

Acerinox, S.A. and subsidiaries

Report on limited review
Interim condensed consolidated financial statements for
the six-month period ending on 30 June 2023
Interim 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.

Report on limited review of interim condensed consolidated financial statements

To the shareholders of Acerinox, S.A.

Introduction

We have performed a limited review of the accompanying condensed consolidated interim financial statements (hereinafter, the interim financial statements) of Acerinox, S.A. (hereinafter, the Parent company) and its subsidiaries (hereinafter, the Group), which comprise the balance sheet as at 30 June 2023, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity, statement of cash flow and related notes, all condensed and consolidated, for the six-month period then ended. The Parent company's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2023 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, as provided in Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.



Emphasis of matters

We draw attention to note 2 of the condensed consolidated interim financial statements, in which it is mentioned that these condensed consolidated interim financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and therefore the accompanying condensed consolidated interim financial statements should be read together with the consolidated annual accounts of the Group for the year ended 31 December 2022. Our conclusion is not modified in respect of this matter.

Other matters

Consolidated interim management report

The accompanying consolidated interim management report for the six-month period ended 30 June 2023 contains the explanations which the Parent company's directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this management report is in agreement with that of the interim financial statements for the six-month period ended 30 June 2023. Our work as auditors is limited to checking the consolidated interim management report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Acerinox, S.A. and its subsidiaries' accounting records.

Preparation of this review report

This report has been prepared at the request of the Board of Directors in relation to the publication of the half-yearly financial report required by Article 100 of Law 6/2023, of March 17, on Securities Markets and Investment Services.

PricewaterhouseCoopers Auditores, S.L.

Originally in Spanish signed by
Jon Toledano Irigoyen

25 July 2023

ACERINOX, S.A. AND SUBSIDIARIES



Interim condensed consolidated financial
statements for the six-month period ending on 30
June 2023

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



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Figures in thousands of euros at 30 June 2023 and 31 December 2022)

	Note	30-Jun-23	31-Dec-22
ASSETS			
Non-current assets			
Goodwill	9	51,064	51,064
Other intangible assets	9	41,876	43,437
Property, plant, and equipment	10	1,619,602	1,649,607
Investment property	10	9,792	9,916
Right-of-use assets	11	16,706	16,207
Investments accounted for using the equity method		390	390
Financial assets at fair value through other comprehensive income	13	381	394
Deferred tax assets		131,898	101,225
Other non-current financial assets	13,15	30,242	30,188
TOTAL NON-CURRENT ASSETS		1,901,951	1,902,428
Current assets			
Inventories	12	2,264,613	2,155,542
Trade and other receivables	13	821,363	637,833
Other current financial assets	13,15	33,361	51,534
Current tax assets		22,723	22,770
Cash and cash equivalents		1,543,889	1,548,040
TOTAL CURRENT ASSETS		4,685,949	4,415,719
TOTAL ASSETS		6,587,900	6,318,147

The condensed notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

(Figures in thousands of euros at 30 June 2023 and 31 December 2022)

	Note	30-Jun-23	31-Dec-22
LIABILITIES			
Equity			
Share capital	17	64,931	64,931
Share premium		268	268
Reserves		2,311,616	1,920,753
Profit for the period		277,680	556,054
Interim dividend			-74,799
Translation differences		27,312	93,923
Other equity instruments	23	4,396	3,695
Shares of the Parent	17	-92,813	-90,728
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		2,593,390	2,474,097
Non-controlling interests		63,444	73,596
TOTAL EQUITY		2,656,834	2,547,693
Non-current liabilities			
Deferred income		39,711	27,465
Issue of bonds and other marketable securities	13	74,900	74,850
Bank borrowings	13,14	1,376,972	1,319,182
Non-current provisions		157,340	159,058
Deferred tax liabilities		215,725	227,784
Other non-current financial liabilities	13,15	15,859	14,971
TOTAL NON-CURRENT LIABILITIES		1,880,507	1,823,310
Current liabilities			
Issue of bonds and other marketable securities	13	3,493	1,634
Bank borrowings	13,14	809,843	592,858
Trade and other payables	13	1,187,323	1,181,440
Current tax liabilities		33,919	58,295
Other current financial liabilities	13,15	15,981	112,917
TOTAL CURRENT LIABILITIES		2,050,559	1,947,144
TOTAL LIABILITIES		6,587,900	6,318,147

The condensed notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

2. INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Figures in thousands of euros at 30 June 2023 and 2022)

	Note	30-Jun-23	30-Jun-22
Revenue	21	3,521,947	4,821,477
Other operating income	21	55,827	16,618
In-house work on non-current assets	21	6,240	1,235
Changes in inventories of finished goods and work in progress		140,597	551,964
Procurements		-2,463,431	-3,501,498
Staff costs		-319,312	-320,248
Depreciation and amortization charge	9,10,11	-84,539	-93,986
Other operating expenses		-479,189	-628,265
PROFIT FROM OPERATIONS		378,140	847,297
Finance income		38,398	4,464
Finance costs		-47,565	-24,123
Exchange differences		-3,989	-15,478
Remeasurement of financial instruments at fair value		5,683	11,088
PROFIT FROM ORDINARY ACTIVITIES		370,667	823,248
Income tax	18	-94,356	-195,887
Other taxes		-123	-179
PROFIT FOR THE PERIOD		276,188	627,182
<u>Attributable to:</u>			
NON-CONTROLLING INTERESTS		-1,492	18,303
NET PROFIT ATTRIBUTABLE TO THE GROUP		277,680	608,879
<i>Basic and diluted earnings per share (in euros)</i>		1.11	2.32

The condensed notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

3. INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Figures in thousands of euros at 30 June 2023 and 2022)

	30-Jun-23	30-Jun-22
A) PROFIT PER INTERIM CONDENSED CONSOLIDATED STATEMENT OF	276,188	627,182
B) OTHER COMPREHENSIVE INCOME - ITEMS NOT RECLASSIFIED TO PROFIT OR LOSS	-965	26,753
1. Arising from measurement of equity instruments at fair value through other comprehensive income		-720
2. Arising from actuarial gains and losses and other adjustments	-1,434	40,561
3. Tax effect	469	-13,088
C) OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	-89,958	214,171
1. Arising from cash flow hedges		
- Revaluation gains (losses)	8,693	15,134
- Amounts transferred to profit or loss	-30,206	-2,301
2. Translation differences		
- Revaluation gains (losses)	-75,286	204,072
- Amounts transferred to profit or loss		
3. Tax effect	6,841	-2,734
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	185,265	868,106
a) Attributable to the Parent	195,432	846,043
b) Attributable to non-controlling interests	-10,167	22,063

The condensed notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

4. INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The changes in the reported period were as follows:

(Figures in thousands of euros at 30 June 2023 and 2022)

	Equity attributable to shareholders of the Parent								TOTAL	Non-controlling interests	TOTAL EQUITY
	Share capital	Share premium	Reserves (including profit or loss for the period)	Other equity instruments	Translation differences	Valuation adjustments	Interim dividend	Treasury shares			
Total equity at 31 December 2022	64,931	268	2,402,587	3,695	93,923	74,220	-74,799	-90,728	2,474,097	73,596	2,547,693
Year-to-date profit (loss) at June 2023	0	0	277,680	0	0	0	0	0	277,680	-1,492	276,188
Cash flow hedges (net of tax)						-14,672			-14,672		-14,672
Actuarial adjustments to employee benefit obligations (net of tax)						-965			-965		-965
Translation differences					-66,611				-66,611	-8,675	-75,286
Net profit (loss) recognized directly in equity	0	0	0	0	-66,611	-15,637	0	0	-82,248	-8,675	-90,923
Total comprehensive income	0	0	277,680	0	-66,611	-15,637	0	0	195,432	-10,167	185,265
Dividends paid	0	0	-149,564	0	0	0	74,799	0	-74,765	0	-74,765
Transactions with shareholders	0	0	-149,564	0	0	0	74,799	0	-74,765	0	-74,765
Acquisition of treasury shares								-2,085	-2,085		-2,085
Directors' long-term incentive plan				701					701	15	716
Other changes			14			-4			10		10
Total equity at 30 June 2023	64,931	268	2,530,717	4,396	27,312	58,579	0	-92,813	2,593,390	63,444	2,656,834

The condensed notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

The changes in the same interim period of the previous year were as follows:

(Figures in thousands of euros)

	Equity attributable to shareholders of the Parent							TOTAL	Non-controlling interests	TOTAL EQUITY
	Share capital	Share premium	Reserves (including profit or loss for the period)	Other equity instruments	Translation differences	Valuation adjustments	Treasury shares			
Total equity at 31 December 2021	67,637	268	2,099,314	3,048	-10,154	5,178	-10,251	2,155,040	59,822	2,214,862
Year-to-date profit (loss) at June 2022	0	0	608,879	0	0	0	0	608,879	18,303	627,182
Cash flow hedges (net of tax)						10,099		10,099		10,099
Measurement of equity instruments (net of tax)						-541		-541		-541
Actuarial adjustments to employee benefit obligations (net of tax)						27,294		27,294		27,294
Translation differences					200,312			200,312	3,760	204,072
Net profit (loss) recognized directly in equity	0	0	0	0	200,312	36,852	0	237,164	3,760	240,924
Total comprehensive income	0	0	608,879	0	200,312	36,852	0	846,043	22,063	868,106
Dividends paid			-129,873					-129,873		-129,873
Transactions with shareholders	0	0	-129,873	0	0	0	0	-129,873	0	-129,873
Acquisition of treasury shares							-115,294	-115,294		-115,294
Directors' long-term incentive plan			-675	25			995	345	15	360
Other changes			-712					-712		-712
Total equity at 30 June 2022	67,637	268	2,576,933	3,073	190,158	42,030	-124,550	2,755,549	81,900	2,837,449

The condensed notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.

5. INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Figures in thousands of euros at 30 June 2023 and 2022)

	30-Jun-23	30-Jun-22
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	370,667	823,248
<i>Adjustments for:</i>		
Depreciation and amortization charge	84,539	93,986
Impairment losses	-1,095	18,801
Net changes in provisions and allowances	2,815	11,079
Recognition of grants in profit or loss	-4,147	-4,284
Gains or losses on disposals of non-current assets	1,635	-739
Gains or losses on disposals of financial instruments		3
Changes in fair value of financial instruments	-7,807	-1,044
Finance income	-38,398	-4,464
Finance costs	47,565	24,121
Other income and expenses	-3,376	37,541
<i>Changes in working capital:</i>		
(Increase) / decrease in trade and other receivables	-184,794	-316,205
(Increase) / decrease in inventories	-137,615	-833,561
(Increase) / decrease in trade and other payables	-53,963	342,526
<i>Other cash flows from operating activities</i>		
Interest paid	-39,111	-17,805
Interest received	38,193	4,067
Income tax paid	-151,924	-100,636
NET CASH FLOWS FROM OPERATING ACTIVITIES	-76,816	76,634
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant, and equipment	-95,921	-46,890
Acquisition of intangible assets	-976	-1,031
Acquisition of other financial assets	-213	-293
Proceeds from disposal of property, plant, and equipment	186	2,026
Proceeds from disposal of other financial assets		164
Dividends received		388
NET CASH FLOWS FROM INVESTING ACTIVITIES	-96,924	-45,636
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of treasury shares	-2,085	-115,294
Income from borrowings	479,816	656,067
Repayment of interest-bearing liabilities	-202,248	-432,905
Dividends paid	-74,799	
NET CASH FLOWS FROM FINANCING ACTIVITIES	200,684	107,868
NET INCREASE IN CASH AND CASH EQUIVALENTS	26,944	138,866
Cash and cash equivalents at beginning of period	1,548,040	1,274,929
Effect of foreign exchange rate changes	-31,095	103,669
CASH AND CASH EQUIVALENTS AT PERIOD-END	1,543,889	1,517,464

The condensed notes 1 to 24 are an integral part of these interim condensed consolidated financial statements.



CONTENTS: NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION	10
NOTE 2 - STATEMENT OF COMPLIANCE	10
NOTE 3 - ACCOUNTING PRINCIPLES	10
NOTE 4 - ACCOUNTING ESTIMATES AND JUDGMENTS	12
NOTE 5 - FINANCIAL RISK MANAGEMENT	12
NOTE 6 - SEASONAL OR CYCLICAL NATURE OF TRANSACTIONS	12
NOTE 7 - CHANGES IN THE SCOPE OF CONSOLIDATION	12
NOTE 8 - SIGNIFICANT EVENTS TAKING PLACE IN THE FIRST SIX MONTHS OF 2023	12
NOTE 9 - INTANGIBLE ASSETS	14
NOTE 10 - PROPERTY, PLANT, AND EQUIPMENT AND INVESTMENT PROPERTY	16
NOTE 11 - RIGHT-OF-USE ASSETS (LEASES)	19
NOTE 12 - INVENTORIES	20
NOTE 13 - FINANCIAL INSTRUMENTS	21
NOTE 14 - BANK BORROWINGS	22
NOTE 15 - DERIVATIVE FINANCIAL INSTRUMENTS	23
NOTE 16 - DISTRIBUTION OF PROFIT AND DIVIDENDS	24
NOTE 17 - SHARE CAPITAL AND TREASURY SHARES	25
NOTE 18 - TAX MATTERS	25
NOTE 19 - LITIGATION	27
NOTE 20 - CONTINGENT ASSETS AND LIABILITIES	27
NOTE 21 - SEGMENT REPORTING	27
NOTE 22 - AVERAGE HEADCOUNT	29
NOTE 23 - RELATED PARTY TRANSACTIONS	29
NOTE 24 - EVENTS AFTER THE REPORTING PERIOD	30



6. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

Acerinox, S.A. ("the Company") was incorporated as a Corporation (*Sociedad Anónima* in Spanish) for an indefinite period of time on 30 September 1970. Its registered office is located at Calle Santiago de Compostela, 100, Madrid, Spain.

The accompanying interim condensed consolidated financial statements include the Company and all its subsidiaries.

The latest approved financial statements, which correspond to 2022, are publicly available upon request at the Company's head office, on the Group's website www.acerinox.com and on the website of the Spanish National Securities Market Commission (CNMV).

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on 24 July 2023.

NOTE 2 - STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting. These financial statements do not include all the information required for complete financial statements and should be read and interpreted in conjunction with the Group's published annual financial statements for the year ended 31 December 2022.

NOTE 3 - ACCOUNTING PRINCIPLES

These interim condensed consolidated financial statements of the Acerinox Group were prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations (IFRIC) adopted by the European Union ("EU-IFRS") and with the other provisions of the applicable regulatory financial reporting framework. The 2022 annual consolidated financial statements detail all the accounting standards applied by the Group.

The interim condensed consolidated financial statements for the first six months of 2023 were prepared using the same accounting principles (EU-IFRS) as were used for 2022, except for the standards and amendments adopted by the European Union and mandatorily applicable from 1 January 2023 onwards, which were the following:

- Disclosure of Accounting Policies (Amendments to IAS 1): IAS 1 has been amended to improve the disclosure of accounting policies with the aim of providing more useful information to investors and other primary users of the financial statements. This standard does not apply to interim financial statements, as there is no requirement for the complete disclosure of accounting policies. The Group will apply this new policy at the close of the fiscal year in the preparation of its consolidated annual financial statements.
- Definition of Accounting Estimates (Amendments to IAS 8): IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policies. This does not impact the period, as there were no changes in estimates or policies.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12): This amendment clarifies that the exemption to the recognition of deferred taxes related to assets or liabilities recognized for the first time ("initial recognition exemption") does not apply to those transactions for which both an asset and a liability are recognized upon initial recognition, such as leases and decommissioning obligations, and therefore there is an obligation to recognize deferred taxes on such transactions. The Group will apply the standard when these transactions occur.

The standards, interpretations, and amendments issued by the IASB and the IFRS Interpretations Committee but that have not been adopted by the European Union or that cannot be adopted early, but that could have an impact, are detailed below:

- IFRS 10 (Amendment) and IAS 28 (Amendment) - These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures. The amendments shall 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 ownership interests in associates are not material and no such contributions have been made to date.
- "Lease liability in a sale and leaseback" (Amendments to IFRS 16): This amendment explains how a company should account for a sale and leaseback after the date of the transaction. The effective date of application of these amendments is January 1, 2024, although their 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 financial statements.
- "Classification of Liabilities as Current or Non-current" (Amendments to IAS 1): These amendments issued in January 2020 clarify that liabilities are classified as current or non-current based on the rights that exist at the end of the period in which they are reported and not on the entity's expectations or events occurring after period-end. The amendment also clarifies the concept of "liquidation" of a liability under the standard. Although the effective date of application of these amendments was January 1, 2022, the date has been postponed to January 2024, although their early adoption is allowed. The Group does not expect any impact from the application of this standard since the Group's classification between current and non-current is based on existing contractual rights.
- "Non-current liabilities with conditions ('covenants')" (Amendments to IAS 1): The amendment is intended to improve the information provided when the right to defer payment of a liability is subject to the fulfillment of conditions ("covenants") within the twelve months following the period being reported. This amendment is effective for periods as of January 1, 2024. Early adoption of this amendment is allowed, although it has not yet been approved by the European Union. The Group does not expect impacts from the application of this amendment.
- "International Tax Reform—Pillar Two Model Rules" (Amendments to IAS 12): In October 2021, more than 130 countries agreed to implement a minimum tax regime for multinational companies: "Pillar Two." In December 2021, the Organisation for Economic Co-operation and Development ("OECD") published "Pillar Two" model rules for reforming international corporate taxation. Affected large multinational companies must calculate their effective GloBE (acronym for "Global Anti-Base Erosion") tax rate for each jurisdiction in which they operate. Such companies will be required to pay an additional tax for the difference between their effective GloBE tax rate by jurisdiction and the minimum rate of 15%.

In May 2023, the IASB issued limited-scope amendments to IAS 12 providing a temporary exception from the requirement to recognize and disclose deferred taxes arising from an enacted or substantively enacted tax law implementing the Pillar Two model rules published by the OECD. This standard is pending implementation in Spain.

The amendments also introduce the following specific disclosure requirements for the affected companies:

- Having applied the temporary exception to the recognition and disclosure of information on deferred tax assets and liabilities related to income tax arising from Pillar Two;
- Their current tax expense (if any) related to the income tax arising from Pillar Two; and
- During the period between the enactment or substantive enactment of the legislation and its entry into force, entities are required to disclose known or reasonably estimable information that would help users of the financial statements understand the entity's exposure to income tax arising from Pillar Two.



This amendment to IAS 12 is applicable immediately (subject to any local approval process) and retrospectively in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors." Moreover, disclosures related to current tax expenditure and known or reasonably estimable exposure to Pillar Two income tax are mandatory for annual periods beginning January 1, 2023. However, disclosure of this information in the interim financial statements is not required for any interim period ending on or before 31 December 2023.

These amendments have not yet been approved by the European Union.

With regard to the Group, Acerinox will soon begin the process of evaluating the impacts of the application of Pillar Two, and has therefore decided to make use of the temporary exemption from the recognition and disclosure of information on assets and liabilities for deferred taxes related to this tax.

- Supplier Finance Arrangements ("confirming") (Amendments to IAS 7 and IFRS 7): The IASB has amended IAS 7 and IFRS 7 to improve disclosures on supplier finance arrangements ("confirming") and their effects on a company's liabilities, cash flows, and exposure to liquidity risk. This amendment is effective for periods as of January 1, 2024. Early adoption of this amendment is allowed, although it has not yet been approved by the European Union. The Group shall include the required and applicable disclosures in its annual financial statements.

NOTE 4 – ACCOUNTING ESTIMATES AND JUDGMENTS

The accounting estimates and judgments used by the Group during this interim period were applied consistently with those used for the latest approved annual financial statements, which correspond to 2022.

NOTA 5 - FINANCIAL RISK MANAGEMENT

Note 4 to the Group's published financial statements for the year ended 31 December 2022 includes a detailed description of the risks to which the Group's activities are exposed, and the management carried out to minimize the impact thereof.

During this period, there were no new risks, other than those detailed in the 2022 annual financial statements.

NOTE 6 – SEASONAL OR CYCLICAL NATURE OF TRANSACTIONS

The activities carried on by the Acerinox Group are not seasonal in nature.

NOTE 7 – CHANGES IN THE SCOPE OF CONSOLIDATION

There have been no changes in the scope of consolidation in this period or in 2022, as explained in the Group's consolidated financial statements for that year.

NOTE 8 – SIGNIFICANT EVENTS TAKING PLACE IN THE FIRST SIX MONTHS OF 2023

Market environment

The market situation has been different for stainless steel versus high-performance alloys.

The stainless steel market in this period has remained broadly similar in volumes to the second half of the previous year, although it is lower than the first half of 2022, when the Group reached record figures. There has



not yet been a recovery in demand, and price levels, mainly in Europe and Asia, have remained at the lowest levels ever seen.

With regard to high-performance alloys, volumes and margins are maintained, allowing the Group to reach historical figures in the first half of the year, above those achieved in both the first and second half of the previous year.

Looking at developments by region, market performance in the United States has remained stable, at levels similar to those in the second half of last year, and the same is true for base prices. Margins in the first half of this year have been higher than those obtained last year, thereby allowing better results.

In Europe, stainless steel prices are at the lowest levels ever reached. Energy prices, although lower than last year, remain very high for the current unfavorable price environment. The use of an ERTE (Temporary Labor Force Adjustment Plan) has been necessary at the Group's Campo de Gibraltar factory at different times over the last few months.

In South Africa, the demand situation is also complicated and price levels are low due to import pressure.

As for Asia, the price differential with the rest of world remains significant, and the Group continues its strategy of maintaining low volumes and higher-value-added products.

Results

Turnover, EUR 3,522 million, fell by 27% compared to the same period last year, although it is only 9% lower than the second half of 2022, mainly due to low prices in Europe and Asia.

EBITDA¹ in the first half of the year, EUR 462 million, was 51% lower than the same period of the previous year, which was the best in Acerinox's history, but 39% higher than the second half of the year. The EBITDA margin on sales was 13%.

Profit after tax and non-controlling interests, EUR 278 million, was 54% lower than the first six months of 2022.

Operating expenses decreased by 20% in the first half of the year, mainly due to lower production and measures adopted for the variability of fixed costs.

The increase in operating working capital has resulted in a Group-wide operating cash flow of EUR -77 million. Working capital has increased by EUR 304 million as a result of the good moment in the high-performance-alloy sector, which has translated to an increase in inventories. On the other hand, the substitution of Russian nickel with other supply sources has also had an impact on the number of suppliers.

Net financial debt² amounted to EUR 721 million, due mainly to the increase in working capital, tax payments totaling EUR 151 million, investments in fixed assets totaling EUR 97 million, and interim dividend payments of EUR 75 million.

¹EBITDA = Results from operating activities – Amortization and depreciation – Impairment of property, plant, and equipment – Changes in trade provisions for an amount of EUR 849 thousand included under "Other Operating Expenses" in the statement of profit or loss (EUR -3,298 thousand at 30 June 2022)

² Net financial debt = Issue of bonds and other marketable securities (current and non-current) + Current and non-current bank borrowings – Cash and cash equivalents

NOTE 9 – INTANGIBLE ASSETS

The changes in intangible assets were as follows:

(Figures in thousands of euros)

COST	Development expenditure	Intellectual property	Computer software and other	Customer portfolio	SUBTOTAL	Goodwill
Balance at 1 January 2022	17,146	32,120	53,844	29,200	132,310	118,953
Acquisitions	1,454	124	1,159		2,737	
Transfers						
Disposals		-38	-729		-767	
Translation differences			153		153	
Balance at 31 December 2022	18,600	32,206	54,427	29,200	134,433	118,953
Acquisitions	292		771		1,063	
Transfers			37		37	
Disposals						
Translation differences			-320		-320	
Balance at 30 June 2023	18,892	32,206	54,915	29,200	135,213	118,953

ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES	Development expenditure	Intellectual property	Computer software and other	Customer portfolio	SUBTOTAL	Goodwill
Balance at 1 January 2022	8,643	25,959	47,561	3,569	85,732	-67,889
Charge for the year	1,144	529	2,276	1,947	5,896	
Transfers						
Disposals		-31	-707		-738	
Translation differences			106		106	
Balance at 31 December 2022	9,787	26,457	49,236	5,516	90,996	-67,889
Charge for the year	304	209	1,106	973	2,592	
Transfers						
Disposals						
Translation differences			-251		-251	
Balance at 30 June 2023	10,091	26,666	50,091	6,489	93,337	-67,889

CARRYING AMOUNT	Development expenditure	Intellectual property	Computer software and other	Customer portfolio	SUBTOTAL	Goodwill
Cost at 1 January 2022	17,146	32,120	53,844	29,200	132,310	118,953
Accumulated depreciation and impairment losses	-8,643	-25,959	-47,561	-3,569	-85,732	-67,889
Carrying amount at 1 January 2022	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 depreciation and impairment losses	-9,787	-26,457	-49,236	-5,516	-90,996	-67,889
Carrying amount at 31 December 2022	8,813	5,749	5,191	23,684	43,437	51,064
Cost at 30 June 2022	18,892	32,206	54,915	29,200	135,213	118,953
Accumulated depreciation and impairment losses	-10,091	-26,666	-50,091	-6,489	-93,337	-67,889
Carrying amount at 30 June 2023	8,801	5,540	4,824	22,711	41,876	51,064

The EUR 51,064 thousand recognized as goodwill relates mainly (EUR 49,829 thousand) to that arising from the business combination performed as a result of the acquisition of the VDM Group. The goodwill was



attributed to the VDM cash-generating unit (CGU), which wholly belongs to the high-performance-alloys segment.

Impairments

The Group estimates the recoverable amount of goodwill on a yearly basis, or more frequently when indications of a possible impairment are identified.

VDM Metals remains the world's largest manufacturer of nickel alloys. At 31 December 2022, it was not necessary to recognize any impairment losses on goodwill.

The high-performance-alloy market has performed well in 2023, with high demand and high prices, thereby allowing improved margins over the previous year, during which VDM reached a record profit that exceeded the estimates made at the end of last year and determined the appropriateness of the recorded goodwill. Therefore, there are no indications at period-end that would make it necessary to assess the possible impairment of goodwill.

At 31 December 2023 the Group will carry out an analysis of the potential impairment that could affect this goodwill.

NOTE 10 – PROPERTY, PLANT, AND EQUIPMENT AND INVESTMENT PROPERTY

The changes in property, plant, and equipment and investment property were as follows:

(Figures 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	Investment property
Balance at 1 January 2022	978,115	4,566,351	176,726	51,668	5,772,860	18,145
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	-4,620
Disposals	-3,109	-32,087	-4,467	-71	-39,734	-825
Translation differences	28,686	147,181	2,113	1,601	179,581	
Balance at 31 December 2022	1,016,484	4,787,377	193,298	71,850	6,069,009	12,700
Additions	971	20,202	5,251	54,849	81,273	
Transfers	929	20,038	2,630	-23,678	-81	
Disposals	-1,904	-23,531	-1,354	-59	-26,848	
Translation differences	-11,762	-87,900	-1,708	-1,776	-103,146	
Balance at 30 June 2023	1,004,718	4,716,186	198,117	101,186	6,020,207	12,700
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES	Land and buildings	Plant and machinery	Other items of property, plant, and equipment	Property, plant, and equipment in the course of construction	TOTAL	Investment property
Balance at 1 January 2022	452,351	3,371,032	129,169		3,952,552	4,930
Charge for the year	23,022	150,356	6,062		179,440	514
Hyperinflation adjustments	210	50	120		380	
Transfers	2,198	-9,789	9,616		2,025	-2,036
Disposals	-2,050	-27,100	-4,189		-33,339	-624
Translation differences	12,129	101,020	1,290		114,439	
Balance at 31 December 2022	487,860	3,789,474	142,068		4,419,402	2,784
Charge for the year	10,862	61,706	7,071		79,639	124
Transfers		419	-325		94	
Disposals	-1,151	-22,030	-1,311		-24,492	
Translation differences	-5,688	-67,011	-1,339		-74,038	
Balance at 30 June 2023	491,883	3,762,558	146,164		4,400,605	2,908
CARRYING AMOUNT	Land and buildings	Plant and machinery	Other items of property, plant, and equipment	Property, plant, and equipment in the course of construction	TOTAL	Investment property
Cost at 1 January 2022	978,115	4,566,351	176,726	51,668	5,772,860	18,145
Accumulated depreciation and impairment losses	-452,351	-3,371,032	-129,169		-3,952,552	-4,930
Carrying amount at 1 January 2022	525,764	1,195,319	47,557	51,668	1,820,308	13,215
Cost at 31 December 2022	1,016,484	4,787,377	193,298	71,850	6,069,009	12,700
Accumulated depreciation and impairment losses	-487,860	-3,789,474	-142,068		-4,419,402	-2,784
Carrying amount at 31 December 2022	528,624	997,903	51,230	71,850	1,649,607	9,916
Cost at 30 June 2023	1,004,718	4,716,186	198,117	101,186	6,020,207	12,700
Accumulated depreciation and impairment losses	-491,883	-3,762,558	-146,164		-4,400,605	-2,908
Carrying amount at 30 June 2023	512,835	953,628	51,953	101,186	1,619,602	9,792

The investments made in the reporting period in both property, plant, and equipment and intangible assets amounted to EUR 82,336 thousand, of which EUR 21,493 thousand related to those made by Acerinox Europa, EUR 35,962 thousand by NAS, EUR 11,742 thousand by Columbus, and EUR 10,018 thousand by VDM. In the first six months of 2022, the investments made totaled EUR 52,286 thousand, of which EUR 12,927 thousand related to Acerinox Europa, EUR 18,219 thousand to NAS, EUR 7,190 thousand to Columbus and EUR 10,759 thousand to VDM.

Disposals of property, plant, and equipment

Gains on the sale or retirement of property, plant and equipment recognized under "Other Operating Income" in the statement of profit or loss at 30 June 2023 amounted to only EUR 155 thousand (June 2022: EUR 1,791 thousand related mainly to the sale of a warehouse of the Spanish company Inoxcenter, classified as investment property).

Losses on the sale or retirement of property, plant, and equipment recognized under "Other Operating Expenses" in the statement of profit or loss at 30 June 2023 amounted to EUR 1,791 thousand, related mainly to disposals of replacement items of fixed assets (June 2022: EUR 1,053 thousand).

Obligations and commitments

At 30 June 2023, the Group had entered into agreements to acquire new equipment and facilities for EUR 147,752 thousand, of which EUR 22,561 thousand related to the investments made by Acerinox Europa, EUR 7,555 thousand to those made by Columbus, EUR 103,042 thousand to those made by NAS, and EUR 11,813 thousand to those made by VDM Metals. In January 2023, the Acerinox, S.A. Board of Directors approved an investment of USD 244 million in the Group's North American Stainless company, which will allow it to increase its production capacity by 200,000 tons (20% more) and thus see its position in the market strengthened with products of greater added value. The Group's American company has already begun contracting equipment for this new investment.

At 30 June 2022, the Group had entered into agreements to acquire new equipment and facilities amounting to EUR 41,228 thousand, of which EUR 11,212 thousand related to the new investments made by Acerinox Europa, EUR 9,041 thousand to those made by NAS, and EUR 7,961 thousand to those made by VDM.

Impairment losses

As stated in Acerinox Group's annual financial statements, the Group reviews at each reporting date whether there are any indications of impairment.

The Group considers that there are indications of impairment when there is a significant decrease in the value of the asset, significant changes in the legal, economic, or technological environment that may affect the valuation of assets, obsolescence or physical deterioration, idle assets, low returns on assets, discontinuation or restructuring plans, continued losses in the entity, or substantial deviation from the estimates made.

The companies showing signs of impairment at the end of this period are the same companies that showed signs of impairment at the end of last year: the Group's plant in Malaysia, Bahru Stainless; and in Spain, Acerinox Europa, both of whose analyses appeared in the presented consolidated annual financial statements.

With regard to Acerinox Europa, the projections made for 2023 at the end of last year already reflected the low prices reached throughout the second half of 2022, high inventory levels, and high production costs due to inflation and high energy costs. At the end of the first half of the year, the results in Europe were somewhat worse than expected. Sales prices have reached the lowest levels ever seen and the recovery in demand is taking longer than expected. The Palmones factory has had to make use of an ERTE (Temporary Labor Force Adjustment Plan) and has carried out partial and staggered stops in production for several days in recent months. Energy costs, although still high, have decreased compared to the previous year, which has made it possible, in part, to alleviate the bad situation and reduce production costs. However, at period-end it was necessary to make inventory adjustments to net realizable value. Despite all this, Management considers that the estimates made for 2024 and beyond are still valid, as the price situation in Europe is unsustainable in the short and medium term, and estimates made by industry experts foresee price improvements starting in the fourth quarter.

The company has updated the impairment analysis carried out at the end of last year with the results obtained by the entity until June and those foreseen in the updated budgets for the second half of 2023. The impairment test performed continues to reflect an excess of recoverable value over the book value of the assets, and therefore there is no evidence of the need to record an impairment.



With regard to Bahru Stainless, due to the weak demand already experienced at the close of last year, the Group requested the support of an independent expert, who has been hired in previous years, to determine recoverable value as of 31 December 2022.

The independent expert estimated the recoverable value based on the determination of fair value less cost to sell and from the perspective of a market participant. There is no evidence at the end of the first half of the year to modify the valuations made, nor the fair value that gave rise to a recorded impairment of EUR 203,905 thousand at the end of 2022.

Regarding the other companies, there have been no indications of impairment in any entity, and given the market uncertainty and the lack of long-term visibility, the Group considers it appropriate to maintain the future forecasts made at the end of last year.

NOTE 11 - RIGHT-OF-USE ASSETS (LEASES)

The detail and changes in right-of-use assets in the reported period were as follows:

(Figures in thousands of euros)

COST	Land and buildings	Plant and machinery	Other items of property, plant, and equipment	TOTAL
Balance at 1 January 2022	11,216	6,415	6,947	24,578
Additions	929	3,581	2,924	7,434
Remeasurement		909		909
Transfers	-16		16	
Disposals	-1,530	-632	-1,657	-3,819
Translation differences	-32	5	236	209
Balance at 31 December 2022	10,567	10,278	8,466	29,311
Additions	3,033		169	3,202
Transfers			44	44
Disposals	-21	-2,851	-211	-3,083
Translation differences	-73	-12	-110	-195
Balance at 30 June 2023	13,506	7,415	8,358	29,279

ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES	Land and buildings	Plant and machinery	Other items of property, plant, and equipment	TOTAL
Balance at 1 January 2022	3,916	3,350	2,912	10,178
Charge for the year	1,845	2,794	2,395	7,034
Remeasurement		2		2
Transfers			11	11
Disposals	-1,519	-626	-1,637	-3,782
Translation differences	-27	-2	-310	-339
Balance at 31 December 2022	4,215	5,518	3,371	13,104
Charge for the year	905	1,098	181	2,184
Transfers			-94	-94
Disposals	-21	-2,851	259	-2,613
Translation differences	-6	42	-44	-8
Balance at 30 June 2023	5,093	3,807	3,673	12,573

CARRYING AMOUNT	Land and buildings	Plant and machinery	Other items of property, plant, and equipment	TOTAL
Cost at 1 January 2022	11,216	6,415	6,947	24,578
Accumulated depreciation and impairment losses	-3,916	-3,350	-2,912	-10,178
Carrying amount at 1 January 2022	7,300	3,065	4,035	14,400
Cost at 31 December 2022	10,567	10,278	8,466	29,311
Accumulated depreciation and impairment losses	-4,215	-5,518	-3,371	-13,104
Carrying amount at 31 December 2022	6,352	4,760	5,095	16,207
Cost at 30 June 2023	13,506	7,415	8,358	29,279
Accumulated depreciation and impairment losses	-5,093	-3,807	-3,673	-12,573
Carrying amount at 30 June 2023	8,413	3,608	4,685	16,706

At 30 June 2023, the balance of the lease liabilities totaled EUR 16,856 thousand, of which EUR 3,522 thousand were classified as short-term and EUR 13,334 thousand were classified as long-term under the items other current and non-current financial liabilities (31 December 2022: EUR 15,442 thousand, of which EUR 4,785 thousand were classified as short-term and EUR 10,657 thousand as long-term).

The borrowing costs on the lease liabilities recognized by the Group at 30 June 2023 amounted to EUR 207 thousand (30 June 2022: EUR 148 thousand).



The lease expenses recognized under “Operating Expenses” in the statement of profit or loss relating to low-value assets or short-term leases amounted to EUR 8,890 thousand (30 June 2022: EUR 7,237 thousand).

NOTE 12 – INVENTORIES

The detail of “Inventories” in the balance sheet is as follows:

(Figures in thousands of euros)

	At 30 June 2023	At 31 December 2022
Raw materials and other supplies	577,613	547,965
Work in progress	883,886	714,171
Finished goods	641,222	695,494
By-products, waste products, and materials recovered	161,892	197,912
TOTAL	2,264,613	2,155,542

“Raw materials and other supplies” includes EUR 52,786 thousand relating to the measurement of the emission allowances held by the Group at 30 June 2023 (31 December 2022: EUR 44,233 thousand).

The adjustment recognized at 30 June 2023 to measure inventories at their net realizable value amounted to EUR 96,272 thousand (31 December 2022: EUR 97,618 thousand).

NOTE 13 – FINANCIAL INSTRUMENTS

The detail of the Group's financial assets, except for investments in associates, at 30 June 2023 and year-end 2022 is as follows:
(Figures in thousands of euros)

Classes	Non-current financial instruments						Current financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Category												
Financial assets at amortized cost					4872	4,533					826,163	642,392
Investments maintained until maturity												
Equity instruments												
- At fair value through other comprehensive income												
- At cost	381	394										
Assets at fair value through profit or loss					117	115					6,234	5,219
Hedging derivatives					25,253	25,540					22,327	41,756
TOTAL	381	394	0	0	30,242	30,188	0	0	0	0	854,724	689,367

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

(Figures in thousands of euros)

Classes	Non-current financial instruments						Current financial instruments					
	Bank borrowings		Bonds and other marketable securities		Accounts payable, derivatives and other		Bank borrowings		Bonds and other marketable securities		Accounts payable, derivatives and other	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Category												
Financial liabilities at amortized cost	1,376,972	1,319,182	74,900	74,850	15,698	14,777	809,843	592,858	3,493	1,634	1,187,323	1,269,353
Liabilities at fair value through profit or loss					14	194					3,632	12,367
Hedging derivatives					147						12,349	12,637
TOTAL	1,376,972	1,319,182	74,900	74,850	15,859	14,971	809,843	592,858	3,493	1,634	1,203,304	1,294,357

13.1 Fair value measurement

The Group measures the following assets at fair value: financial assets at fair value through other comprehensive income and derivative financial instruments.

Financial instruments recognized 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

At 30 June 2023 and 31 December 2022, the Group's position concerning financial instruments recognized at fair value was as follows:

(Figures in thousands of euros)

	30-Jun-23			31-Dec-22		
	NIVEL 1	NIVEL 2	NIVEL 3	NIVEL 1	NIVEL 2	NIVEL 3
Financial derivatives (assets)		53,931			72,630	
TOTAL		53,931			72,630	
	NIVEL 1	NIVEL 2	NIVEL 3	NIVEL 1	NIVEL 2	NIVEL 3
Financial derivatives (liabilities)		16,142			25,198	
TOTAL		16,142			25,198	

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—that is, the financial institutions with which it operates. To determine the fair values of the futures contracts of raw materials quoted on the LME ("London Metal Exchange"), the Group takes into account the difference between the futures prices quoted on the LME for the aforementioned raw materials at the contract's expiration date and the futures price established in each contract.

NOTE 14 – BANK BORROWINGS

At 30 June 2023, the Acerinox Group had arranged bank credit facilities and private placements amounting to EUR 2,740 million (31 December 2022: EUR 2,786 million), in addition to approved non-recourse factoring facilities amounting to EUR 530 million as of 30 June 2023 (31 December 2022: EUR 480 million). At 30 June 2023, the amount drawn down against the credit facilities was EUR 2,265 million (31 December 2021: EUR 1,989 million drawn down) and that of the factoring facilities was EUR 280 million (31 December 2021: EUR 329 million drawn down against factoring facilities).

The most significant financing transactions in the first six months of 2023 were as follows:

- Signing of two new variable-rate loans in the amounts of EUR 15 and 65 million, both with final maturity in 4 years.
- Extension of another loan of EUR 30 million until December 2024.
- The following short-term transactions have been carried out to maintain the Group's liquidity:
 - Renewal of four credit facilities in euros amounting to EUR 140 million
 - Renewal of three credit facilities amounting to USD 50 million
 - Expansion of some short-term facilities to a total available amount of USD 100 million

Regarding debt renegotiations, the Group assessed the significance of the modifications made to determine whether they were substantially different, in which case, the Group recognized the effects of the new

agreements as an extinguishment and simultaneous recognition of a new loan. During this year, no fees or commission have been recognized in profits or loss for loans derecognized from liabilities (557 thousand euros in 2022).

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

The valuation of financial debt at fair value does not differ significantly from its value at amortized cost.

None of the loans entered into in the first six months of 2023 are subject to the achievement of annual financial ratios linked to results.

The loans detailed in the Group's consolidated financial statements at 31 December 2022 and the debt of the VDM Metals Group are conditional on compliance with covenants.

At 30 June 2023, all Acerinox Group companies had achieved all the ratios required.

NOTE 15 – DERIVATIVE FINANCIAL INSTRUMENTS

As detailed in the Group's annual financial statements, it is essentially exposed to three types of market risk when carrying out its business activities: currency risk, interest rate risk, and commodity 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 are classified as assets and liabilities measured at fair value through profit or loss. Those that qualify as hedging instruments are classified as hedging derivatives.

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

(Figures in thousands of euros)

	30-Jun-23		31-Dec-22	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives	47,580	12,496	67,296	12,637
Derivatives at fair value through profit or loss	6,351	3,646	5,334	12,561
TOTAL	53,931	16,142	72,630	25,198

The following table provides a breakdown of the Group's derivative financial instruments at 30 June 2023 and 31 December 2022, by type of hedged risk:

(Figures in thousands of euros)

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Currency forwards	6,351	3,646	5,331	12,561
Interest rate swaps	33,970		34,305	
Commodity futures contracts	13,610	12,496	32,994	12,637
TOTAL	53,931	16,142	72,630	25,198

At 30 June 2023, the currency forwards arranged by the Group did not qualify as cash flow hedging instruments. At 30 June 2023, the effect on profit or loss of measuring these derivatives at market value was positive, totaling EUR 5,683 thousand. They appear under the heading "Remeasurement of financial instruments at fair value" of the statement of profit or loss.

With regard to interest rate swaps, the Group generally arranges this type of derivative to hedge cash flows benchmarked against variable interest rates arising from debt instruments. During the first half of 2023, the Group has not arranged any interest rate derivatives.

Since Acerinox's risk management strategy enables it to exchange instruments and hedged items according to its corporate financing needs, the Group has documented the effectiveness of the hedging instruments to be

classified for accounting purposes as cash flow hedging instruments through the designation of generic hedging relationships.

Furthermore, it has been assessed whether the hedging relationships in place at 30 June 2023 comply with the effectiveness requirements both at the date of designation and at period-end. At 30 June 2023, all outstanding interest rate derivatives met the conditions to be classified as cash flow hedging instruments and, therefore, the unrealized gains and losses of EUR 2,423 thousand on their measurement at fair value were recognized in the consolidated statement of comprehensive income. In the first six months of 2023, EUR -4,617 thousand were transferred from the consolidated statement of comprehensive income to profit or loss for the period.

As explained in the annual financial statements, high-performance alloys have a high metal content, mainly nickel, but also other metals listed on the London Metal Exchange (LME). The Group is subject to the risk of volatility in the price of raw materials, mainly in this division, as it is unable to pass these fluctuations on to customers in the selling price. Therefore, the Group uses derivative financial instruments in order to guarantee fixed prices to its customers and ensure that they are aligned with the entity's costs, thus enabling it to maintain margins. The financial instruments used are futures contracts relating to the metal prices quoted on the London Metal Exchange (LME).

The Group documents hedging relationships and has a model that guarantees the effectiveness of the hedge.

At the end of the period, all financial instruments arranged to cover this risk met the conditions to be classified as cash flow hedging instruments. At 30 June 2023, the unrealized gains arising from measurement at fair value and recognized in the consolidated statement of comprehensive income amounted to EUR 6,270 thousand. During the period, EUR -25,508 thousand were transferred from the consolidated statement of comprehensive income to profit for the period in this connection.

NOTE 16 – DISTRIBUTION OF PROFIT AND DIVIDENDS

At the General Shareholders' Meeting held on 23 May 2023, the shareholders voted in favor of the distribution of the Parent's 2022 profit, as follows:

(Data in euros)	
Distributable profit:	2022
Profit for the period	332,013,162
Application:	
Legal reserves	0
Dividends	149,599,165
Voluntary reserves	182,413,997

The amount allocated to the distribution of dividends is the aggregate result of the sum of the following amounts:

- the interim dividend payment for the 2022 financial year for a total of €0.30 gross per share, agreed by the Board of Directors at its meeting on 20 December 2022, which was paid on 27 January 2023, and
- a final dividend charged to Financial Year 2022 in the amount of €0.30 for each of the 259,724,345 existing shares (without prejudice to Article 148 of the Spanish Capital Companies Act regarding shares held in treasury shares at the time of payment). This final dividend shall be paid through the entities participating in the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), on 17 July 2023.

The Group had recognized the dividend payable under "Other Current Financial Liabilities" in the consolidated balance sheet. This dividend payable amounted to EUR 74,765 thousand as no dividend is paid for treasury shares.

In relation to the same period in 2022, the General Shareholders' Meeting held on 16 June 2022 resolved to distribute a dividend of EUR 0.50 per share, which was paid on 5 July 2022. The amount disbursed amounted to EUR 129,850 thousand.

NOTE 17 – SHARE CAPITAL AND TREASURY SHARES

The share capital at period-end consisted of 259,724,345 ordinary shares of EUR 0.25 par value each, yielding capital of EUR 64,931 thousand.

At 30 June 2022, the Group held 10,606,327 treasury shares, the value of which totaled EUR 92,813 thousand (31 December 2022; 10,392,827 treasury shares, the value of which totaled EUR 90,728 thousand).

During this period, 213 thousand treasury shares were acquired to cover Group directors' multi-annual remuneration plans amounting to EUR 2,085 thousand. In July, their shares will be delivered, taking into account the conditions and achievement of objectives established in the plan.

The General Shareholders' Meeting held on 23 May 2023 resolved to reduce the share capital of Acerinox, S.A. by EUR 2,597 thousand through the redemption of 10,388,974 treasury shares. The purpose of capital reduction through the redemption of treasury shares is to increase the value of shareholders' shares in the Company. This capital reduction through the redemption of treasury shares will take place during a maximum period of two months from the approval of this agreement. Specifically, it is expected to take place in July of this year.

NOTE 18 – TAX MATTERS

- Legislative amendments

In March 2022, the Organisation for Economic Co-operation and Development (OECD) approved the new international tax model known as Pillar Two, within the scope of what are known as GloBE standards. These rules aim to ensure that multinational groups pay a minimum level of tax on the profits they earn in each jurisdiction in which they operate. The Pillar Two regulations apply to all multinational groups with a turnover of more than EUR 750 million. Its basic principle, although with exceptions, is that the minimum payment in each jurisdiction should be at least 15%, for which a system of top-up taxes is established.

Recently, at the level of the European Union, a Directive was approved that establishes the content of the GloBE standards, in order to ensure their consistent and uniform application across all EU Member States. This Directive must be transposed by EU Member States no later than 31 December 2023 and will take effect in Spain as of 2024. In Spain, approval of the transposition is pending, although the prior public consultation document on the transposition of the Pillar Two Directive into Spanish law was published on 6 March 2023.

The Group is currently in the process of analyzing the impact of this regulation on the Group and expects to complete the analysis before the end of the year.

Additionally, in Spain on 24 May, Law 13/2023 was approved, which introduces amendments to Law 27/2014 on Corporate Tax. In particular, the amendment relates to the calculation of the operating profit applicable to the limit on the deductibility of finance expenses. The rule clarifies that in no case will revenues, expenses, or income that have not been integrated into the taxable base of this tax, form part of the operating profit. This prevents the inclusion of dividends exempt from the tax calculation received from foreign subsidiaries in the determination of said operating profit. The standard is applicable as of 1 January 2024.

The Spanish tax Group has accumulated excess operating profits that were not applied in previous year, and that can be applied over a period of 5 years, so it is not expected that the implementation of this standard will have an impact in the medium term. From the fifth year onwards, Acerinox, due to its financial structure, could be affected by this standard if the consolidated tax Group's operating profit is insufficient to cover its net financial burdens; however, the consolidated tax Group's forward-looking estimates made at the end of last year do not seem to show any significant impact.

- Update on tax situation in the first half of 2023

The tax rate resulting from the calculation of Corporate Income Tax at the end of the first half of the year shows an average tax rate of 25%, in line with the tax rates of the jurisdictions in which the Group operates (2022: 24%).

Deferred tax assets have increased by EUR 30,673 thousand this year and deferred tax liabilities have decreased by EUR 12,059 thousand.

Regarding assets, most of these come from the recognition of tax credits for losses incurred by certain European entities due to this market's difficult economic situation. Based on the expectations for the future established at the end of last fiscal year and the anticipated turnaround from the situation in these markets, the Group expects that the taxable income generated will be recoverable in a reasonable period and has therefore proceeded to recognize it.

- Update on tax audits and lawsuits in the first half of 2023

With respect to the tax audits and lawsuits in progress, as discussed in the Acerinox Group's annual financial statements for 2022, the following changes have since occurred in the first six months of 2023:

Italy

As described in the 2022 financial statements, at the end of the last period, the Group was pending the enforcement in Italy of the amicable settlements reached between the Spanish and Italian authorities concerning 2007 to 2016. In addition, discussions were held with the Italian authorities to transfer the treatment accepted in the amicable settlements to the adjustments that were made at the time for transactions linked to third countries.

The negotiations concerning transactions between Italy and the Columbus Stainless Group company from 2007 to 2013, which were subject to transfer pricing adjustments, were closed during this period. The settlements have been closed, as expected, by transferring the same treatment as that reached (and accepted by the Company) to the amicable settlements between the Spanish and Italian tax authorities. As a result of the aforementioned settlements, on 16 June, the Group's Acerinox Italia Company paid EUR 3,633 thousand (EUR 2,544 thousand of Corporate Tax fees and EUR 1,096 thousand of interest) that the company had already made provisions for, and it has therefore proceeded to reduce the provision by the aforementioned amounts.

In relation to the appeals filed for 2014, 2015, and 2016, the Milan Provincial Tax Commission has been informed of the Settlements reached and the hearing has been postponed in order to try to reach a settlement under the same terms and for the same reasons as in previous years.

The amicable settlements reached between the Spanish and Italian authorities concerning 2007 to 2015, which were already settled in Spain, are still pending enforcement in Italy.

The Group maintains the provision in the amount of EUR 7,556 thousand equivalent to the amount to be paid in Italy for the pending amicable settlements and open litigations relating to transfer pricing adjustments for transactions made with third countries in the years 2014, 2015, and 2016.

Germany

The tax audits of Group entities in Germany are still ongoing. No report has currently been published from which any conclusion or possible adjustment can be derived.

The renewal of the Bilateral Advance Pricing Agreement between the Group's factories in Spain and the Group's distributor in Germany (Acerinox Deutschland GmbH) is ongoing. The application was filed on 29 June 2021 under the same terms as those that have been in force until 31 December 2021.



NOTE 19 – LITIGATION

There were no new cases of significant litigation during the period.

With regard to open litigation with the Italian tax authorities detailed in the Group's annual statements for the past financial year, as explained in Note 18, during the first half of 2023, the negotiations concerning the transactions between Italy and Columbus Stainless Group company from 2007 to 2013 were closed and were subject to transfer pricing adjustments.

Provisions had already been made for the payments mentioned in the previous note, and therefore the provision has been reduced by the aforementioned amounts.

The amount of the provision recognized for this purpose therefore amounted to EUR 7,556 thousand at the end of the first half of 2023, given that the amicable settlements reached between the Spanish and Italian tax authorities remain pending settlement in Italy, as do the tax litigations concerning the years 2014, 2015, and 2016. The Group believes that the provision is sufficient to cover the amounts resulting from open litigation.

NOTE 20 – CONTINGENT ASSETS AND LIABILITIES

At 30 June 2023, the Acerinox Group had no contingent assets or liabilities.

NOTE 21 - SEGMENT REPORTING

The Group is organized internally by operating segments; the strategic business units are made up of different products and services and are managed separately, and thus, Group management reviews internal reports for each unit at least monthly.

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

- Stainless steels: includes stainless steel flat and long products.
- High-performance alloys: special alloys with a 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 that segment. There are no material 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. The main activity of the holding company, the parent of the Acerinox Group, consists of approving and monitoring the strategic lines of the business. In addition, it provides various corporate and advisory services in different areas and is responsible for directing and managing financing within the Group, since Group financing is centralized through Acerinox, S.A.

The results of the "Unallocated" segment reflect almost no revenue, since revenue within the parent company is always generated from Group companies, and was therefore eliminated in the consolidation process. It is because of this centralized financing that this segment shows the highest finance costs.

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

Revenue and all items reflected in the statement of profit or loss by segment are presented on a consolidated basis—that is, 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 of the industry.

There have been no significant changes in the assets and liabilities attributed to each of the segments with respect to those presented in the Group's financial statements at 31 December 2022.

The majority of the investments made during this period were allocated to the stainless steels segment, except for those made by VDM, and which are detailed in Note 10.

21.1 Operating segments

The detail of the revenue by operating segment is as follows:

(Figures in thousands of euros)

	30-Jun-23			30-Jun-22		
	Revenue from external customers	Inter-segment revenue	Total revenue	Revenue from external customers	Inter-segment revenue	Total revenue
Stainless steel	2,889,943	2,622	2,892,565	4,245,847	784	4,246,631
High-performance alloys	693,302	500	693,802	591,967		591,967
Unallocated	769		769	1,516		1,516
(-) Inter-segment adjustments and eliminations of revenue		-3,122	-3,122		-784	-784
TOTAL	3,584,014	0	3,584,014	4,839,330	0	4,839,330

No transaction with an external customer exceeded 10% of the Group's consolidated revenue at June 2023 or 2022.

The detail of consolidated profit by operating segment is as follows:

(Figures in thousands of euros)

	At 30 June 2023	At 30 June 2022
Stainless steel	358,815	812,477
High-performance alloys	48,865	41,182
Total profit of reported segments	407,680	853,659
(+/-) Unallocated profit/(loss)	-37,013	-30,411
(+/-) Elimination of internal profit/(loss) (inter-segment)		
(+/-) Other profit/(loss)		
PROFIT BEFORE TAX	370,667	823,248

21.2 Geographical segments

Revenue from geographical segments is presented on the basis of customer location.



At 30 June 2023, 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 2,620 thousand in fixed allowances, attendance fees, and fixed and variable salaries (first six months of 2022: EUR 3,134 thousand), of which EUR 708 thousand related to salaries and fixed allowances for directors (2022: EUR 646 thousand), EUR 399 thousand to attendance fees (2022: EUR 421 thousand), EUR 1,500 thousand to variable remuneration based on previous year's results, and EUR 13 thousand to remuneration in kind (2022: EUR 1,500 thousand to variable remuneration and EUR 567 thousand to remuneration in kind arising from shares received at the completion of the second cycle of the first Multi-annual Remuneration Plan).

With regard to the breakdown of the Chief Executive Officer's variable compensation, said officer's annual bonus for 2022 was paid during the first half of 2023. The metrics used to calculate the bonus combined financial, environmental, and other business aspects specified in the Annual Report on Remuneration of Directors (IARC) for the year in question.

The Nominating, Compensation, and Corporate Governance Committee analyzed the different levels of achievement and submitted its proposal to the Company's Board of Directors, which generated a combined coefficient of achievement resulting in a preliminary bonus of EUR 740 thousand and a bonus pool—0.616% of EBITDA, shared with the other members of Senior Management—of an additional EUR 962 thousand. Since the maximum payout for this item is capped, the total bonus received amounted to EUR 1,500 thousand. This amount was paid in March.

Regarding the long-term incentive to be paid in July 2023, after reviewing the comparable companies' metrics in mid-June, and based on the application of said metrics in the terms described in the IARC, the Chief Executive Officer will receive 23,498 shares of Acerinox, S.A. after deducting the corresponding personal income tax. This figure will be reported to the Spanish National Securities Market Commission (CNMV) on the corresponding form.

The obligations arising from certain senior executive retirement benefit arrangements, which amounted to EUR 17.9 million at 31 December 2022, of which EUR 5.3 million related to the Chief Executive Officer, are fully insured, with their estimated amount covered by flows from the policies arranged. As a result, no liability is recognized for this item. At 30 June there were no significant variations in obligations, as there were no changes to the contracts. Equally, all obligations are duly insured.

At 30 June 2023 and 2022, no advances, balances, or loans had been granted to the Company's members of the Board of Directors or senior executives.

In relation to the Multi-annual Remuneration Plan or Long-Term Incentive Plan (LTI), the conditions of which are detailed in the financial statements for 2022, the expense incurred to 30 June 2023 in relation to the Chief Executive Officer and Senior Management, the balancing entry of which is recognized under "Other Equity Instruments," amounted to EUR 479 thousand, of which EUR 117 thousand related to the Chief Executive Officer (to June 2022: EUR 434 thousand, of which EUR 143 thousand related to the Chief Executive Officer). The delivery of the shares derived from the third cycle of the First Plan in force until 31 December 2022 will be made in July of this year.

All transactions carried out between members of the Board of Directors and the Company or Group companies in the first six months of 2023 have been ordinary transactions on an arm's length basis.

The Parent's directors and the persons related to them were not involved in any conflict of interest that had to be reported pursuant to Article 229 of the Spanish Consolidated Limited Liability Companies Law.

The Group has taken out a third-party liability insurance policy, which covers the directors and senior executives, as well as Group employees. The premium will be renewed in October 2023. The premium paid in 2022 amounted to EUR 718 thousand.

NOTE 24 – EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to the preparation of these interim financial statements that could have an impact on the Group's financial statements.

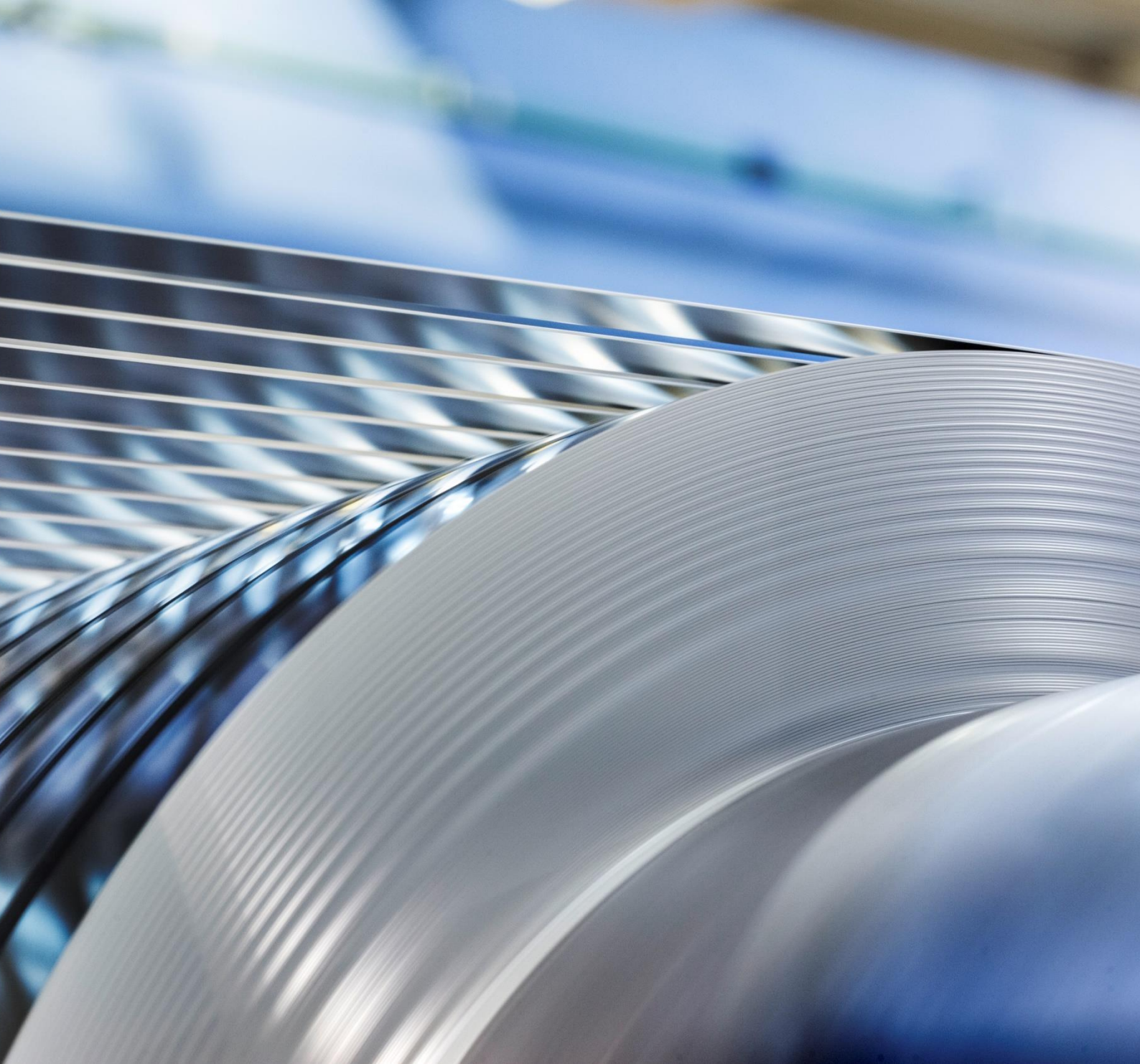


Dividend

On 17 July 2023, the Company paid a dividend of EUR 0.30 per share, totaling EUR 74,765 thousand. This dividend complements the interim dividend paid in January for a total of EUR 74,799 thousand.

Redemption of treasury shares

After the Board meeting on 24 July, the 4% capital reduction resulting from the redemption of treasury shares (10,388,974 shares), which took place between August and October of 2022, will be carried out, as detailed in Note 17.



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

Interim Management Report

First Half of

2023



Presentation of the First Half 2023 results via webcast and conference call

Acerinox will hold a presentation for its Second Quarter 2023 results today, July 26, at 13:30 p.m. CEST, led by the CEO, Mr. Bernardo Velázquez; the COO, Mr. Hans Helmrich; and the CFO, Mr. Miguel Ferrandis, accompanied by the Investor Relations team.

To access the presentation via telephone conference, you can join 5–10 minutes before the event by using one of the following numbers:



From Spain:
919 01 16 44. PIN: 219107



From the United States:
1 646 664 1960. PIN: 219107



From the UK (local):
020 3936 2999. PIN: 219107



All other countries:
+44 20 3936 2999. PIN: 219107

You can follow the presentation through the Shareholders and Investors section of the Acerinox website (www.acerinox.com).

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

Highlights

“Acerinox achieved good results in the first half of the year in the current complex environment and establishes a new profitability threshold.”



Second Quarter of 2023

- Acerinox reported slightly better results than in the first quarter of 2023 but below those of the exceptional second quarter of 2022.
- Melting shop production, at 485,821 tons, decreased by 9% with respect to the first quarter of 2023.
- Revenue, at EUR 1,740 million, was 2% lower than in the first quarter of 2023.
- EBITDA, at EUR 236 million, was 5% higher than in the first quarter of 2023. The EBITDA margin was 14%.
- Operating cash flow was EUR -58 million, due to the increase in working capital of EUR 131 million, and tax payments of EUR 98 million.
- The Group's net financial debt, totaling EUR 721 million, increased by EUR 116 million with respect to 31 March 2023.
- Acerinox was awarded the Gold Medal for Sustainability and Safety at the World Stainless Steel Association Awards.
- Acerinox was awarded the "T for Transparent" seal for its responsible taxation and good corporate governance.

First half of 2023

- The Group's LTIFR accident rate has decreased by 13% compared to year-end 2022.
- Melting shop production, at 1,019,744 tons, was 13% higher than in the second half of 2022 (21% less than the first half of 2022).
- Revenue, amounting to EUR 3,522 million, decreased by 9% with respect to the second half of 2022 (27% less than the first half of 2022).
- EBITDA, which totaled EUR 462 million, was 39% higher than in the second half of 2022 (51% less than the first half of 2022).
- The EBITDA margin was 13%.
- Operating cash flow amounted to EUR -77 million despite the EUR 304 million increase in working capital.
- The net financial debt/EBITDA ratio is 0.78x.
- Return on Capital Employed (ROCE) is 21%.
- The General Shareholders' Meeting approved the distribution of 0.60 euros/share as a dividend for 2023: 0.30/share was paid out on January 27 and the other 0.30/share on July 17.

Bernardo Velázquez, Chief Executive Officer of Acerinox



“Acerinox has achieved good results in the first half of 2023, especially considering the weakness in the markets due to destocking and lower demand.

These results show the success of the strategic choices made in recent years and the efficiency improvements achieved over the last decade. Thus, Acerinox is managing to flatten the cyclicity of its sector and achieve good results even in the weak moments of the cycle.

Primarily, the business's strength lies in its diversification. In the stainless steel sector, the Group strategically benefits from its geographical diversification, enabling optimal operations based on market conditions. Notably, the American market has showcased positive performance, underscoring its significance as our primary market. Furthermore, through the integration of High-Performance Alloys (VDM Metals), our product portfolio has expanded to include higher-value-added products, enriching our offerings.

Secondly, our global production and distribution network will allow us to stay close to suppliers and customers, support the regionalization process and improve supply chains. This situation will increase the consumption of stainless steel in strategic regions of the world where the appeal of imports has significantly diminished. Acerinox finds itself in a favorable position amidst the logistical hurdles and trade defense measures stemming from the contraction of globalization. The company's ability to supply customers reliably and with exceptional quality, while upholding the highest sustainability standards, sets it apart.

These advantageous factors will be fully capitalized upon, thanks to Acerinox's operational excellence, financial strength, and a well-thought-out capital allocation strategy. This approach will empower the company to pursue organic and inorganic investments, provide returns to shareholders, and effectively reduce the Group's debt.”

Outlook



Following the normalization of inventories across all markets, we anticipate a positive impact on our order book in the latter half of the year, despite uncertainties and weakened demand.

In the stainless steel sector, the third quarter will be marked by the seasonal patterns typical of the summer months, especially in Europe.

However, the high-performance-alloys sector continues to enjoy robust demand, particularly in the chemical, petrochemical, and aerospace industries.

As a result, we expect good results in the third quarter, although they may be below those of the second quarter. We also aim to reduce operating working capital as part of our capital allocation optimization strategy.

Main economic and financial figures

Consolidated Group	Quarter		2023	First Half	
	Q1 2023	Q2 2023		2022	Change 2023/2022
Melting shop production (thousands of tons)	534	486	1,020	1,290	-21%
Revenue (EUR million)	1,782	1,740	3,522	4,821	-27%
EBITDA (EUR million)	226	236	462	945	-51%
% of sales	13%	14%	13%	20%	
EBIT (EUR million)	182	196	378	847	-55%
<i>% of sales</i>	<i>10%</i>	<i>11%</i>	<i>11%</i>	<i>18%</i>	
Profit before tax and non-controlling interests (EUR million)	179	191	371	823	-55%
Profit after tax and non-controlling interests (EUR million)	136	142	278	609	-54%
Depreciation and amortization charge (EUR million)	43	42	85	94	-10%
No. of employees at period-end	8,286	8,315	8,315	8,429	-1%
Net financial debt (EUR million)	605	721	721	574	26%
Gearing ratio (%)	23%	27%	27%	20%	34%
No. of shares (millions)	260	260	260	271	-4%
Shareholder remuneration (per share)	0.30	0.00	0.30	0.43 ⁽¹⁾	-30%
Average daily volume of trading (millions of shares)	1.24	0.69	0.97	1.59	-39%
Profit per share after tax and non-controlling interests	0.52	0.55	1.07	2.25	-52%

⁽¹⁾ Indirect remuneration arising from the share buyback program

EUR million	Second Quarter of 2023			First Half of 2023		
	Stainless steel division	High-performance alloys	Consolidated Group	Stainless steel division	High-performance alloys	Consolidated Group
Melting shop production (thousands of tons)	465	21	486	979	40	1,020
Net sales	1,369	387	1,740	2,846	692	3,522
EBITDA	191	47	236	388	76	462
EBITDA margin	14%	12%	14%	14%	11%	13%
Depreciation and amortization charge	-34	-6	-42	-69	-12	-85
EBIT	159	42	196	320	65	378
EBIT margin	12%	11%	11%	11%	9%	11%

Results of the Consolidated Group

The first half of the year was marked by difficult conditions in all markets due to the destocking that had already started in the second half of 2022, especially in the stainless steel sector, while the high-performance-alloys sector performed satisfactorily.

The data for the first half of 2023 show a significant improvement compared to the second half of 2022. The second quarter of 2023 shows slightly higher figures than the first quarter of the year, as announced in the previous earnings release.

At EUR 3,522 million, sales in the first half of the year were 27% lower than in the exceptional first half of 2022. Unfavorable price developments led to 9% lower sales compared to the previous half year.

The most significant figures are summarized in the table below:

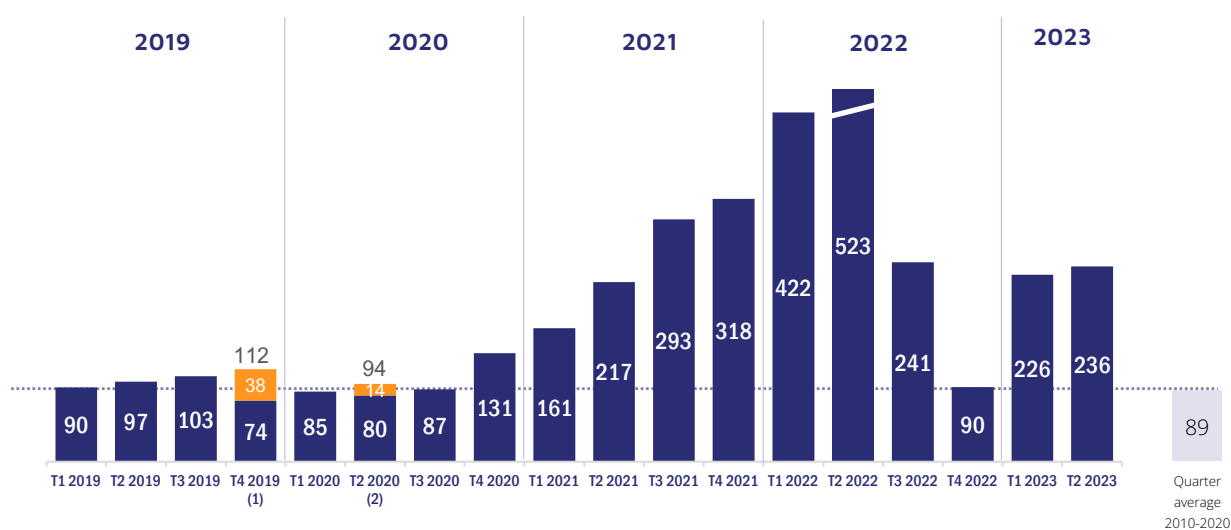
<i>EUR million</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	% Q2 2023 / Q2 2022	% H1 2023 / H1 2022
Melting shop production	486	534	622	1,020	1,290	-22%	-21%
Net sales	1,740	1,782	2,535	3,522	4,821	-31%	-27%
EBITDA	236	226	523	462	945	-55%	-51%
EBITDA margin	14%	13%	21%	13%	20%		
EBIT	196	182	473	378	847	-58%	-55%
EBIT margin	11%	10%	19%	11%	18%		
Profit before tax	191	179	456	371	823	-58%	-55%
Profit after tax and non-controlling interests	142	136	343	278	609	-59%	-54%
Operating Cash Flow	-58	-19	2	-77	77	-	-
Net financial debt	721	605	574	721	574	26%	26%

Total operating costs decreased by 20% compared to H1 2022, driven by lower production and measures adopted for cost variabilization.

The challenging market conditions of the stainless steel sector in Europe have led us to make an inventory write-down to net realizable value in the amount of EUR 96 million.

EBITDA for the first half of the year was EUR 462 million, 39% higher than the previous half-year (51% lower than the same period in 2022). The EBITDA margin on sales in the first half of the year was 13%.

Quarterly EBITDA in millions of euros



(1) Adjusted EBITDA Q4 2019: EUR 112 million, EUR 38 million from the workforce adjustment program in Acerinox Europe

(2) Adjusted EBITDA Q2 2020: EUR 94 million, EUR 14 million from VDM acquisition expenses

The Group has succeeded in consolidating a quarterly EBITDA well above that of the 2010–2020 period (EUR 89 million on average).

EBITDA for the quarter was EUR 236 million, 5% higher than the previous quarter (55% lower than the second quarter of the previous year). The EBITDA margin on sales in the second quarter was 14%.

In the first half, profit after tax and non-controlling interests amounted to EUR 278 million, a significant improvement compared to the second half of the previous year, which was impacted by an impairment of EUR 204 million of assets at Bahru Stainless. Profit after tax and non-controlling interests in the second quarter amounted to EUR 142 million, 5% higher than the first quarter of 2023.

Cash generation






Operating cash flow was EUR -77 million in the first half of the year, mainly due to the increase in working capital (EUR 304 million) and tax payments of EUR 152 million as a result of the good results obtained in the last few quarters.

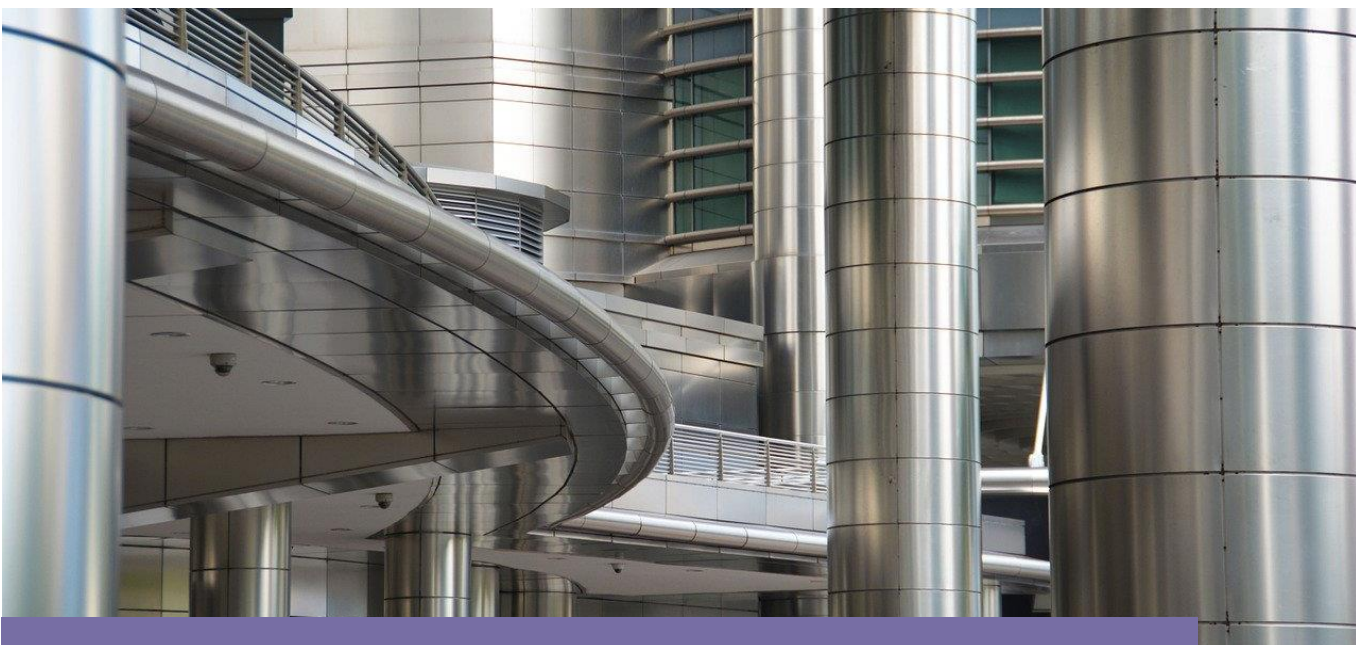
Working capital increased mainly in the High-Performance-Alloys Division (EUR 202 million) due to the good market situation, the increase in inventories to cope with the very high order backlog and the consequences of substituting nickel from Russia with alternative sources.

Following investment payments of EUR 97 million, free cash flow amounted to EUR -174 million.

The first half of the year saw the payment of the interim dividend, which resulted in a cash outflow of EUR 75 million.

Cash Flow (EUR million)

	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022
EBITDA	236	226	523	462	945
Changes in working capital	-131	-173	-395	-304	-789
Income tax	-98	-53	-92	-152	-101
Finance costs	0	-1	-6	-1	-14
Other adjustments to profit	-64	-18	-27	-82	35
OPERATING CASH FLOW	-58	-19	2	-77	77
Payments due to investment	-54	-43	-24	-97	-46
FREE CASH FLOW	-112	-62	-22	-174	31
Dividends and treasury shares	-2	-75	0	-77	-115
CASH FLOW AFTER DIVIDENDS	-114	-137	-22	-251	-84
Conversion differences	-2	-27	78	-28	91
Grants and other	-1	-1	-1	-2	-2
Changes in net financial debt	-116 	-165 	55 	-281 	5 



Balance sheet

ASSETS					LIABILITIES				
<i>EUR million</i>	June 2023	2022	June 2022	Variation	<i>EUR million</i>	June 2023	2022	June 2022	Variation
Non-current assets	1,902	1,902	2,112	0%	Equity	2,657	2,548	2,837	4%
Current assets	4,686	4,416	5,382	6%	Non-current liabilities	1,881	1,823	1,748	3%
Inventories	2,265	2,156	2,652	5%	Bank borrowings	1,452	1,394	1,329	4%
Receivables	809	646	1,143	25%	Other non-current liabilities	429	429	419	0%
Trade receivables	694	575	1.60	21%	Current liabilities	2,051	1,947	2,908	5%
Other receivables	116	71	83	64%	Bank borrowings	813	594	762	37%
Cash	1,544	1,548	1,518	0%	Trade payables	941	1,017	1,688	7%
Other current financial assets	68	67	70	-3%	Other current liabilities	296	335	458	-12%
Total assets	6,588	6,318	7,494	4%	Total equity and liabilities	6,588	6,318	7,494	4%

The net financial debt of the Group amounted to EUR 721 million, which was EUR 281 million higher compared to the balance on December 31, 2022. This increase can be attributed to various factors mentioned earlier, including the increase in working capital by EUR 304 million, tax payments of EUR 152 million, investment payments totaling EUR 97 million, and dividend payments amounting to EUR 75 million.

On June 30, Acerinox had immediate liquidity of EUR 2,019 million, consisting of EUR 1,544 million in cash and EUR 475 million in available credit lines.



Stainless Steel Division

Stainless steel market

United States

Apparent consumption of flat products fell by 29% in the year to May compared with the same period in 2022, reflecting destocking that normalized in the second quarter of the year.

Demand for stainless steel remained stable in the second quarter of the year compared to the first quarter.

Imports of flat products have stabilized at around 21%, down from 26% in 2022.

Base prices in the US market have remained stable throughout the half year, according to CRU.

Section 232 measures remain in force.

Europe

The European market remains impacted by geopolitical tensions, economic uncertainties, and the effects of inflation on costs, particularly energy costs.

Our estimates indicate a significant 31% decline in apparent consumption of flat products up until May.

Due to weak demand, inventory adjustments, and reduced prices, imports of flat products have experienced a substantial 62% decrease up until May, representing 19% of the total market compared to the same period last year (34% at 2022 year-end).

Safeguard measures have been renewed for an additional year.

Stainless Steel Division production

During the first half of the year, the Stainless Steel Division recorded a 14% increase in steel production compared to the previous half-year. However, this figure is 21% lower compared to the production in the first half of the previous year.

As we mentioned in the first quarter, all factories were impacted by the reduced market stocks process and low apparent demand. Additionally, the Spanish factory faced challenges due to high energy costs, while the South African plant compensates for market weakness by continuing with its diversification program, producing both stainless and carbon steel.

Thousands of tons	2022					2023			Variation	
	Q1	Q2	Q3	Q4	12M	Q1	Q2	H1	Q2 2023 / Q2 2022	H1 2023 / H1 2022
Melting shop	646	601	482	379	2,108	515	465	979	-23%	-21%
Cold rolling	433	416	345	247	1,441	314	304	615	-28%	-28%
Long products (hot rolling)	65	61	59	48	232	42	36	78	-36%	-38%

Stainless Steel Division results

EUR million	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	% Q2 2023 / Q2 2022	% H1 2023 / H1 2022
Melting shop production (thousands of tons)	465	515	601	979	1,247	-23%	-21%
Net sales	1,369	1,476	2,232	2,846	4,237	-39%	-33%
EBITDA	191	197	481	388	880	-60%	-56%
EBITDA margin	14%	13%	22%	14%	21%		
Depreciation and amortization charge	-34	-35	-41	-69	-79	-16%	-13%
EBIT	159	161	439	320	797	-64%	-60%
EBIT margin	12%	11%	20%	11%	19%		
Operating cash flow (before investments)	-43	113	120	70	265	-	-73%

First-half year revenue of EUR 2,846 million was 11% lower than the second half of 2022, but first-half year EBITDA of EUR 388 million was 43% better than the previous half.

In the second quarter, revenue was down 7% at EUR 1,369 million and quarterly EBITDA was 3% lower than the previous quarter at EUR 191 million.

Total operating costs decreased by 27% compared to H1 2022, driven by lower production and measures adopted for cost variabilization.

In the second quarter, despite the decline in sales, the focus on higher-margin products as part of the company's strategy has allowed EBITDA to remain at a similar level to that of the first quarter.

Operating cash flow for the first half of the year amounted to EUR 70 million.

In the second quarter, operating cash flow was significantly impacted by an increase in operating working capital of EUR 91 million. This increase can be attributed to a reduction in supplier financing, which was a result of lower production expected in the third quarter.

The satisfactory cash flow of EUR 113 million achieved in the first quarter has been negatively affected in the second quarter due to the aforementioned increase in working capital.

<i>EUR million</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022
EBITDA	191	197	481	388	880
Changes in working capital	-91	-10	-253	-102	-537
Income tax	-98	-52	-91	-150	-99
Finance costs	4	3	-5	7	-11
Other adjustments to profit	-49	-24	-13	-73	32
OPERATING CASH FLOW	-43	113	120	70	265



High-Performance-Alloys Division

High-performance-alloys market

The demand for high-performance alloys has remained robust in the first half of the year.

Notably, the oil and gas, chemical process, and aerospace industries have shown positive performance.

However, the electronics sector has faced headwinds, influenced by the weakened demand in the consumer goods industry.

Production

In terms of production, high-performance-alloy steel mills experienced a 4% increase in the first half of the year compared to the previous half-year. In the second quarter, steel production witnessed a significant surge of 10% compared to the previous quarter.

<i>Thousands of tons</i>	2022					2023			Variation	
	Q1	Q2	Q3	Q4	12M	Q1	Q2	H1	Q2 2023 / Q2 2022	H1 2023 / H1 2022
Melting shop	22	21	20	19	82	19	21	40	-1%	-7%
Finishing shop	11	11	11	11	44	8	12	19	4%	-14%

Results

In the first half of the year, net sales amounted to EUR 692 million, 2% higher than in the previous half year. Turnover in the quarter was EUR 387 million, 27% higher than in the first quarter of the year.

Half-year EBITDA of EUR 76 million was 28% higher than in the previous half-year and represents a new record for VDM Metals. Quarterly EBITDA of EUR 47 million, 64% higher than the first quarter of the year, shows an upward trend. The EBITDA margin on sales for the quarter was 12%.

<i>EUR million</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	% Q2 2023 / Q2 2022	% H1 2023 / H1 2022
Melting shop production	21	19	21	40	44	-1%	-7%
Net sales	387	305	303	692	584	28%	18%
EBITDA	47	29	41	76	65	15%	17%
EBITDA margin	12%	9%	14%	11%	11%		
Depreciation and amortization charge	-6	-6	-6	-12	-11	2%	3%
EBIT	42	23	36	65	54	17%	20%
EBIT margin	11%	8%	12%	9%	9%		
Operating cash flow (before investments)	-15	-132	-118	-147	-188	-88%	-22%

The increase in working capital amounting to EUR 202 million can be attributed to the favorable market conditions experienced by the sector, resulting in an increase in inventory volume and value. Furthermore, as previously stated, the diversification of alternative nickel suppliers, in order not to depend on Russian nickel, has significantly impacted the working capital requirements in this division, due to the need to increase safety stock levels and reduce the average supplier payment period.

<i>EUR million</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022
EBITDA	47	29	41	76	65
Changes in working capital	-39	-163	-155	-202	-251
Income tax	-1	-1	-1	-2	-2
Finance costs	-7	-4	-2	-10	-3
Other adjustments to profit	-15	7	-1	-9	3
OPERATING CASH FLOW	-15	-132	-118	-147	-188

Sustainability Plan 2023

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 pillars.

Positive Impact 360° encompasses the primary endeavors undertaken by the Group in the domains of corporate, social, and environmental governance. This plan is implemented through yearly sustainability programs, wherein the projects and activities are determined and approved in collaboration with the Group’s corporate departments and manufacturing facilities.

The Sustainability Plan, serving as a practical means to enhance the Group’s overall performance, is built upon five key strategic pillars.

Ethical, accountable and transparent governance	Eco-efficiency and climate change mitigation	Circular economy and sustainable product	Committed team, culture, diversity, and safety	Supply chain and community impact
				
<p>Promote the development of a responsible and transparent management model and solid corporate governance, with a sustainable and long-term vision, which identifies and proposes responses to new ESG challenges and opportunities.</p>	<p>Establish commitments and objectives to mitigate climate change and develop an action plan to achieve these.</p>	<p>Integrate circular economy processes into all operations by driving the development of sustainable and low-emission products.</p>	<p>Strengthen the alignment of people with the values of Acerinox, boosting their commitment to sustainability, promoting equality, the development of talent, and the improvement of the climate, guaranteeing safety, health, and well-being.</p>	<p>Be a company recognized in the localities in which we operate for our commitment to local society and creating positive community impact.</p>

During the initial six months of the year, several noteworthy initiatives from the 2023 Sustainability Plan (which has over 200 initiatives in total) have been implemented:

Ethical, accountable, and transparent governance

- Implementation of the new ethical channel and associated procedure.
- Review and update of the Code of Conduct for Business Partners.

Eco-efficiency and climate change mitigation

- Calculation of CO₂ emissions per product.

Committed team, culture, diversity, and safety

- Promote diversity and inclusion of women in our sector through participation in presentations at Vocational Training Schools.
- Safety and Health Week - Implementation of the Cardinal Rules in all factories.

Circular economy and sustainable product







- Certification of slag for use in aggregate solutions in cement.
- Development of the new sustainable product with a lower carbon footprint: ECO Acerinox.

Supply chain and community impact

- Implementation of the new supplier-risk-assessment process.
- Approval of the Group’s new Social Action Framework, focused on inclusion.

Sustainability Goals 2030

The monitoring of the Group’s 2030 sustainability targets for the first half of 2023 is reported below:

Pillar	2030 targets	Degree of progress H1 2023
	20% reduction in CO ₂ emissions intensity (Scopes 1 and 2) vs. 2015	-5% vs 2015
	7.5% reduction in energy intensity vs. 2015	+5% vs 2015
	20% reduction in specific water abstraction vs 2015	-19% vs 2015
	90% waste recycled	79%
	10% annual reduction of the LTIFR	-13%
	15% women in the workforce	13%

Throughout the second quarter, ongoing production adjustments have impacted certain indicators. Nevertheless, the company’s operations maintain their efficiency, and our dedication to upholding sustainability commitments remains steadfast.

Notably, we have achieved a significant reduction in the accident rate, a direct result of various initiatives undertaken, including the successful implementation of “Cardinal Rules” across all factories within the Group.

Positioning in ESG ratings and awards

Acerinox is actively engaged in prominent ESG (Environmental, Social, and Governance) assessments, underscoring the notable advancements made in the company's performance in this domain.



In recognition of its business management practices and commitment to sustainability, the company has garnered various accolades and awards.

Notably, Acerinox has achieved an enhanced position and now stands in sixth place in the industrial sector of the Corporate Reputation Business Monitor (Merco).

Acerinox, Gold Medal in Sustainability and Safety at the World Stainless Steel Association Awards

In the Safety category, the project "Smart Safety Zone" by Bahru Stainless was awarded the Gold Award. This initiative significantly enhanced worker safety by implementing barriers equipped with intelligent sensors. These sensors enable early detection and immediate response to human presence and movements, effectively reducing accidents and injuries.

In the area of Sustainability, Acerinox Europe received the Gold Medal for its "Wastewater Reuse Project," which will help to combat the devastating effects of droughts. Acerinox Europe has made great efforts to find ways to better manage water and reduce its water consumption. This project initially reduced water consumption by a remarkable 400 m³ per week.

Acerinox was awarded the "T for Transparent" seal for its responsible taxation and good corporate governance

After evaluating twelve indicators on responsible taxation, Acerinox has been one of the select 13 companies to receive the "Transparent T Seal 2022" award from the Haz Foundation.

The evaluated indicators encompass various aspects such as cooperation with the Tax Administration, the involvement of the Board of Directors in promoting and overseeing good tax practices, the transparent disclosure of taxes paid and accrued in different countries, the non-presence in tax havens, and lack of any ongoing legal disputes regarding tax matters with the Tax Administration, among other factors.

VDM integration

By the end of the first half of 2023, the Group has achieved real cumulative synergies of EUR 47 million compared to the planned EUR 36 million, amounting to EUR 11 million (+29%) more than estimated at the start of the integration in 2020.

By working together, the sales teams of the two business units succeeded in adding 126 new customers to the Group's customer base. In addition, they have worked together on 8 relevant projects, particularly in the chemical and petrochemical industries, which has given both business units a boost in production.

Our primary focus on the operational front remains on expanding our portfolio of flat and long products, combining the teams from the two units, both in Europe and the US. As a result, we have successfully introduced 19 new products across 17 different alloys. Within the stainless division, ongoing tests are being conducted to manufacture high-performance alloys at our mills. The successful outcome of these tests would mark a significant milestone in the integration process, enabling us to optimize production at our factories and enhance the value proposition of our product mix.

In summary, the integration of other areas has been accomplished satisfactorily, although we are still actively pursuing and capturing synergies.

Investments

Acerinox will invest USD 244 million in its stainless steel factory in the United States

With this expansion, North American Stainless (NAS), the largest integrated stainless steel factory in the United States, will strengthen its position in the market with higher-value-added products. North American Stainless will increase its production capacity by 200,000 tons, 20% more, due to the continuous improvement and the application of digital solutions.

The new equipment planned with this USD 244 million investment will be geared towards increasing the volume of flat products with a special focus on higher-value-added products and steels with special compositions.

NAS will have a new cold-rolling mill and will see the modernization of its annealing and pickling lines and an expansion of its melting shop.

Excellence 360°

The reduced volumes handled in our factories during the initial six months of 2023 have impacted the outcomes of the Excellence 360° Plan. Although EUR 73 million have been saved since the plan's inception, these savings were unable to be fully consolidated due to decreased production in 2023.

Nonetheless, the Group has remained committed to implementing all existing efficiency improvement programs.

Shareholder remuneration

In 2022, the Board of Directors approved a dividend policy stating that an ordinary distribution of EUR 0.60 per share will be made, taking into account the existing number of shares. The dividend will be paid in two installments: an interim payment in January and a final payment in July.

The General Shareholders' Meeting, which took place on May 23, approved the proposal for the distribution of a dividend of 0.60 euros per share. An interim dividend of 0.30 euros per share was paid out in January and a supplementary dividend of 0.30 euros per share was distributed on July 17.

For 2023, Acerinox will allocate EUR 150 million as dividends to its shareholders. On June 30, EUR 75 million, had been disbursed as shareholder remuneration.

Events after the half-year end

Dividend: A total of EUR 75 million was disbursed on July 17, 2023 as a dividend, equating to EUR 0.30 per share. This dividend serves as a complement to the interim dividend previously paid out in January, also totaling EUR 75 million.

Redemption of treasury shares: After the Board meeting on July 24, the 4% capital reduction resulting from the redemption of treasury shares (10,388,974 shares), which took place between August and October 2022, will be carried out.

Alternative Performance Measures (Definitions)

Excellence 360° Plan: estimated efficiency savings for the 2019–2023 period

Operating working capital: inventories + Trade receivables – Trade payables

Net cash flow: profit after tax and non-controlling interests + depreciation and amortization charge

Net financial debt: bank borrowings + bond issuance - cash

Net financial debt / EBITDA: Net financial debt / annualized EBITDA

EBIT: Operating income

Adjusted EBIT: EBIT, net of material extraordinary items

EBITDA: Operating income + depreciation and amortization charge + variation of current provisions

Adjusted EBITDA: EBITDA, net of material extraordinary items

LTIFR (Lost Time Injury Frequency Rate): (Total number of accidents with sick leave / Number of hours worked) x 1,000,000

Gearing ratio: net financial debt / equity

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

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

ROE: profit after tax and non-controlling interests / equity

ICR (interest coverage ratio): EBIT / financial expenses



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