Average remuneration by age (€)

	2022	2021	2020
<30	€44,791	€40,471	€36,702
30-50	€53,589	€50,592	€47,444
>50	€66,050	€63,324	€59,871

Average remuneration by gender (€)

	2022	2021	2020
Men	€56,784	€53,476	€50,048
Women	€51,762	€48,133	€46,072

Wage gap by professional category (%)**

	2022	2021	2020
Director	-13.10%	-4.36%	-1.84%
Manager	11.75%	5.31%	20.36%
Analyst	12.89%	12.95%	10.09%
Specialist	5.99%	10.29%	15.15%
Administrative staff	16.60%	17.21%	-1.85%
Operator	15.39%	17.14%	23.25%

Average base salary (€)

	2022		2021		2020	
	Men	Women	Men	Women	Men	Women
Director	€215,013	€156,961	€207,477	€148,538	€180,883	€124,103
Manager	€106,057	€88,026	€104,094	€84,637	€106,539	€75,510
Analyst	€67,320	€48,274	€65,055	€49,385	€56,404	€45,868
Specialist	€53,659	€41,713	€49,263	€38,058	€43,267	€31,490

Administrative staff	€49,938	€40,632	€47,301	€39,134	€38,460	€41,691
Operator	€29,467	€25,984	€29,209	€23,929	€23,014	€21,225

Ratio of female / male base salary by professional category ** / 405-2

	2022	2021	2020
Director	1.08	1.00	0.84
Manager	0.92	0.96	0.83
Analyst	0.87	0.87	0.90
Specialist	0.95	0.90	0.86
Administrative staff	0.87	0.87	1.08
Operator	0.88	0.85	0.81

Data calculated using the weighted average of the number of employees in each professional category.
* The scope of the remuneration and gap data covers 99% of the staff.
** Only those categories in which both genders are represented are included in the calculation of the gap

6.3 GRI table of contents

Statement of use	Acerinox has reported in accordance with the GRI Standards for the period from 1 January to 31 December 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI sector standard(s)	n/a

GRI standard	Disclosure	Page / Reference
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	Name of the organisation: Acerinox, S.A. Registered office: Calle Santiago de Compostela 100, 28035 Madrid, Spain; 13-17
	2-2 Entities included in the organization's sustainability reporting	13-17
	2-3 Reporting period, frequency and contact point	2022 calendar year (1 January to 31 December 2022) The reporting cycle is annual. sustainability@acerinox.com
	2-4 Restatements of information	Data modified from previous years includes an explanatory note.
	2-5 External assurance	The Acerinox Group engages an independent third party to undertake the external assurance of the report, pursuant to International Standard on Assurance Engagements (ISAE) 3000:KPMG Asesores, S.L.
	2-6 Activities, value chain and other business relationships	118-120
	2-7 Employees	108-111, Appendix 6.2
	2-9 Governance structure and composition	65-73
	2-10 Nomination and selection of the highest governance body	65-73
	2-11 Chair of the highest governance body	65-73
	2-12 Role of the highest governance body in overseeing the management of impacts	65-73
	2-13 Delegation of responsibility for managing	65-73

	impacts	
	2-14 Role of the highest governance body in sustainability reporting	65-73
	2-15 Conflicts of interest	74-77
	2-16 Communication of critical concerns	74-77
	2-17 Collective knowledge of the highest governance body	65-73
	2-18 Evaluation of the performance of the highest governance body	Appendix 6.2
	2-19 Remuneration policies	65-73
	2-20 Process to determine remuneration	65-73
	2-22 Statement on sustainable development strategy	57-62
	2-23 Policy commitments	Report-various sections
	2-24 Embedding policy commitments	Report-various sections
	2-25 Processes to remediate negative impacts	74-77
	2-26 Mechanisms for seeking advice and raising concerns	74-77
	2-27 Compliance with laws and regulations	74-77
	2-28 Membership associations	120-123
	2-29 Approach to stakeholder engagement	59-64
	2-30 Collective bargaining agreements	Appendix 6.2

Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	59-61
	3-2 List of material topics	61
Economic performance		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	77-82
	201-2 Financial implications and other risks and opportunities due to climate change	84-86
	201-4 Financial assistance received from government	77-82
Indirect economic impacts		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 203: Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	77-82
	203-2 Significant indirect economic impacts	77-82

Procurement practices		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	118-120
Anti-corruption		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	100% of the Group is obliged to comply with the anti-corruption guidelines. Moreover, Acerinox is an adherent to the principles of the United Nations Global Compact.
	205-2 Communication and training about anti-corruption policies and procedures	74-77
	205-3 Confirmed incidents of corruption and actions taken	No incidences of corruption were registered in 2022.
Anti-competitive behaviour		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No significant legal actions for anti-competitive behaviour, anti-trust or monopoly practices were registered in 2022.

Taxation		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 207: Tax 2019	207-1 Approach to tax	77-83
	207-2 Tax governance, control, and risk management	77-83
	207-3 Stakeholder engagement and management of concerns related to tax	77-83
	207-4 Country-by-country reporting	77-83
Materials		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 301: Materials 2016	301-1 Materials used by weight or volume	99-102, Appendix 6.2
	301-2 Recycled input materials used	99-102, Appendix 6.2

Energy		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 302: Energy 2016	302-1 Energy consumption within the organization	83-93, Appendix 6.2
	302-3 Energy intensity	83-93, Appendix 6.2
	302-4 Reduction of energy consumption	93-93
Water and effluents		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	93-97
	303-2 Management of water discharge-related impacts	93-97
	303-3 Water withdrawal	93-97, Appendix 6.2
	303-4 Water discharge	93-97, Appendix 6.2
	303-5 Water consumption	93-97, Appendix 6.2
Biodiversity		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 304: Biodiversity 2016	304-3 Habitats protected or restored	97-98
Emissions		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	83-93, Appendix 6.2
	305-2 Energy indirect (Scope 2) GHG emissions	83-93, Appendix 6.2
	305-3 Other indirect (Scope 3) GHG emissions	83-93, Appendix 6.2
	305-4 GHG emissions intensity	83-93, Appendix 6.2
	305-5 Reduction of GHG emissions	83-93
	305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	97-98, Appendix 6.2

Waste		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 306: Waste 2020	306 -1 Waste generation and significant waste-related impacts	99-102
	306-2 Management of significant waste-related impacts	99-102

	306-3 Waste generated	99-102, Appendix 6.2
	306-4 Waste diverted from disposal	99-102, Appendix 6.2
	306-5 Waste directed to disposal	99-102, Appendix 6.2
Supplier environmental assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	118-120, Appendix 6.2
	308-2 Negative environmental impacts in the supply chain and actions taken	118-120, Appendix 6.2
Employment		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Appendix 6.2
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Appendix 6.2
	401-3 Parental leave	Appendix 6.2

Labor/management relations		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	The minimum notice periods are in line with prevailing legislation and the collective agreement for the steel industry.
Occupational health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	114-117
	403-2 Hazard identification, risk assessment, and incident investigation	114-117
	403-3 Occupational health services	114-117
	403-4 Worker participation, consultation, and communication on occupational health and safety	114-117
	403-5 Worker training on occupational health and safety	114-117
	403-6 Promotion of worker health	114-117
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	114-117
	403-8 Workers covered by an occupational	114-117, Appendix 6.2

	health and safety management system	
	403-9 Work-related injuries	114-117
	403-10 Work-related ill health	Appendix 6.2
Training and education		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	108-114, Appendix 6.2
	404-2 Programs for upgrading employee skills and transition assistance programs	108-111
	404-3 Percentage of employees receiving regular performance and career development reviews	108-111, Appendix 6.2

Diversity and equal opportunity		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Appendix 6.2
	405-2 Ratio of basic salary and remuneration of women to men	Appendix 6.2
Non-discrimination		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	No incidents of discrimination were registered in 2022.
Freedom of association and collective bargaining		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	The Group has not registered any operations or suppliers in which the right to freedom of association and collective bargaining may be at risk.
Child labor		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	The Group has not registered any operations or suppliers at risk for incidents of child labour. All Acerinox Group companies support the effective abolition of child labour. Acerinox is a signatory of the United Nations Global Compact.

Forced or compulsory labour		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	The Group has not recognised any operations or suppliers at significant risk for incidents of forced or compulsory labour. All Acerinox Group companies support the elimination of all forms of forced and compulsory labour. Acerinox is a signatory of the United Nations Global Compact.
Local communities		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	120-123
Supplier social assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	118-120, Appendix 6.2
	414-2 Negative social impacts in the supply chain and actions taken	118-120, Appendix 6.2
Customer health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	104; 114-117
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No significant incidents of non-compliance concerning the health and safety impacts of product and service categories have been registered.
Customer privacy		
GRI 3: Material Topics 2021	3-3 Management of material topics	59-61
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No significant grievances related to respect for customer privacy and losses of customer personal data have been recorded in the mechanisms in place.

6.4 SASB table of contents

Contents and key metrics					
Topic	**Contents and key metrics**	**Category**	**Unit of measurement**	**Code**	
Greenhouse gas emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Quantitative	Metric tonnes (t) CO_2e, Percentage (%)	EM-IS-110a.1	84-94, Appendix 6.2
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and analysis	n/a	EM-IS-110a.2	84-94
Atmospheric emissions	Air emissions of the following pollutants: (1) CO, (2) NOx (excluding N_2O), (3) SOx, (4) particulate matter (PM10), (5) manganese (MnO), (6) lead (Pb), (7) volatile organic compounds (VOCs), and (8) polycyclic aromatic hydrocarbons (PAHs)	Quantitative	Metric tonnes (t)	EM-IS-120a.1	98-99
Energy management	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	EM-IS-130a.1	
	(1) Total fuel consumed (2) Percentage coal (3) Percentage natural gas (4) Percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	EM-IS-130a.2	84-94, Appendix 6.2
Water management	(1) Total fresh water withdrawn (2) Percentage recycled (3) Percentage in regions with high or	Quantitative	Percentage (%)	94-98	94-98, Appendix 6.2

	extremely high baseline water stress				
Waste management	Amount of waste generated, percentage hazardous, percentage recycled	Quantitative	Metric tonnes (t), Percentage (%)	EM-IS-150a.1	101-104
Employee health and safety	(1) Total recordable incident rate (TRIR) (2) Fatality rate (3) Near miss frequency rate (NMFR) for (a) full-time employees and (b) contract employees	Quantitative	Ratio	EM-IS-320a.1	116-119
Supply chain management	Discussion of the process for managing iron ore and/or coking coal sourcing risks arising from environmental and social issues	Discussion and analysis	n/a	EM-IS-430a.1	-

Activity metrics

Activity metrics	Category	Unit of measurement	Code	
Raw steel production, percentage from: (1) basic oxygen furnace processes, (2) electric arc furnace processes	Quantitative	Metric tonnes (t), Percentage (%)	EM-IS-000.A	100% Electric Arc Furnace
Total iron ore production	Quantitative	Metric tonnes (t)	EM-IS-000.B	-
Total coking coal production	Quantitative	Metric tonnes (t)	EM-IS-000.C	-

6.5 TCFD table of contents

6.6 NFIS table of contents

Information required by the Non-financial Information Law	Related reporting criterion (GRI Standard)	Page / Reference
Finance model		
Taxonomy	Regulation (EU) 2020/852	51-58
Business model		
Brief description of the Group's business model (business environment and organisation)	2-1 Organizational details	13-17
Geographical presence	2-2 Entities included in the organization's sustainability reporting	13-17
Organisation's objectives and strategies		https://www.acerinox.com/export/sites/acerinox/.content/galerias/galeria-descargas/CEO-DISCURSO-JUNTA-2022.pdf
Key factors and trends that could affect future performance	3-3 Management of material topics	30-31
Reference in the report to the national, European or international reporting framework used to select the non-financial key performance indicators included in each section Materiality		This report has been prepared in accordance with the GRI Standards.
Environmental topics		
General disclosures		
A description of the policies applied by the Group with regard to these topics, which shall include the due diligence procedures implemented to identify, assess, prevent and mitigate significant risks and impacts, and assurance and control procedures, including the measures taken	3-3 Management of material topics	59-60
The results of such policies, including the pertinent non-financial key performance indicators, enabling progress to be monitored and evaluated and allowing for comparisons to be drawn between companies and industries, in line with the benchmark national, European or international frameworks used for each topic	3-3 Management of material topics	59-60

The main risks in relation to such topics as regards the Group's activities, including, where pertinent and appropriate, its commercial relations, products or services that may have an adverse impact on such areas, and how the Group manages such risks, explaining the procedures used to detect and assess them in line with the benchmark national, European or international frameworks used for each topic Information on any impacts detected must be included, providing a breakdown thereof, particularly as regards the main short-, medium- and long-term risks	201-2 Financial implications and other risks and opportunities due to climate change	84-86
Actual and foreseeable effects of the Company's activities on the environment and, as the case may be, health and safety	201-2 Financial implications and other risks and opportunities due to climate change	84-86
Environmental assessment or certification procedures	3-3 Management of material topics	59-60
Resources allocated to preventing environmental risks	3-3 Management of material topics	59-60
Application of the precautionary principle	3-3 Management of material topics	59-60
Amount of provisions and guarantees for environmental risks	3-3 Management of material topics	59-60
Pollution		
Measures to prevent, reduce or remedy emissions seriously affecting the environment, factoring in any specific form of atmospheric pollution of an activity, including noise and light pollution	3-3 Management of material topics 305-5 Reduction of GHG emissions	83-93
Circular economy and waste prevention and management		
Measures for the prevention, recycling, reuse and other recovery and disposal of waste Actions to combat food waste	3-3 Management of material topics 306-2 Management of significant waste-related impacts 306-3 Waste generated 306-4 Waste diverted from disposal 306-5 Waste directed to disposal	99-102
Sustainable use of resources		
Water consumption and supply in accordance with local limitations	303-1 Interactions with water as a shared resource 303-2 Management of water discharge-related impacts 303-3 Water withdrawal 303-4 Water discharge 303-5 Water consumption	93-97

Consumption of raw materials and measures implemented to improve the efficiency of their use	301-1 Materials used by weight or volume	99-102
Direct and indirect energy consumption	3-3 Management of material topics 302-1 Energy consumption within the organization	83-93
Measures taken to improve energy efficiency	3-3 Management of material topics 302-4 Reduction of energy consumption	83-93
Use of renewable energies	302-1 Energy consumption within the organization	83-93
	Climate change	
The key elements of the greenhouse gas emissions generated as a result of the Company's activities, including the use of the goods and services it produces	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions 305-3 Other indirect (Scope 3) GHG emissions	83-93
Measures taken to adapt to the consequences of climate change	3-3 Management of material topics	83-93
Voluntary medium- and long-term greenhouse gas reduction targets and the measures in place to achieve them	305-5 Reduction of GHG emissions	83-93
	Biodiversity protection	
Measures taken to preserve or restore biodiversity	304-3 Habitats protected or restored	97-98
Impacts caused by activities or operations in protected areas	304-3 Habitats protected or restored	97-98
	Social and employee-related topics	
	General disclosures	
A description of the policies applied by the Group with regard to these topics, which shall include the due diligence procedures implemented to identify, assess, prevent and mitigate significant risks and impacts, and assurance and control procedures, including the measures taken	3-3 Management of material topics	108-114
The results of such policies, including the pertinent non-financial key performance indicators, enabling progress to be monitored and evaluated and allowing for comparisons to be drawn between companies and industries, in line with the benchmark national, European or international frameworks used for each topic	3-3 Management of material topics	108-114

The main risks in relation to such topics as regards the Group's activities, including, where pertinent and appropriate, its commercial relations, products or services that may have an adverse impact on such areas, and how the Group manages such risks, explaining the procedures used to detect and assess them in line with the benchmark national, European or international frameworks used for each topic Information on any impacts detected must be included, providing a breakdown thereof, particularly as regards the main short-, medium- and long-term risks	3-3 Management of material topics	108-114
Employment		
Total number and distribution of employees based on diversity criteria (gender, age, country, etc.)	2-7 Employees 405-1 Diversity of governance bodies and employees	108-111 Appendix 6.2
Total number and distribution of types of employment contract, average annual number of permanent, temporary and part-time contracts by gender, age and professional category	102-8 Information on employees and other workers	108-111 Appendix 6.2
Number of dismissals by gender, age and professional category	3-3 Management of material topics	Appendix 6.2
Average remuneration and trends therein, broken down by gender, age and professional category or similar	405-2 Ratio of basic salary and remuneration of women to men 3-3 Management of material topics	108-111 Appendix 6.2
Wage gap, remuneration of like positions or average remuneration in the Company	405-2 Ratio of basic salary and remuneration of women to men	Appendix 6.2
Average remuneration of board members and management, including variable remuneration, allowances, indemnities, payments into long-term savings schemes and any other amounts received, disaggregated by gender	2-19 Remuneration policies	65-74
Implementation of policies on disconnecting from work	3-3 Management of material topics	108-111
Employees with disabilities	405-1 Diversity of governance bodies and employees	65-74; 111-114
Organisation of work		
Organisation of working time	3-3 Management of material topics	108-111
Absenteeism hours	403-9 Work-related injuries	114-117
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The main risks in relation to such topics as regards the Group's activities, including, where pertinent and appropriate, its commercial relations, products or services that may have an adverse impact on such areas, and how the Group manages such risks, explaining the procedures used to detect and assess them in line with the benchmark national, European or international frameworks used for each topic Information on any impacts detected must be included, providing a breakdown thereof, particularly as regards the main short-, medium- and long-term risks	3-3 Management of material topics 408-1 Operations and suppliers at significant risk for incidents of child labor 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	74-77
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The results of such policies, including the pertinent non-financial key performance indicators, enabling progress to be monitored and evaluated and allowing for comparisons to be drawn between companies and industries, in line with the benchmark national, European or international frameworks used for each topic	3-3 Management of material topics 205-2 Communication and training about anti-corruption policies and procedures	74-77
The main risks in relation to such topics as regards the Group's activities, including, where pertinent and appropriate, its commercial relations, products or services that may have an adverse impact on such areas, and how the Group manages such risks, explaining the procedures used to detect and assess them in line with the benchmark national, European or international frameworks used for each topic Information on any impacts detected must be included, providing a breakdown thereof, particularly as regards the main short-, medium- and long-term risks	3-3 Management of material topics	74-77
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A description of the policies applied by the Group with regard to these topics, which shall include the due diligence procedures implemented to identify, assess, prevent and mitigate significant risks and impacts, and assurance and control procedures, including the measures taken	3-3 Management of material topics 2-23 Policy commitments	Several chapters
The results of such policies, including the pertinent non-financial key performance indicators, enabling progress to be monitored and evaluated and allowing for comparisons to be drawn between companies and industries, in line with the benchmark national, European or international frameworks used for each topic	3-3 Management of material topics 2-23 Policy commitments	Several chapters
The main risks in relation to such topics as regards the Group's activities, including, where pertinent and appropriate, its commercial relations, products or services that may have an adverse impact on such areas, and how the Group manages such risks, explaining the procedures used to detect and assess them in line with the benchmark national, European or international frameworks used for each topic Information on any impacts detected must be included, providing a breakdown thereof, particularly as regards the main short-, medium- and long-term risks	3-3 Management of material topics	59-61
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6.7 External assurance report

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

Independent Assurance Report on the Integrated Annual Report of Acerinox, S.A. and subsidiaries for 2022

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

To the Shareholders of Acerinox, S.A.:

We have been engaged by Acerinox, S.A. management to perform a limited assurance review of the Integrated Annual Report of Acerinox, S.A. (hereinafter, the Parent) and subsidiaries (hereinafter, the Group) for the year ended 31 December 2022, prepared in accordance with the selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), and the SASB "Iron & Steel Producers" indicators (hereinafter, the Report).

In addition, pursuant to article 49 of the Spanish Code of Commerce, we have performed a limited assurance review to evaluate whether the Consolidated Non-Financial Information Statement (hereinafter NFIS) of the Group for the year ended 31 December 2022, included in the Report which forms part of the Group's consolidated Directors' Report for 2022, has been prepared in accordance with prevailing mercantile legislation, and in accordance with the selected GRI standards as shown in the GRI Table of Contents of the Report.

The Report includes additional information to that required by GRI Standards, by the SASB "Iron & Steel Producers" indicators and prevailing mercantile legislation concerning non-financial information, which has not been the subject of our assurance work. In this respect, our work was limited exclusively to providing assurance on the information contained in the "GRI Table of Contents", the "SASB Table of Contents" and the "NFIS Table of Contents" of the Report.

Responsibility of the Parent's Directors and Management

Management of the Parent is responsible for the preparation and presentation of the Report in accordance with the GRI Standards for each subject area in the "GRI Table of Contents" and the SASB "Iron & Steel Producers" indicators for each subject area in the "SASB Table of Contents" of the Report.

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

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

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

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

Our Independence and Quality Control

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

Our firm applies current international quality standards and consequently maintains a quality system that includes policies and procedures related to compliance with ethical requirements, professional standards, and applicable legal and regulatory provisions.

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

Our Responsibility

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

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

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

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

- Meetings with the Group's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the Report based on the materiality analysis performed by the Group and described in the "Materiality Analysis" section, considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the Report for 2022.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the Report for 2022.
- Corroboration, through sample testing, of the information relative to the content of the Report for 2022 and whether it has been adequately compiled based on data provided by the information sources.

KPMG

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

- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

a.) The Integrated Annual Reportof Acerinox, S.A. and subsidiaries for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the selected GRI Standards, for each subject matter as described in the "GRI Table of Contents, and in accordance with the SASB "Iron & Steel Producers" indicators for each subject matter as described in the "SASB Table of Contents" of the Report.

b.) The NFIS of Acerinox, S.A. and subsidiaries for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "NFIS Table of Contents" table of the Report.

Emphasis of Matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment stipulates the obligation to disclose information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable in relation to climate change mitigation and climate change adaptation. This obligation applies for the first time for the 2021 fiscal year, provided that the Non-Financial Information Statement is published from 1 January 2022 onwards. Consequently, the 2022 Integrated Annual Report does not contain comparative information on this matter. Additionally, certain information has been included in respect of which the Directors of the Parent have opted to apply the criteria that, in their opinion, best allow them to comply with the new obligation, and which are those defined in section "EU taxonomy on sustainable finance" of the Report. Our conclusion is not modified in respect of this matter.

Use and Distribution

In accordance with the terms of our engagement letter, this Report has been prepared for Acerinox, S.A., in relation to its 2022 Integrated Annual Report and for no other purpose or in any other context.

In relation to the Consolidated NFIS, this report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.

(Signed on original in Spanish)

Marta Contreras Hernández

29 March 2023

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

Independent Assurance Report on the Integrated Annual Report of Acerinox, S.A. and subsidiaries for 2022

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

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- Corroboration, through sample testing, of the information relative to the content of the Report for 2022 and whether it has been adequately compiled based on data provided by the information sources.

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

- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

a.) The Integrated Annual Reportof Acerinox, S.A. and subsidiaries for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the selected GRI Standards, for each subject matter as described in the "GRI Table of Contents, and in accordance with the SASB "Iron & Steel Producers" indicators for each subject matter as described in the "SASB Table of Contents" of the Report.

b.) The NFIS of Acerinox, S.A. and subsidiaries for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "NFIS Table of Contents" table of the Report.

Emphasis of Matter

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KPMG Asesores, S.L.

(Signed on original in Spanish)

Marta Contreras Hernández

29 March 2023