(The attached External Auditor’s Report, Consolidated Annual Accounts and Consolidated Management Report for the fiscal year ended 31 December 2023, have been originally issued in Spanish. The English version is not considered official or regulated financial information. In the event of discrepancy, the Spanish-language version prevails.)

Acerinox, S.A. and its subsidiaries

Auditor´s report
Consolidated annual accounts at December 31, 2023
Consolidated management report

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

Independent auditor's report on the consolidated annual accounts

To the shareholders of Acerinox, S.A.

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Acerinox, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2023, and the profit or loss account, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2023, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

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

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

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

Key audit matters

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

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Inscrita en el R.O.A.C. con el número S0242 - NIF: B-79031290

Key audit matters	How our audit addressed the key audit matters
VDM Metals Group goodwill recovery	
As indicated in notes 2.7, 2.11 and 7.1 of the attached consolidated report, as of December 31, 2023 there is goodwill that fundamentally includes that arising from the acquisition of 100% of the interest in the company VDM Metals Holding, Gmbh for an amount of 49,829 thousand euros. The Group Management has estimated the recoverable value of said goodwill (note 2.11 of the attached consolidated report). To calculate the recoverable value, the Group's Management has used cash flow projections based on financial budgets that have required relevant judgments and estimates that include, among others, the operating result on sales and long-term discount and growth rates. The most significant assumptions used by Group Management and the sensitivity analyzes carried out are summarized in note 7.1 of the attached consolidated report. Deviations in these variables and management estimates may determine important variations in the calculations made and, therefore, in the goodwill recovery analyses. This fact, together with the relevance of this financial statement line item, drives it to be a key audit matter.	On the first place, we have proceeded to understand the relevant processes and controls linked to the evaluation of the deterioration in goodwill by the Group Management, including those related to the preparation of budgets and the analysis and monitoring of projections, which They constitute the basis for the main judgments and estimates made by the Group's Management. In relation to the estimated cash flows, we have analyzed the methodology of the calculations made, we have compared the projected annual flows with those actually achieved in fiscal year 2023, and we have contrasted the key assumptions used by the Group's Management with historical, comparable results. available, relevant industry factors and other external sources. To do this, we have relied on valuation experts from our firm. Additionally, we have evaluated the reasonableness of the sensitivity disclosed in the accompanying consolidated annual accounts. As a result of the analyzes performed, we consider that the conclusions of the Group Management regarding the estimates made and the information disclosed in the accompanying consolidated annual accounts are adequately supported and consistent with the information currently available.
Recovery of property, plant and equipment	
As indicated in notes 2.11 and 8.1 of the attached consolidated report, the Group Management evaluates at the end of each year whether there are indications of impairment of the value of property, plant and equipment. If such indication exists, Group Management estimates its recoverable amount. Note 8.1 details the Cash-Generating Units (CGUs) that show signs of impairment.	As a starting point for our procedures, we have understood the relevant processes and controls linked to the evaluation of impairments in property, plant and equipment by the Group Management, including those linked to the preparation of budgets and the analysis and monitoring of projections, which constitute the basis for the main judgments and estimates made by the Group Management.

Key audit matters	How our audit addressed the key audit matters
For calculations of recoverable value through value in use, Group Management uses cash flow projections based on financial budgets that require relevant judgments and estimates. In the cases of Bahru Stainless Sdn. Bhd. and Acerinox Europa, SA, the Group's Management has relied on an independent expert. The most significant assumptions and sensitivity analyzes performed are summarized in note 8.1 of the attached consolidated report. As a result of the analysis carried out and as mentioned in said note 8.1, in fiscal year 2023 an impairment of 156,207 thousand euros has been recorded on the net assets of the CGU of Bahru Stainless Sdn. Bhd. The accumulated impairment at the end of fiscal year 2023 amounts to 489,435 thousand euros. Deviations in the variables and estimates indicated above may determine important variations in the conclusions reached and, therefore, in the recovery analysis of property, plant and equipment. This fact, together with the relevance of this financial statement line item and the consequent impariment registered, motivates it to be a key audit matter.	In relation to the estimated cash flows, we have analyzed the methodology of the calculations performed, we have compared the projected annual flows with those actually achieved in fiscal year 2023 and we have contrasted the key assumptions considered, with historical results, available comparables, relevant factors of industry and other external sources. For this, we have relied on valuation experts from our firm. In addition, we have analyzed the future plans approved by the Board of Directors. Likewise, we have evaluated the competence, capacity, objectivity and conclusions of the independent expert hired by the Group Management, as well as the adequacy of their work as audit evidence. Additionally, we have evaluated the reasonableness of the sensitivity analyzes disclosed in the accompanying consolidated annual accounts. As a result of the procedures performed, we consider that the conclusions of the Group Management regarding the estimates made and the consequent deterioration recorded, as well as the information revealed in the attached consolidated annual accounts, are adequately supported and consistent with the information currently available.
Recognition of deferred tax assets	
As of December 31, 2023, the attached consolidated annual accounts reflect an amount of 169,266 thousand euros of deferred tax assets, net of an amount of 53,823 thousand euros of deferred tax liabilities, the recovery of which depends on the generation of positive tax bases in Corporate Tax in future years (notes 2.19, 3.f and 19.3.3 of the attached consolidated report), in accordance with the applicable tax regulations. Likewise, note 19.3.2 of the attached consolidated report details the unrecognized tax credits. The recognition of these deferred tax assets is analyzed by the Group Management by estimating the tax bases for the coming years, based on the business plans of the different Group companies and the planning possibilities allowed by tax legislation. applicable to each company and to the consolidated tax group headed by the Parent Company.	First, we have proceeded to understand and evaluate the criteria used by the Group Management to estimate the possibilities of use and recovery of deferred tax assets in the following years, affected by the business plans. Based on the business plans prepared by the Group Management, we have compared the projected annual flows with those actually achieved in fiscal year 2023 and we have contrasted the key assumptions, estimates and calculations made for their preparation, comparing them with the historical performance, comparable available, relevant industry factors and other external sources. As part of the analysis, we have also evaluated the tax adjustments considered for the estimation of tax bases, the applicable tax regulations, as well as decisions about the possibilities of using the tax benefits corresponding to the different companies of the Group.

Key audit matters	How our audit addressed the key audit matters
Consequently, the conclusion on the recognition of deferred tax assets shown in the attached consolidated balance sheet is subject to significant judgments and estimates by the Group Management both with respect to future tax results and the applicable tax regulations. in the different jurisdictions where it operates. Given the relevance of the amount recognized and pending recognition, the significant judgments required and estimates necessary for the calculation of future tax bases, the recognition of deferred tax assets is a key matter of our audit.	The analysis performed have made it possible to verify that the calculations and estimates made by the Group Management, as well as the conclusions reached, in relation to the recognition of deferred tax assets, are consistent with the current situation, with the expectations of future results of the Group and with its tax planning possibilities available in the current legislation.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2023 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

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

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

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

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2023 financial year, and its content and presentation are in accordance with applicable regulations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Acerinox, S.A. and its subsidiaries for the 2023 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Acerinox, S.A. are responsible for presenting the annual financial report for the 2023 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the consolidated management report.

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

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

Report to the audit commission of the Parent company

The opinion expressed in this report is consistent with the content of our additional report to the audit commission of the Parent company dated 28 February 2024.

Appointment period

The General Ordinary Shareholders' Meeting held on 23 May 2023 appointed us as auditors of the Group for a period of one year, for the year ended 31 December 2023.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of tres years and we have audited the accounts continuously since the year ended 31 December 2017.

Services provided

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

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by

Jon Toledano Irigoyen (20518)

29 February 2024

ACERINOX, S.A. AND SUBSIDIARIES

Annual Accounts
of the Consolidated Group

for the year ended 31 December 2023

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Note 2). In the event of a discrepancy, the Spanish-language version prevails.

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CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in thousands of euros at 31 December 2023 and 2022)

ASSETS	Note	2023	2022
Non-current assets			
Goodwill	7	51,064	51,064
Other intangible assets	7	41,339	43,437
Property, plant and equipment	8	1,471,899	1,649,607
Investment property	9	9,668	9,916
Rights of use assets	10	18,851	16,207
Investments accounted for using the equity method	5.3	390	390
Financial assets at fair value through other comprehensive income	12	381	394
Deferred tax assets	19	169,266	101,225
Other non-current financial assets	12	14,231	30,188
TOTAL NON-CURRENT ASSETS		**1,777,089**	**1,902,428**
Current assets			
Inventories	11	1,860,535	2,155,542
Trade and other receivables	12	626,273	637,833
Other current financial assets	12	27,683	51,534
Current income tax assets	19	13,506	22,770
Cash and cash equivalents	13	1,793,683	1,548,040
TOTAL CURRENT ASSETS		**4,321,680**	**4,415,719**
TOTAL ASSETS		**6,098,769**	**6,318,147**

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

(Amounts in thousands of euros at 31 December 2023 and 2022)

LIABILITIES	Note	2023	2022
Equity			
Subscribed capital	14	62,334	64,931
Issue premium	14	268	268
Reserves	14	2,199,849	1,920,753
Profit/(loss) for the year	14	228,128	556,054
Interim dividend	14	-77,261	-74,799
Translation differences	14	-7,990	93,923
Other equity instruments	14	4,157	3,695
Shares of the parent	14	-1,055	-90,728
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		**2,408,430**	**2,474,097**
Non-controlling interests	14	54,696	73,596
TOTAL EQUITY	14	**2,463,126**	**2,547,693**
Non-current liabilities			
Deferred income	15	36,347	27,465
Issuance of debentures and other marketable securities	12	–	74,850
Bank borrowings	12	1,291,156	1,319,182
Long-term provisions	16	179,994	159,058
Deferred tax liabilities	19	205,901	227,784
Other non-current financial liabilities	12	19,799	14,971
TOTAL NON-CURRENT LIABILITIES		**1,733,197**	**1,823,310**
Current liabilities			
Issuance of debentures and other marketable securities	12	76,584	1,634
Bank borrowings	12	767,147	592,858
Trade and other payables	12	951,118	1,181,440
Current income tax liabilities	19	12,601	58,295
Other current financial liabilities	12	94,996	112,917
TOTAL CURRENT LIABILITIES	12	**1,902,446**	**1,947,144**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12	**6,098,769**	**6,318,147**

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

2. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Amounts in thousands of euros at 31 December 2023 and 2022)

	Note	2023	2022
Revenue	**17**	**6,607,978**	**8,688,494**
Other operating income	17	92,198	41,025
Work performed by the Group on non-current assets	17	7,825	27,371
Changes in inventories of finished goods and work in progress		-152,080	211,473
Supplies		-4,282,109	-5,844,532
Staff costs	17	-636,546	-653,763
Depreciation and amortisation charge	7,8,9,10	-171,130	-192,935
Other operating expenses	17	-935,776	-1,197,459
Impairment of assets	7.8	-156,207	-203,905
OPERATING INCOME		**374,153**	**875,769**
Finance income	18	79,646	26,073
Finance costs	18	-101,044	-62,799
Exchange differences	18	2,273	-4,624
Revaluation of financial instruments at fair value	18	317	-3,141
Impairment and loss on disposal of financial instruments	18	-	-3
PROFIT FROM ORDINARY ACTIVITIES		**355,345**	**831,275**
Income tax	19	-138,105	-260,412
Other taxes	19	-273	-477
PROFIT/(LOSS) FOR THE YEAR		**216,967**	**570,386**
Attributable to:			
NON-CONTROLLING INTERESTS		**-11,161**	**14,332**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP		**228,128**	**556,054**
Basic and diluted earnings per share (in euros)	14.9	0.92	2.16

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

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of euros at 31 December 2023 and 2022)

	Note	2023	2022
A) RESULTS OF THE STATEMENT OF PROFIT OR LOSS		**216,967**	**570,386**
B) OTHER COMPREHENSIVE INCOME - ITEMS NOT RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD		**-5,980**	**30,008**
1. Arising from valuation of equity instruments at fair value through other comprehensive income	12.2.5	-	502
2. Arising from actuarial gains and losses and other adjustments	16.1	-8,906	43,999
3. Tax effect	19	2,926	-14,493
C) OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS FOR THE PERIOD		**-140,570**	**142,522**
1. Arising from cash flow hedges			
- Valuation gains / (losses)	12.2.6	-11,650	55,500
- Amounts transferred to the statement of profit or loss	12.2.6	-32,402	-1,776
2. Translation differences			
- Valuation gains / (losses)		-109,680	103,481
- Amounts transferred to the statement of profit or loss			
3. Tax effect	19	13,162	-14,683
<u>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</u>		**70,417**	**742,916**
a) Attributed to the parent company		89,345	729,173
b) Attributed to non-controlling interests		-18,928	13,743

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

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in thousands of euros at 31 December 2023 and 2022)

		Equity attributable to shareholders of the parent company													
		Subscribed capital	Issue premium	Retained earnings reserves (includes profit/(loss) for the year)	Reserves for revaluation of non-current assets	Cash flow hedge reserves	Fair value adjustments to financial assets	Reserve for actuarial adjustments	Translation differences	Other equity instruments	Treasury shares	Interim dividend	TOTAL	Non-controlling interests	TOTAL EQUITY
Equity 31/12/2021		**67,637**	**268**	**2,094,072**	**5,242**	**-272**	**-370**	**5,820**	**-10,154**	**3,048**	**-10,251**	**0**	**2,155,040**	**59,822**	**2,214,862**
Profit/(loss) for the year 2022	**Note**			**556,054**									**556,054**	**14,332**	**570,386**
Financial assets at fair value through other comprehensive income (net of tax)	12.2.5						370						**370**		**370**
Cash flow hedges (net of tax)	12.2.6					39,041							**39,041**		**39,041**
Actuarial valuation of employee benefit obligations (net of tax)	16.1							29,631					**29,631**	7	**29,638**
Translation differences	14.4								104,077				**104,077**	-596	**103,481**
Income and expenses recognised in equity						**39,041**	**370**	**29,631**	**104,077**				**173,119**	**-589**	**172,530**
Total comprehensive income				**556,054**	**0**	**39,041**	**370**	**29,631**	**104,077**	**0**	**0**	**0**	**729,173**	**13,743**	**742,916**
Interim dividend	14.2											-74,799	**-74,799**		**-74,799**
Dividends paid	14.2			-129,850									**-129,850**		**-129,850**
Transactions with shareholders		**0**	**0**	**-129,850**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-74,799**	**-204,649**	**0**	**-204,649**
Acquisition of treasury shares	14.1										-206,005		**-206,005**		**-206,005**
Amortisation of treasury shares	14.1	-2,706		-121,588							124,294		**0**		**0**
Long-term incentive plan for senior executives	16.1.3			-810						647	1,234		**1,071**	31	**1,102**
Hyperinflation adjustments	14.6			973									**973**		**973**
Result of sale of financial assets at fair value through other comprehensive income	12.2.5			-803									**-803**		**-803**
Other changes	14.4			-703									**-703**		**-703**
Equity 31/12/2022		**64,931**	**268**	**2,397,345**	**5,242**	**38,769**	**0**	**35,451**	**93,923**	**3,695**	**-90,728**	**-74,799**	**2,474,097**	**73,596**	**2,547,693**
Profit/(loss) for the year 2023		**0**	**0**	**228,128**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**228,128**	**-11,161**	**216,967**
Cash flow hedges (net of tax)	12.2.6					-30,890							**-30,890**		**-30,890**
Actuarial valuation of employee benefit obligations (net of tax)	16.1							-5,980					**-5,980**		**-5,980**
Translation differences	14.4								-101,913				**-101,913**	-7,767	**-109,680**
Income and expenses recognised in equity						**-30,890**		**-5,980**	**-101,913**				**-138,783**	**-7,767**	**-146,550**
Total comprehensive income		**0**	**0**	**228,128**	**0**	**-30,890**	**0**	**-5,980**	**-101,913**	**0**	**0**	**0**	**89,345**	**-18,928**	**70,417**
Interim dividend												-77,261	**-77,261**		**-77,261**
Dividends paid	14.2			-149,562								74,799	**-74,763**		**-74,763**
Transactions with shareholders		**0**	**0**	**-149,562**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-2,462**	**-152,024**	**0**	**-152,024**
Acquisition of treasury shares	14.1										-2,084		**-2,084**		**-2,084**
Amortisation of treasury shares	14.1	-2,597		-88,088							90,685		**0**		**0**
Long-term incentive plan for senior executives	16.1.3			-769						462	1,072		**765**	28	**793**
Hyperinflation adjustments	14.6			1,028									**1,028**		**1,028**
Other changes	14.4			-2,693		2		-6					**-2,697**		**-2,697**
Equity 31/12/2023		**62,334**	**268**	**2,385,389**	**5,242**	**7,881**	**0**	**29,465**	**-7,990**	**4,157**	**-1,055**	**-77,261**	**2,408,430**	**54,696**	**2,463,126**

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

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of euros at 31 December 2023 and 2022)

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2023	2022
Profit (loss) before tax		**355,345**	**831,275**
Adjustments to the result:			
Depreciation of fixed assets	7,8,9,10	171,130	192,935
Impairment losses	8.11	122,812	290,561
Changes in provisions		7,033	19,130
Allocation of subsidies	15	-9,186	-7,522
Gain or loss on disposal of fixed assets	8.9	1,895	150
Gain (loss) on disposal of financial instruments		-	3
Changes in fair value of financial instruments		-4,313	3,238
Finance income	18	-79,646	-26,074
Finance costs	18	97,786	62,799
Other income and expenses		-25,154	-14,715
Variations in working capital:			
(Increase)/decrease in trade and other receivables		20,818	194,322
(Increase) / decrease in inventories		294,780	-432,423
Increase / (decrease) in trade and other payables		-235,071	-306,199
Other cash flows from operating activities			
Interest payments		-82,468	-50,050
Interest income		78,966	24,890
Income tax paid		-233,251	-238,237
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES		**481,476**	**544,083**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		-171,921	-134,044
Acquisition of intangible fixed assets		-2,982	-2,673
Acquisition of other financial assets		-848	-1,811
Proceeds from disposal of property, plant and equipment		1,045	2,004
Proceeds from disposal of other financial assets		5	10,158
Dividends received		5	866
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		**-174,696**	**-125,500**
Acquisition of treasury shares	14	-2,084	-206,004
Collection of third-party resources	12.2.3	392,687	1,028,740
Repayment of interest-bearing liabilities	12.2.3	-246,607	-908,921
Dividends paid	14	-149,562	-129,850
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		**-5,566**	**-216,035**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**301,214**	**202,548**
Cash and cash equivalents at beginning of year	13	1,548,040	1,274,929
Effect of changes in exchange rates		-55,571	70,563
CASH AND CASH EQUIVALENTS AT YEAR-END	13	**1,793,683**	**1,548,040**

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

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

NOTE 1 – GENERAL INFORMATION

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

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

Registered office: calle Santiago de Compostela, nº 100, Madrid - Spain.

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

The Acerinox Group has the most extensive global presence in the production and distribution of stainless steel and high-performance alloys and is one of the most competitive companies in its sector. Acerinox is the leader in its sector in the United States and on the African continent, is widely recognised in Europe, and holds the top position globally for sales in high-performance alloys.

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

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

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

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

Authorisation for issue of the financial statements: these consolidated annual accounts were authorised for issue by the Board of Directors of Acerinox, S.A., on 28 February 2024.

NOTE 2 – ACCOUNTING POLICIES

2.1 Statement of compliance

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

The 2023 annual accounts were prepared using the same accounting principles (EU-IFRS) as for 2022. The standards and amendments adopted by the European Union and required to be applied from 2023 had no impact on the Group, as described below:

- IAS 1 (Amendment) - Disclosure of accounting policies: the amendment introduces changes to the accounting policy disclosures to provide more useful information to investors and other key users of the financial statements. The Group has analysed the disclosures in the notes to its accounting policies to determine whether they contain appropriate disclosures in accordance with the amendments to IAS 1 and has not considered it necessary to make any changes.

- IAS 8 (Amendment) - Definition of accounting estimates: This amendment clarifies the differences between a change in accounting estimate and a change in accounting policy. This amendment had no impact on the reporting period as there were no changes in estimates or policies.

- IAS 12 (Amendment) - Deferred tax related to assets and liabilities arising from a single transaction: This amendment clarifies that the exemption from recognising deferred tax relating to assets or liabilities that are recognised for the first time ("initial recognition exemption") does not apply to transactions for which both an asset and a liability are recognised on initial recognition, such as leases and decommissioning obligations, and that there is therefore an obligation to recognise deferred tax on such transactions. No impact on the Group as there were no new transactions in 2023.

- IAS 12 (Amendment) - International tax reform: "Pillar 2" model standard: In October 2021, more than 130 countries agreed to implement a minimum tax regime for multinational companies, known as "Pillar 2". In December 2021, the Organisation for Economic Co-operation and Development ("OECD") published the "Pillar 2" model standard for reforming international corporate taxation. The standard requires affected large multinational companies to calculate their effective GloBE ("Global Anti-Base Erosion") tax rate for each jurisdiction in which they operate. Such companies will be required to pay an additional tax on the difference between their effective GloBE tax rate per jurisdiction and the minimum rate of 15%. This standard has yet to be implemented in Spain.

  As a result of these new tax regulations, the IASB issued limited amendments to IAS 12 in May 2023, which provide a temporary exemption from the requirement to recognise and disclose deferred taxes arising from an enacted or substantially enacted tax law related to the Pillar 2 model standards issued by the OECD. However, the following specific disclosure requirements are introduced for the affected companies:

  - The fact that the temporary exemption for the recognition and disclosure of deferred tax assets and liabilities related to Pillar 2 income tax has been applied;
  - Their current tax expense (if any) related to Pillar 2 income tax; and
  - During the period between the enactment or substantial enactment date of the legislation and the effective date of the legislation, entities are required to disclose known or reasonably estimable information that would assist users of the financial statements in understanding the entity's exposure to Pillar 2 income taxes.

  This amendment to IAS 12 is effective immediately (subject to any local approval process) for annual periods beginning on or after 1 January 2023 and retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", including the requirement to disclose the fact that the temporary exemption has been applied, if relevant.

  The Group has adopted the temporary exemption for the recognition and disclosure of deferred tax assets and liabilities and includes the disclosures required by this amendment both in its policies and in the tax note (see **Note 19**).

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

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

The standards, interpretations and amendments approved by the European Union and applicable as of 1 January 2024 which have not been adopted in advance by the Group and which could have an impact, are as follows:

- IFRS 16 (Amendment) - "Lease liability on sale and leaseback": 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 this amendment is 1 January 2024, although its early adoption is allowed. The Group does not expect the application of these amendments to have any impact on its financial statements.

- IAS 1 (Amendment) - "Classification of Liabilities as Current or Non-current": this amendment clarifies that liabilities are classified as current or non-current on the basis of the rights that exist at the end of the reporting period and not on the basis of the entity's expectations or events after the reporting period. It also clarifies the concept of "settlement" a liability under the standard. Additionally, the amendment aims to improve the information provided when the right to defer payment of a liability is subject to compliance with conditions ("covenants") within twelve months of the reporting period. While the initial effective date of these amendments was 1 January 2022, this has been postponed to January 2024, although early adoption is permitted. The Group does not expect any impact from the application of this standard as the classification within the Group between current and non-current is based on existing contractual rights.

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

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

- IAS 7 (Amendment) and IFRS 7 (Amendment) - "Supplier finance arrangements (reverse factoring)": these amendments aim to improve disclosures on supplier financing arrangements (reverse factoring) and their effects on a company's liabilities, cash flows and exposure to liquidity risk. This amendment is effective for financial years beginning on or after 1 January 2024. Early implementation of the amendment is allowed, but is pending approval by the European Union. The Group shall include the required and applicable disclosures in its annual accounts when required to do so.

- IAS 21 (Amendment) - "Lack of exchangeability": requirements are added to assist entities in determining whether a currency is exchangeable for another currency and the spot rate to use when it is not. This can happen, for example, when a government imposes controls on capital imports and exports, or when it provides an official exchange rate, but limits the volume of transactions that can be carried out at that rate. In cases where a currency is not exchangeable, it is necessary to estimate the spot exchange rate on a valuation date in order to determine the rate at which a transaction would take place on that date between market participants under the prevailing economic conditions.

  When an entity applies the new requirements of this standard for the first time, it is not allowed to restate the comparative information. However, the affected amounts are required to be translated at estimated spot exchange rates at the date of initial application of the change, with an adjustment against reserves.

  This amendment is effective for financial years beginning on or after 1 January 2025. Early implementation is allowed, but is pending approval by the European Union.

  The Group does not foresee any impact from the application of this standard as it does not carry out transactions in these currencies.

2.3 Basis of presentation of the consolidated annual accounts

These Consolidated Annual Accounts of the Group were formally prepared by the parent's directors to present fairly the Group's consolidated equity and consolidated financial position as at 31 December 2023 and 2022, and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows of the Group for the years then ended.

The figures for 2023 are presented for comparison purposes with last financial year's figures for each item in the Annual Accounts.

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

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

For the fiscal year beginning on 1 January 2023 and ending on 31 December 2023 the three German companies of the High Performance Alloys Division (VDM Metals Holding GmbH, VDM Metals GmbH and VDM Metals International GmbH) have availed themselves of the exemption permitted under section 291.1 HGB (Handelsgesetzbuch, German Commercial Law) and section 264.3 of the same Law. These exemptions free them from the obligation to present consolidated financial statements of the VDM subgroup, as they are part of a Group that consolidates and publishes its financial statements, and also allow them certain simplifications in the authorisation for issue of separate financial statements.

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

The Consolidated Annual Accounts for 2022 were approved by the shareholders at the Annual General Meeting held on 23 May 2023. The Group's Consolidated Annual Accounts for 2023 have not yet been approved by the shareholders at the Annual General Meeting. The Company's Board of Directors considers that these consolidated annual accounts will be approved by the shareholders at the Annual General Meeting without any changes.

2.4 Going concern and accrual bases of accounting

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

2.5 Basis of consolidation

a) Subsidiaries

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

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

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

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

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

All the subsidiaries that form part of the Acerinox Group and were included in the scope of consolidation at 31 December 2023 and 2022 are listed in **Note 5**.

b) Non-controlling interests

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

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

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

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

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

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

c) Associates

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

The financial statements of the associates are included in the consolidated financial statements using the equity method. The Group's share of the post-acquisition profits or losses of its associates is recognised in profit or loss for each year with a credit or charge to "share of results of companies accounted for using the equity method" in the consolidated statement of profit or loss.

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

The Group does not have any significant investments in associates.

d) Business combinations

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

The Group applies the acquisition method for business combinations.

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

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

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

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

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

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

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

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

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

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

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

e) Balances and transactions eliminated on consolidation

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

2.6 Translation differences

a) Functional and presentation currency

The items included in the annual accounts of each Group company are measured using the currency of the primary economic environment in which the company operates (its functional currency). The functional currency of the majority of the Group companies is the local currency, except for Bahru Stainless, Sdn. Bhd, NAS Canada, Inc. and NAS Mexico, S.A de CV, whose functional currency is the USD.

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

b) Foreign currency transactions, balances and cash flows

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

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

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

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

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

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

c) Translation of foreign operations

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

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

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

d) Restatement of financial information concerning hyperinflationary economies

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

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

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

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

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

Note 14.6 includes the impacts of the measurement of the financial statements of Acerinox Argentina pursuant to this standard both in 2023 and 2022.

2.7 Intangible assets

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

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

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

a) Goodwill

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

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

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

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

Internally generated goodwill is not recognised as an asset.

b) Internally generated intangible assets

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

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

Development expenditure is capitalised by crediting “work performed by the Group on non-current assets” in the consolidated statement of profit or loss. The capitalised costs include the cost of materials, direct labour and directly attributable general expenses.

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

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

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

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

c) Customer portfolio

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

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

d) Computer software

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

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

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

e) Depreciation and amortisation

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

The estimated useful lives are as follows:

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

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

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

2.8 Property, plant and equipment

a) Owned assets

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

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

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

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

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

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

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

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

b) Depreciation and amortisation

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

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

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

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

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

2.9 Investment property

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

The Group only transfers items between “property, plant and equipment” and “investment property” when a change in the use of the property occurs.

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

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

2.10 Right-of-use assets

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

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

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

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

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

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

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

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

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

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

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

2.11 Impairment of non-financial assets

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

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

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

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

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

In order to determine the recoverable amount, the Group occasionally may hire an independent expert.

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

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

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

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

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

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

Notes 7.1 and **8.1** describe the variables and assumptions used by the Group to calculate recoverable amounts of both goodwill and tangible assets of the Group for which there is evidence of impairment, as well as to identify the cash-generating units.

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

2.12 Financial instruments

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

2.12.1 Classification

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

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

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

2.12.2 Financial assets

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

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

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

a) Financial assets at fair value through profit or loss

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

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

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

b) Financial assets at amortised cost

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

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

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

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

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

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

c) Financial assets at fair value through other comprehensive income

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

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

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

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

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

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

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

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

2.12.3 Financial liabilities

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

a) Financial liabilities at amortised cost

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

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

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

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

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

b) Financial liabilities at fair value through profit or loss

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

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

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

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

2.12.4 Hedge accounting

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

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

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

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

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

Derivative financial instruments that do not qualify for hedge accounting are classified and measured as financial assets or liabilities at fair value through profit or loss. Derivative financial instruments that fulfil the criteria for cash flow hedge accounting are treated as such. Therefore, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and subsequently recognised in profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

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

The Group only undertakes cash flow hedges.

2.12.5 Fair value measurement

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

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

2.12.6 Renewable Energy Contracts (PPA)

The Group has signed PPA (Power Purchase Agreement) contracts for the purchase of long-term renewable energy. These contracts are concluded through the physical purchase of energy consumed by the Group in its stainless-steel production facilities. These contracts do not allow cancellation through the exchange of financial instruments. They are therefore supply contracts for the Group's own use and the Group recognises the energy purchases in the income statement at the time of delivery for consumption and does not treat them as financial instruments.

2.13 Inventories

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

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

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

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

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

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

2.13.1 Emission allowances

The Group recognises CO_2 emission allowances as inventories.

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

Emission allowances remain classified as inventories until surrendered.

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

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

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

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

Note 11, inventories, includes detailed information on the emission allowances allocated and used in 2023 and 2022.

2.14 Cash and cash equivalents

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

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

2.15 Grants

2.15.1 Grants related to assets

Grants related to assets are grants received by the Group for the acquisition of property, plant and equipment and intangible assets. They are recognised under “deferred income” in the consolidated statement of financial position. They are initially recognised at the original amount awarded, provided that there is reasonable assurance that the grants will be received and the

Group fulfils all the conditions attaching to them. They are subsequently taken to profit or loss on a straight-line basis over the useful lives of the related assets financed by the grants.

2.15.2 Grants related to income

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

2.16 Employee benefits

Employee benefits may comprise both short-term and long-term obligations, which include:

- Short-term compensation: that which is expected to be paid in full within twelve months from the end of the reporting period in which the employees rendered their services. They are recognised as expenses in the year in which the service is rendered. They include wages and salaries, social security contributions, paid annual leave and sick leave, profit sharing and incentive or non-monetary compensation.
- Termination benefits: these are recognised as staff costs only when the Group is demonstrably committed to severing its link to an employee or group of employees prior to the normal retirement date.

Long-term commitments include:

- Post-employment benefits, such as retirement benefits or any other form of compensation to employees upon termination of their employment.
- Other long-term employee benefits such as length of service awards.
- Pension benefits.
- Share-based payment transactions.

The accounting policies followed by the Group where there are long-term commitments to its employees are as follows:

a) Defined contribution plans

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

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

b) Defined benefit plans and other obligations

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

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

The existing obligations may be classified as follows:

- <u>Pension plans</u>: certain Group companies have acquired obligations to certain of their employees when they reach retirement age.
- <u>Early retirement benefits</u>: certain Group companies are required to pay benefits to some of their employees if they opt to take early retirement.

- Supplements: these plans relate to obligations agreed upon with certain Group employees to supplement their remuneration on retirement.
- Other post-employment obligations: certain Group companies offer medical care to their retired former employees. The right to benefits of this nature is usually conditional upon the employee remaining at the Group until retirement and for a specified minimum number of years. The expected expenditure relating to these benefits is accrued over the employees' working lives.

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

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

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

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

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

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

c) Share-based payment transactions

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

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

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

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

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

2.17 Provisions

The Group recognises a provision when:

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

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

2.18 Current/Non-current assets and liabilities classification

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

2.19 Income tax

The income tax expense comprises current tax and deferred tax.

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

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

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

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

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

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

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

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

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

In connection with the limited scope amendments introduced by the IASB related to the new Pillar 2 tax regulations approved by the OECD, the Group has decided to make use of the temporary exemption for the recognition of deferred tax assets and liabilities and the expense resulting from the calculation of the minimum tax rate of 15%. **Note 19** contains detailed information on the above tax standard and the analysis carried out by the Group during the year and its potential impact.

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

The Company has been taxed under the consolidated tax regime since 1998. As agreed by the shareholders at the Annual General Meeting held on 28 May 2003, Acerinox, S.A. and certain of the subsidiaries with registered office in Spain form part of a consolidated tax group on an indefinite basis, with the exception of Metalinox Bilbao, S.A.U. and Inoxidables de Euskadi, S.A.U., which file tax returns separately. At 31 December 2023 and 2022, the consolidated tax group was made up of: Acerinox, S.A., Acerinox Europa, S.A.U., Roldan, S.A., Inoxfil, S.A., Inoxcenter, S.L.U. and Inoxcenter Canarias, S.A.U. As a result of the consolidated tax regime, reciprocal receivables and payables between Group companies arise, due to the offset of tax bases between them.

2.20 Revenue

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

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

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

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

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

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

a) Sales and services

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

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

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

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

- variable consideration;
- constraining estimates of variable consideration;
- the existence of a significant financing component in the contract;
- non-cash consideration; and
- consideration payable to the customer.

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

b) Lease income

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

c) Dividend income

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

2.21 Environment

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

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

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

2.22 Changes in accounting estimates and policies and correction of errors

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

NOTE 3 – ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

The main estimates made by the Group are as follows:

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

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

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

The recoverable amounts of the cash-generating units in this year have been determined based on calculations of their value in use. Some estimates were made by an independent valuer.

The calculations of value in use are made using reasonable assumptions based on past returns and future market production and development expectations. Some of these assumptions relate to sales, margins, discount rates and perpetuity growth rates, which involve a high degree of judgement. In recent years, energy costs have also become more significant in the estimates, and the Group performs sensitivity analyses on possible changes in energy prices, mainly in European companies. **Notes 7.1** and **8.1** detail the analyses conducted by the Group in 2023 and 2022.

b) Fair value of derivatives and other financial instruments

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

c) Provisions

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

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

d) Net realisable value

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

e) Determination of employee benefit obligations

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

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

Note 16.1 includes detailed information on the assumptions used in 2023 to perform the valuations.

f) Recoverability of tax loss and tax credit carryforwards

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

The Group takes into account the tax laws applicable to the determination of tax bases in the future, the restrictions on offsetting tax bases imposed by certain laws and the impact of minimum payments set in certain countries. **Note 19.3** includes detailed information on the Group's existing tax assets and the bases used to determine the recoverability of recognised tax assets.

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

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

Since 2022, as a result of the entry into force in Spain of the amendment to income tax affecting the tax exemption for dividends received from Group companies, the aforementioned tax exemption for dividends received from qualifying ownership interests applicable to the parent of the Acerinox Group has been reduced to 95%, whereby it will be taxed on 5% of the dividends it receives from its subsidiaries, which will be treated as non-deductible expenses relating to management of the ownership interest. As with the distributable reserves mentioned in the previous paragraph, the Group also takes into account the tax effect if it believes that the distribution of reserves from subsidiaries will be required in the foreseeable future.

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

h) Recognition of deferred tax liabilities under Pillar 2 standards

As explained in accounting policies, in December 2021, the Organisation for Economic Co-operation and Development (“OECD”) published the “Pillar 2” model standards for reforming international corporate taxation. The standard requires affected large multinational companies to calculate their effective GloBE (“Global Anti-Base Erosion”) tax rate for each jurisdiction in which they operate. Such companies will be required to pay an additional tax on the difference between their effective GloBE tax rate per jurisdiction and the minimum rate of 15%. This standard has yet to be implemented in Spain, although it is mandatory for financial years beginning on or after 1 January 2024.

While, as permitted by the amendment introduced by IAS 12, the Group has made use of the temporary exemption for the recognition and disclosure of deferred tax assets and liabilities related to income tax arising from Pillar 2, the Group is conducting an analysis based on the 2022 country-by-country report figures to determine the possible application of safe harbours, at least during the transitional period of 3 years foreseen by the rule. This would exempt it from calculating the minimum tax. From the analyses performed, no significant impact appears to arise from the application of this standard, as in the jurisdictions where the Group’s main entities are located, effective taxes exceed the minimum payment of 15%.

NOTE 4 – FINANCIAL RISK MANAGEMENT

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

The Group does not arrange financial instruments for speculative purposes.

4.1 Market risk

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

4.1.1 Foreign currency risk

The Group operates internationally and in various currencies, particularly in the US dollar, and is therefore exposed to foreign currency risk. Foreign currency risk arises from commercial transactions as well as from financing and investment operations, and from the translation of financial statements the functional currencies of which is not the Consolidated Group’s presentation currency (the euro).

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

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

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

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

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

Note 12.2.6 details the financial instruments arranged by the Group to hedge this type of risk at 31 December 2023 and 2022.

Lastly, the Group is exposed to foreign currency risk as a result of the translation of the separate financial statements the functional currency of which differs from the Group’s presentation currency, particularly the US dollar and the South African rand. The USD/EUR exchange rate at 2023 year-end was 1.1050, while at 2022 year-end it stood at 1.0666 (USD depreciation of 3.6% for the year). The exchange rate of the South African rand to the euro at 2023 year-end was 20.3477, while at 2022 year-end it was 18.0986 (rand depreciation of 12.4%).

The Group does not use financial instruments to hedge foreign investments, since these are strategic long-term investments.

Neither the Group's future profits nor the expected dividends are hedged, the latter only being hedged as soon as they are approved. **Note 14.4** includes a breakdown of the changes in translation difference items in the year.

Sensitivity to changes in these currencies with respect to the euro, with other variables remaining constant and based on the translation rates at the end of 2023 and 2022, respectively, was as follows:

(Amounts in thousands of euros)

	Profit or loss		Equity	
	10% appreciation	10% depreciation	10% appreciation	10% depreciation
31 December 2023				
USD	43,743	-35,789	250,258	-204,756
ZAR	-3,050	2,496	25,854	-21,154
31 December 2022				
USD	55,321	-45,263	237,048	-193,948
ZAR	5,968	-4,883	33,457	-27,374

4.1.2 Interest rate risk

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

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

In addition, the Group takes out fixed-rate loans to reduce its exposure to interest rate fluctuations. However, the Group did not take out any fixed-rate loans in 2023.

70% of the Group's loans and private placements are at fixed interest rates (these figures include those loans closed at variable interest rates but hedged with an interest rate derivative).

As in 2022, the Group has continued to actively manage its loans during 2023. The majority of the Group's financing at 31 December 2023 corresponded to loans and private placements. Of these, almost 80% were due to mature in over a year.

Note 12.2.3 explains all new loan negotiations undertaken throughout the year.

In 2023, the Group has contracted five floating rate loans for a total amount of EUR 155 million, but has not contracted any interest rate derivatives to hedge against changes in the floating interest rate.

The last two years have been marked by interest rate increases. The rate hike that started in 2022 came to an end in the middle of this year. The last FED hike took place in July, reaching the highest level in 22 years (5.25%-5.5%). In Europe, increases slowed in September 2023, with the highest level since 2001 (4.5%).

Due to the continued increase in interest rates and the high percentage of fixed-rate loans, the Group has decided not to contract new derivatives in 2023.

The risk to the Group from rising interest rates is limited, as the Group's net financial debt amounted to EUR 341 million, with bank borrowings of EUR 2,135 million and cash balances of EUR 1,794 million. Acerinox has currency deposits in US dollars. These USD deposits provide a remuneration that is higher than the remuneration of the euro interest rates to which most of the Group's variable interest rate loans are referenced, thereby mitigating the risk of an increase in interest rates.

In 2022, the Group did contract a derivative (Interest Rate Swap) with Caixabank for EUR 260 million.

Note 12.2.6 details the financial instruments arranged by the Group to hedge this type of risk at 31 December 2023 and 2022.

In relation to the Group’s interest rate sensitivity, had interest rates on its outstanding debt at year-end been 100 basis points higher, with all other variables remaining constant, the consolidated profit after tax would have been EUR 9.2 million lower (2022: EUR 7.2 million lower) due to higher borrowing costs on floating-rate debt not covered by interest rate swaps. The effect on the Group’s equity of such an increase in interest rates across the entire interest rate curve would have been an increase of EUR 0.1 million (2022: an increase of EUR 5.3 million), since the higher borrowing costs would have been comfortably offset by increases in the values of its interest rate hedging derivatives held at the reporting date.

4.1.3 Price risk

The Group is exposed to several types of price risk:

1. Risk due to energy price fluctuation

Over the last years, the high volatility in the price of supplies, principally gas and electricity, have acquired special relevance.

As the Group's factories are electro-intensive consumers of energy, these variations pose a risk due to the impact they have on the manufacturing costs of both stainless steel and high-performance alloys.

The steel sector requires an intensive use of energy to melt scrap and ferroalloys in electric furnaces to obtain molten material, as well as the use of fossil fuels such as natural gas in the heating and melting processes. Acerinox is therefore working to continuously improve its production processes, promoting innovation and the development of more efficient and cleaner technologies in steel production and supporting advances in less polluting and more sustainable processes.

Although energy prices have fluctuated worldwide, they have been particularly relevant in Europe, which means a loss of competitiveness compared to other producing countries in the world. The Group has factories in Spain, Germany, the United States, South Africa and Malaysia.

While energy prices in Europe are down this year from their peak levels in 2022, when they were primarily affected by Russia’s invasion of Ukraine and international sanctions, they remain at very high levels compared to previous years. In the other countries where the Group has its factories, energy prices have risen by 20-25%. Gas prices, however, have fallen by around 60% in the United States and remained constant in South Africa.

The average price of electricity for the Group in Spain in 2023 is 30% higher than the costs of its factory in the United States and 20% higher than in South Africa. In the case of gas prices, the two plants have around 80% cheaper costs.

In 2023, the fall in gas and energy prices at the Campo de Gibraltar plant alone, which is most affected by cost volatility, meant a reduction of EUR 138 million compared to the previous year's prices. On the other hand, in 2022, the increase in prices compared to 2021 had a negative impact of EUR 136 million, only in that plant.

The Group seeks to mitigate the effects of volatile energy costs by improving the efficiency of energy consumption and by entering into PPAs (Power Purchase Agreements). As explained in the section on the Group's accounting policies, forward purchase contracts for energy are realised through the physical purchase of energy consumed by the Group in its stainless-steel production facilities. They are therefore supply contracts for own use.

The objectives pursued by contracting PPAs are threefold:

- Adequate hedging so that the final price is not so exposed to the fluctuations of the daily market
- To fulfil the requirements of electricity-intensive consumers and those of indirect CO_2
- The consumption of green and/or renewable energy, as all of the Group's PPAs are linked to guarantees of origin

Only the Group's Spanish factories have this type of contract. The contracts signed, mainly by the Acerinox Europa factory, which has the largest volume of these contracts, guarantee 43% of Acerinox Europa's consumption until 2029, considering normal production levels. Acerinox has contracted an annual volume of 380.32 GWh until 2029.

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

Due to its electro-intensive nature, energy cost management is a strategic area for the Group and a constant element in excellence plans. The Group is constantly analysing alternative sources of supply in order to reduce costs.

Reducing energy consumption is a key issue for Acerinox. Therefore, Acerinox has set a target of reducing the energy intensity of the stainless-steel division by 7.5% in 2030 compared to 2015 levels.

Due to the impact of energy price fluctuations on the Group's costs, management has included this variable as a key assumption in valuations and forward estimates, particularly in Europe, and sensitivity analyses to energy price fluctuations are under way. A 10% fluctuation in the price of energy, both electricity and gas, compared to 2023 prices would have meant an upward or downward change in expenditure of around EUR 31 million, with all other variables remaining constant. The Group tries to pass these impacts on to sales prices, but as it is a competitive market with producers in different countries, this is not always possible.

Emission allowances have remained at constant levels over the last two years at around EUR 80/allowance. The volatility of the price of allowances has hardly any impact on the stainless-steel division, given that the Spanish factories have enough free allowances allocated to them to cover their needs. As described in the accounting policy in **Note 2.13.1**, when the free allocation rights are consumed, income in the same amount is recognised at the same time as the expense is recognised and the corresponding part of the deferred income is reversed. Therefore, any increase in the price of rights allocated free of charge will be offset by income, thus not affecting the Group's income statement.

In the case of the high-performance alloys division, the free allocations obtained are lower than plant needs, meaning that rights have to be acquired on the market. In view of the significant price increase and future forecasts, the Group decided to implement a long-term purchase plan in 2021, acquiring 100% of the rights that it expects to use during 2022 and 2023, thus hedging against price fluctuations. This purchase was made at very competitive prices and below current quotations. The Group continues to systematically monitor price changes and take advantage of opportunities to meet its consumption needs.

2. Risk of changes in raw material prices

The Group's exposure to raw material price fluctuations is different in the stainless-steel division than in the high performance alloys division, since, although both of the Group's divisions use metals listed on the London Metal Exchange as raw materials, the performance of demand and the way in which raw material price changes affect the markets are substantially different in each division.

2.1. Raw materials used for the stainless-steel division

Stainless steel is an alloy of iron, chromium (> 10.5%) and carbon (< 1.2%) to which other minerals such as nickel or molybdenum are added to give it certain properties. Nickel is one of the minerals that are present in all austenitic alloys, the most common on the market, in a variable percentage between 6 and 22%. Both nickel and molybdenum are listed on the London Metal Exchange and their prices are therefore subject to fluctuations in market prices.

The cost of raw materials accounts for about 70% of the total cost of the product, and of this, nickel accounts for about 50%. Therefore, nickel price volatility has a direct and significant effect on the cost of stainless steel. Consequently, the strategy in relation to setting selling prices and the repercussion of such fluctuations is one of the most critical functions and requires significant market knowledge. The price of nickel, because of its influence on the cost of stainless steel, ultimately determines the price of the final product, and there is a direct correlation between the two prices.

However, stainless steel is a "commodity" product where consumers, belonging to different sectors such as metal traders, construction, engineering, automotive, kitchen appliances, industrial machinery, etc., value trust in some manufacturers more than others, but where the final price is ultimately the key to supplier selection.

Producers try to pass on the volatility of raw materials in the price of the final product through a variable price mechanism called "alloy surcharge". The alloy surcharge is a mathematical formula, calculated on a monthly basis by each of the market's stainless-steel producers, that takes into account changes in the prices of certain raw materials (particularly nickel, chromium and molybdenum) and fluctuations in the EUR/USD exchange rate. The application of this alloy surcharge allows nickel price fluctuations on the London Metal Exchange to be passed on to customers during the order manufacturing phase, as well as fluctuations in the prices of other raw materials and in the EUR/USD exchange rate.

While this mechanism is consistently followed in some markets such as the United States and South Africa, it does not work in the same way in Asia, where producers offer fixed prices at the time of negotiation. This has an impact on markets where imports are higher, such as in Europe, which sometimes prevents this pricing system from being passed on to the end customer.

As was the case from the second half of 2022 onwards, in 2023, the mitigating effect of the alloy surcharge on the risk of price changes performed differently in the United States and in Europe. While in the North American market the alloy surcharge is always respected and is a factor of price stability, in Europe the traditional system of base price and alloy surcharge has been partially replaced by an effective pricing system due to import pressure.

Over the course of the year, demand remained at a very low level due to excess stainless-steel inventories in the supply chain and geopolitical instability, keeping prices under pressure throughout the year and reaching unprecedented record lows.

However, in the United States, where the Group has a significant market share, the Group's strategy of containing supply in order to maintain prices has been very effective and has enabled the Group to contain fluctuations in base prices.

The downward trend in the price of nickel persisted over the period, beginning in 2023 above USD 31,000/t and ending at a price near USD 16,500. One of the main reasons for this sharp fall was the increased availability of all nickel sources. The gradual increase in stocks on the London and Shanghai metal exchanges also contributed to maintaining this downward trend in the price.

The Group aims to minimise the impact of fluctuating raw material prices by keeping low inventory levels across the production chain, along with applying an alloy surcharge mechanism.

Due to all the variables involved in the price mechanism and the influence of the markets, determining the Group's sensitivity to price volatility in the stainless-steel division is very difficult.

2.2. Raw materials used for the high-performance alloys division

The high-performance alloys division involves alloys whose content of listed metals such as nickel is much higher than that of stainless steel, reaching up to almost 100% in certain alloys. In addition, they may also contain other metals such as copper, cobalt, aluminium and molybdenum. The metal content in this type of alloys accounts for 2/3 of the total cost of the product and the selling price of these alloys is up to 10 times higher than that of stainless steel. The manufacturing period lasts around three to four months and, accordingly, the Group must purchase metals several months before they are sold.

Due to the percentage of metals in the total cost of the product and the associated price volatility, customers in this sector always demand fixed prices, which the Group guarantees when orders are received, initially assuming the full risk of raw material volatility. To mitigate this risk, the Group has a metals trading department in this division, which is responsible for entering into derivatives on the LME (London Metal Exchange) to hedge the metal purchases required to manufacture the products demanded by customers. In the case of metals not listed on the LME, natural hedges through physical stock are undertaken.

In order to avoid the volatility caused by the valuation of these derivatives in the income statement, following the incorporation of the High Performance Alloys division into the Group, it was decided to carry out an analysis of the economic model and hedging relationships in order to assess the possible application of hedge accounting to these derivatives. At 1 January 2021, hedging relationships for new derivatives entered into from that date were documented and a model to ensure hedge effectiveness was implemented, so the Group started to apply hedge accounting for the recognition of a large number of these financial instruments. **Note 12.2.6** includes detailed information on these instruments.

A 20% increase in the price of listed metals, which the Group hedges through forward purchases and sales, would currently have an impact on the valuation of derivatives of EUR 19 million, which would have a direct impact on other comprehensive income (equity). On the other hand, a 20% drop in the price of these metals would have a negative impact of EUR -19 million on the Group’s equity.

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

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

Fluctuations in the price of nickel also affect consumer demand. Reductions in the price of nickel tend to go hand in hand with short-term drops in demand. Conversely, a rise in nickel prices tends to go hand in hand with higher demand. To lessen the risk associated with the predominant market control held by independent stockists, the Group's strategic approach involves emphasising direct sales to end customers rather than relying on stockists. The Group's commercial network allows for the distribution of products to end customers via warehouses and service centres, facilitating sales stability and mitigating this risk.

2.4. Risk of overvaluation of inventories

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

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

During the year, an adjustment of inventories to net realisable value of EUR 65 million was necessary due to the continued fall in prices.

4.1.4 The impact of Russia's invasion of Ukraine

Although the conflict between the two countries has continued throughout the year, it has not had a significant impact on the Group. Energy prices have corrected from the levels reached at the beginning of the conflict, which has allowed the Group to reduce its costs, as explained in the section on energy price risk.

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

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

Due to the uncertainties that existed at the outbreak of the war regarding Germany's dependence on gas supplies from Russia, the Group set up a monitoring committee to assess the impact of possible measures in that country and to mitigate the consequences. Ultimately, the country acted swiftly to seek alternative sources from other countries and none of the initially expected risks materialised.

Management considers that the impact this conflict could have on future projections is not significant.

4.2 Credit risk

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

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

The Group hedges its commercial and political risks either through credit insurance companies, or through letters of credit and bank guarantees extended by banks of recognised solvency located in countries with low financial risk. Credit insurance hedges between 90% and 95% of declared commercial risks, depending on the country in which the customer is located and the insurance company, and between 90% and 95% of political risks. The Group's main credit insurer has an A1 credit rating from Moody's and an A (excellent) rating from A.M. Best.

In 2023, payouts of EUR 351 thousand were collected under the credit insurance policy (2022: EUR 742 thousand).

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

The Risk Committee consists of representatives from the sales, financial and legal departments. The risks of the companies that make up the Acerinox Group are analysed and information is, in turn, received from the Delegated Risk Committees of

North American Stainless, Bahru Stainless, Columbus, Grupinox (which represents the sales network in Spain) and VDM Metals.

Among other duties, the Risk Committee reviews the status of past-due debts, monitors sales with excessive exposure and authorises the transfer of internal risk or, depending on the amount, requests approval from the Management Committee. The Group has a formalised credit risk policy that ensures the control of credit risk in the trading companies by defining various internal risk levels, which must be approved by the responsible persons named in the policy.

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

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

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

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

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

The consolidated balance of trade receivables at 31 December 2023 was EUR 560,002 thousand (2022: EUR 575,036 thousand), and revenue in 2023 amounted to EUR 6,607,978 thousand (2022: EUR 8,688,494 thousand). This represented an average collection period of 31 days at the Group (2022: 24 days).

Credit risk insurance was taken out for 53% of consolidated net sales (2022: 51%). Cash conditions existed for 4% of sales (2022: 3%). Confirmed letters of credit or guarantees were used to hedge credit risk in 1% of consolidated net sales (2022: 1%). Domestic sales by North American Stainless Inc., which entail a very low risk due to the collection period of under 30 days, accounted for 37% of consolidated net sales (2022: 41%), allowing deliveries to be controlled and reducing potential impairment losses.

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

(Amounts in thousands of euros)

	2023	% receivables	2022	% receivables
Not past due	453,770	81 %	479,565	83 %
Less than 30 days	89,062	16 %	75,550	13 %
Between 30 and 60 days	10,985	2 %	13,282	2 %
Between 60 and 90 days	2,028	0 %	1,554	0 %
More than 90 days	4,157	1 %	5,085	1 %
TOTAL	**560,002**		**575,036**	

The Group has made provisions for EUR 4,107 thousand (2022: 4,868 thousand of euros). A provision was made for EUR 543 thousand in 2023 (2022: EUR 864 thousand), accounting for 0.008% of sales 2023 (2022: 0.010%); the Group's expected credit loss ratio is 0.018% (2022: 0.019%).

Most of the past-due receivables are insured and generally reflect customary delays in trading activity (84% of past-due receivables are aged less than 30 days). At 16 February 2024, over 85% of the aforementioned past-due balances had been collected (2022: 90%).

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

In short, neither the accident rate nor payment delays are higher than in any other year, even against the backdrop of geopolitical uncertainty. The Group does not expect significant impacts in the future in view of the risk coverage policy in place and the high percentage of risks covered.

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

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

4.3 Liquidity risk

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

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

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

The Group's cash resources are centrally managed in order to optimise resources. The Group's debt is primarily concentrated within the parent of the Group (more than 65% of total gross debt at year-end).

Based on its cash flow estimates and considering its investment plans, the Group has sufficient funding to meet its obligations, and maintains a sufficient level of undrawn credit facilities, as well as high levels of liquidity, to hedge liquidity risk.

In 2023 and 2022, no defaults occurred on the principal or interest of the Group's various financing facilities.

At year-end the Group had access to short- and long-term financing facilities totalling EUR 2,807 million and approved non-recourse factoring facilities amounting to EUR 530 million. The amount drawn down on the financing facilities at 31 December 2023 amounted to EUR 2,135 million and EUR 297 million on the factoring facilities. In 2022, the short- and long-term financing facilities available to the Group amounted to EUR 2,786 million, and non-recourse factoring facilities amounted to EUR 480 million, while the drawdowns against the financing facilities amounted to EUR 1,989 million and drawdowns against the factoring facilities amounted to EUR 329 million. At 31 December 2023, cash and cash equivalents amounted to EUR 1,794 million (2022: EUR 1,548 million).

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

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

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

In this regard, the most notable financing operations in 2023 were as follows:

- Renewal of syndicated factoring in Spain until 2026, increasing the maximum amount to EUR 380 million and including a new transferor (VDM Metals International)
- Renewal of the Columbus Borrowing Base Facility in South Africa until 2027 for a total maximum amount of ZAR 3,500 million
- Renewal and extension of credit facilities up to a total amount of EUR 301 million and USD 135 million
- Signing of five new long-term loans with various financial institutions for a total amount of EUR 155 million in Spain
- 1.5 year extension of the loan signed by VDM with Intesa Sanpaolo for EUR 30 million
- Extension of an additional year (until 2025) of the bilateral financing facilities signed with VDM with 5 financial institutions for a total amount of EUR 210 million

- Increase in Bahru's short-term financing facilities (credit facilities and revolving credit facilities) to a maximum of USD 145 million

These financing transactions are explained in **Note 12.2.3**.

The most noteworthy financing transactions in 2022 were as follows:

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

The analysis of the Group's payment obligations at the end of 2023 is as follows:

(Amounts in thousands of euros)

		2023						
		Future cash flow maturities (payments)						
	Amount at 31/12/2023	Amount of future payments	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Undetermined maturity
Non-current payables	1,291,156	-1,391,921	-26,001	-25,440	-546,936	-786,170	-7,374	
Current payables	843,731	-878,118	-114,296	-763,822				
Payable to suppliers and other payables	916,472	-916,472	-916,472					
Other non-current financial liabilities	19,799	-19,799			-10,181	-2,660	-1,614	-5,344
FINANCIAL DERIVATIVES								
Hedges through interest rate swaps	-21,358	21,998	7,235	5,314	5,381	4,068		
Commodity derivatives - purchases	11,998	-11,998	-7,764	-2,935	-1,291	-8		
Commodity derivatives - sales	-4,455	4,455	328	4,127				
Currency forwards against exports	-2,158	-2,158	-2,158					
Currency forwards against imports	4,860	4,860	4,860					
TOTAL	**3,060,045**	**-3,189,153**	**-1,054,268**	**-782,756**	**-553,027**	**-784,770**	**-8,988**	**-5,344**

The balances of "payable to suppliers and other payables" do not include payables to Public Administrations. All the maturities of the debt with suppliers are short-term.

"Other non-current financial liabilities", which are categorised as liabilities with an indefinite maturity, mainly relate to deposits and guarantees that have no specific maturity date or for which the date of repayment is unknown. The remainder are leasing payments.

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

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

4.4. Climate risk

Stainless steel is a sustainable and durable material, and one which is highly resistant and infinitely recyclable. Despite these positive qualities, the steel sector accounts for a considerable proportion of global industrial emissions. This phenomenon is due to the intensive use of energy needed to melt scrap and ferro-alloys in electric furnaces in order to obtain molten material, as well as to the use of fossil fuels, such as natural gas, in the heating and melting processes. Reducing emissions in the steel industry is essential to mitigate climate change and meet global targets.

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

Acerinox is committed to decarbonising its operations through the implementation of the Positive Impact 360º Sustainability Master Plan. This plan includes eco-efficiency and climate change mitigation as core components and aims to reduce the intensity of greenhouse gas emissions (Scope 1 and 2) by 20% by 2030, with 2015 as the reference year.

The Group has also introduced a sustainability and climate change policy supported by complementary policies that define its commitments to mitigate climate change.

Acerinox's model for managing climate change follows the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and includes information on governance, strategy, risk management and opportunities, as well as metrics and targets. Acerinox understands that business management is linked to a commitment to sustainability which takes the form of the specific, ambitious and measurable objectives that are set out in the company's Sustainability Plan.

The Board of Directors is ultimately responsible for the Group's climate change management through the sustainability and audit committees within their spheres of influence.

The Group's climate risk management is integrated into corporate risk management.

Climate risks are overseen by the Audit Committee of the Board of Directors, as part of its function of overseeing the comprehensive risk control system. Likewise, climate risks are examined in the Sustainability Committee, which is also part of the Board of Directors.

In order to strengthen risk management, a physical and transition risk analysis was conducted in 2023 following the TCFD methodology. The study considered the impact that climate change would have on each of the Group's facilities over two time horizons, 2030 and 2050, and under two climate scenarios. Details are included in the Non-Financial Information Statement.

The Company has joined the UN Global Compact's Climate Ambition Accelerator initiative in Spain. It is a programme to guide companies in setting quantifiable emission reduction targets based on science and developing concrete plans to achieve them. Through this initiative, it is hoped that Spanish companies, including Acerinox, will become leaders in climate change mitigation.

Acerinox defines its commitment to climate change mitigation through four key principles:

- **Improving energy efficiency:** through initiatives such as heat recovery boilers, use of autonomous electric vehicles (AGVs), etc.
- **Increased use of renewable energy:** by contracting PPAs and purchasing renewable energy certificates and by installing solar panels for self-consumption in our own facilities.
- **Use of sustainable fuels:** the feasibility of replacing natural gas consumption with other carbon-neutral fuels, such as biomethane or green hydrogen, is analysed.
- **Carbon capture, use and storage:** studies on the technical and economic feasibility of capturing part of the CO_2 produced in factories.

In addition, during 2023, the company worked on the development of the new efficiency plan, "Beyond Excellence", for the next three years, 2024-2026. The Plan was approved by the Board of Directors at the close of 2023 and comprises six key components, with a focus on productivity and automation, efficiency, decarbonisation and environmental initiatives.

The Company is striving to make progress in decarbonising its business model. Acerinox is working to reduce the amount of CO_2 released into the atmosphere and other polluting gases associated with the iron and steel process to achieve a significant improvement in air quality and reduce the impact on human health and neighbouring ecosystems. To achieve these goals, the Group has short- and medium-term initiatives divided into the following key focus areas:

- Improving energy efficiency through best available techniques.
- Promotion of heat recovery systems from process sources.
- Electrification of systems and vehicle fleet.
- Increased use of renewable energies and, in particular, renewable electricity.
- Use of alternative low-carbon fuels (e.g. green hydrogen).
- Increased use of scrap metal.
- Increased use of low-carbon raw materials.
- CO_2 capture, storage and use.
- Boosting digitalisation to improve energy control and management.

These measures are aligned with the Sustainability Plan's climate change targets for 2030, compared to 2015. Sustainability officers at each factory monitor them every month, alongside the corporate sustainability team. The progress of the objectives is reviewed quarterly by the Sustainability Committee, and appropriate actions are taken in each instance.

Acerinox established sustainability objectives linked to its environmental, social, and corporate governance performance, aligned with its Positive Impact 360º Sustainability Master Plan and the main international standards (Paris Agreement, Sustainable Development Goals, etc.). The monitoring of climate change related targets is shown below:

1. **GHG (Greenhouse Gas) emissions target:** to reduce the direct and indirect carbon emissions intensity (Scopes 1 and 2) of its stainless division by 20% by 2030 compared to 2015 levels. The Acerinox Group is committed to reducing its carbon footprint.

At the end of the year, Acerinox had reduced its emissions intensity by 3% compared to 2022, and by 11% compared to the base year of 2015 (2% increase in 2022 compared to 2021 and 8% reduction compared to the base year).

2. **Energy Efficiency Target:** to reduce the energy intensity of the stainless-steel division by 7.5% by 2030 compared to 2015 levels.

During the year, Acerinox increased its energy intensity by 6% compared to 2022 and by 8% compared to the base 2015 year.

In the last two years, the combined effect of the increase in imports, especially in 2022, the high inventories in the distribution chain and the energy crisis, exacerbated by the invasion of Ukraine, has led to a decline in stainless steel production. This decrease worsened the indicator of energy intensity per tonne of steel produced, although the total volume of emissions decreased due to the increased use of renewable energy. Acerinox has increased its renewable energy contracts and has certificates for 616,880 MWh (2022: 284,750 MWh), a 117% increase compared to the previous year.

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

During the year, Acerinox reached 80% of recycled waste, 1% higher than in 2022.

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

During the year 2023, Acerinox reduced water consumption by 3% vs the previous year, a reduction of 18% over the base year of 2015.

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

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

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

Regarding the determination of useful lives set out in **Note 3**, Group management determines the estimated useful lives and related depreciation charges of its plant and equipment based on valuations carried out by experts, taking into account technical innovations, variations in the activity levels of the plants, regulatory changes etc. Management periodically reviews the depreciation charge, which is modified whenever the estimated useful lives are different from the lives previously applied. The recurrent maintenance plans and investment proposals carried out by the factories take into account efficiency objectives and adaptation to new technologies, thus contributing to climate change.

With regard to credit ratings and the limitation that regulations impose on financial institutions to provide financing to unsustainable companies, the European Commission has published its classification of sustainable finance, which serves as a tool to help financial agents and companies define which activities are considered as such. The EU Taxonomy provides a universal definition of the environmental sustainability of economic activities at European level and contributes to the dissemination of consistent and transparent information on how companies are progressing in line with EU-wide transition plans and contributing to the EU's environmental objectives. In accordance with the provisions of the Regulation, companies subject to the presentation of their Non-Financial Information Statement must include in their directors' reports information related to the degree of sustainability of their activities. In particular, non-financial companies must disclose the proportion of turnover, capital expenditure and operating expenditure (capex and opex) that complies with the Taxonomy Regulation. Implementation is being phased in progressively.

The first exercise carried out in 2022 was to identify the potential activities that could be considered sustainable (eligibility) based on the above indicators. In 2023, an assessment has been made of the technical criteria provided for in the Regulation, which will determine the alignment of activities with the Taxonomy.

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

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

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

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

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

At year-end, there are six sustainable financing facilities with an outstanding amount of EUR 647.4 million. These loans tie the financing cost to the performance of two established indicators that are reviewed annually. The first four sustainable loans signed in 2020 and 2021 have a KPI linked to the annual reduction in CO2e emission intensity (Scope 1 + 2) and the other indicator is linked to the annual reduction of the accidents with leave frequency rate. The last sustainable loan signed at the end of 2021 and novated in June 2022 retains the first KPI linked to CO_2e emissions (Scope 1 + 2) and replaces the KPI for accidents with leave with a KPI that measures the increase in renewable energy intensity. The latest sustainable financing facility was signed in 2022 by VDM, where the margin is dependent on the VDM Group's rating issued by Ecovadis. Failure to meet the two KPIs would result in a very marginal increase in the cost of these financing facilities, but in no case would it result in the early maturity of these.

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

4.5 Capital management

The aims of the capital management policy are:

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

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

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

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

The “net financial debt/EBITDA” ratio is 0.49x (2022: 0.35x), which is very satisfactory in our sector.

One of the Group's strategic pillars is the maintenance of its financial strength, which is defined as sustainable cash generation over time in order to utilise capital efficiently and generate shareholder value. Cash generation continues to be one of the primary objectives. In 2023, despite the lower results achieved by management to reduce the Group's working capital, particularly inventories, an operating cash flow of EUR 481 million was generated (2022: EUR 544 million). Working capital has been reduced this year by EUR 79 million (2022: increased by EUR 479 million due to strong business activity and higher raw material prices).

Following investment payments of EUR 175 million (2022: EUR 126 million), generated free cash flow amounted to EUR 307 million (2022: EUR 419 million).

In 2023, the Company invested EUR 150 million in shareholder remuneration, representing a payout of 66% (payout calculated as dividend paid/net profit attributable to the Group).

A cash payment of EUR 0.6 per share has been made in 2023. In accordance with Acerinox's Dividend Policy, the total shareholder remuneration is maintained, so that the reduction in the number of shares as a result of the last share buyback plan results in a higher payment per share. The Board of Directors of Acerinox, S.A., held on 20 December 2023, has agreed to propose to the Shareholders’ Meeting the payment of a dividend of EUR 0.62 per share, i.e. an increase of 3.33% over the last approved dividend, of which EUR 0.31 gross per share were payable in cash on 26 January 2024.

During the year, Acerinox, S.A.’s share capital has been reduced, as approved by the Annual General Meeting held on 23 May 2023, through the amortisation of 10,388,974 treasury shares with a value of EUR 2,597 thousand. The purpose of this reduction of share capital is to increase the value of the shareholders’ stake in the Company.

The Group’s net financial debt decreased by EUR 99 million to EUR 341 million (2022: EUR 440 million).

The gearing ratio stood at 13.85%, a 25-year low.

Return on Capital Employed (ROCE) in 2023 was 13.34% (2022: 29.3%). The adjusted ROCE, without taking into account the asset impairment would be 17.9%, exceeding the Group's target of 15%, as explained in **Note 8.1**. ROCE is calculated by dividing the operating result (EBIT) in the consolidated statement of profit or loss by the capital employed, i.e. equity plus net financial debt.

As of 31 December 2023, the Acerinox Group had liquidity amounting to EUR 2,465 million. Of this, EUR 1,794 million corresponds to cash and cash equivalents and short-term deposits and EUR 672 million to available financing at various Group subsidiaries.

The Group continuously monitors the maturity profile of its financial debt in order to establish the longest possible annual maturities. As explained in both Notes 4.3 and 12.2.3, the Group has continued with the active management of its financing facilities by contracting, renewing and/or extending them.

At year-end, the Group's outstanding sustainable financing amounted to EUR 647.4 million. The majority of the Group’s financing at 31 December 2023 corresponded to loans and private placements. Of these, almost 80% were due to mature in over a year. In addition, 70% of the Group’s loans and private placements are at fixed interest rates (these figures include those loans closed at variable interest rates but hedged with an interest rate derivative).

4.6 Insurance

The geographical diversification of the Group's factories (with three integrated stainless-steel flat product manufacturing plants, one cold-rolling plant and three long product manufacturing plants) ensures that an accident would not affect more than one third of total stainless-steel production. This guarantees business continuity, while adequate coordination between the other factories mitigates the consequences of material damage to any of the facilities. The high-performance alloys division also has seven manufacturing plants, five in Germany and two in the United States, which also helps to reduce the consequences of an incident at one of them.

Sufficient coverage has been arranged for the Group's factories through material damage and loss-of-profit insurance policies, which account for over 66.67% of the Acerinox Group's insurance expenditure. Also, all assets under construction are covered by the insurance policies taken out by the respective suppliers as well as the global building and assembly policy.

The Group's adequate coverage of damages and loss of profit has enabled it to record an income in 2023 as a result of the incident at the Group's North American factory in 2022.

The Acerinox Group has also arranged general third-party liability, environmental, credit, transport, cyber-risks and group life and accident insurance policies to reduce its exposure to these various risks.

The Group also has a reinsurance company based in Luxembourg (Inox Re), which manages these risks by assuming a portion as self-insurance and accessing the reinsurance market directly.

NOTE 5 – SCOPE OF CONSOLIDATION

5.1 Business combinations

There were no business combinations in 2022 or 2023.

5.2 Changes in the scope of consolidation

There were no changes in the Group's scope of consolidation in either 2022 or 2023.

The Group is making the final arrangements for the liquidation of the trading company in Russia. The subsidiary currently has no activities and no employees. The share capital contributed by Acerinox, S.A. amounts to EUR 101 thousand. During the year, EUR 202 thousand were repatriated from this company to the parent company. The Group expects to complete all formalities before the first quarter of 2024.

5.3 Subsidiaries and associates

Subsidiaries

At 31 December 2023 and 2022, in addition to Acerinox, S.A., the scope of consolidation of the Acerinox Group included 55 fully consolidated subsidiaries.

The detail of investments in associates in 2023 is as follows:

	2023				
	OWNERSHIP				
FULLY CONSOLIDATED COMPANIES	COUNTRY	COST (in thousands of euros)*	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST	AUDITORS
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	327	100%	ACERINOX, S.A.	PWC
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	ACERINOX, S.A.	Estudio Canil
		13	10%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX AUSTRALASIA PTY. LTD.	Sidney - Australia	385	100%	ACERINOX, S.A.	
ACERINOX BENELUX S.A. - N.V.	Brussels - Belgium	209	99.98%	ACERINOX, S.A.	PWC
		0	0.02%	INOXIDABLES DE EUSKADI S.A.U.	

		2023			
		OWNERSHIP			
FULLY CONSOLIDATED COMPANIES	COUNTRY	COST (in thousands of euros)*	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST	AUDITORS
ACX DO BRASIL REPRESENTAÇOES, LTDA.	São Paulo - Brazil	373	100%	ACERINOX, S.A.	
		0	0.001%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100%	ACERINOX, S.A.	PWC
ACERINOX COLOMBIA S.A.S.	Bogotá D.C. - Colombia	68	100%	ACERINOX, S.A.	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45,496	100%	ACERINOX, S.A.	PWC
ACERINOX EUROPA, S.A.U.	Algeciras - Spain	274,234	100%	ACERINOX, S.A.	PWC
ACERINOX FRANCE S.A.S	Paris - France	18,060	99.98%	ACERINOX, S.A.	PWC
		0	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX INDIA PVT LTD.	Mumbai - India	155	100%	ACERINOX, S.A.	ISK & Associates
ACERINOX ITALIA S.R.L.	Milan - Italy	78,844	100%	ACERINOX, S.A.	Collegio Sindicale - Studio Revisori Associatti
ACERINOX METAL SANAYII VE TICARET L.S.	Gümüşsuyu / Beyoğlu - Turkey	150	100%	ACERINOX, S.A.	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai - United Arab Emirates	10	100%	ACERINOX, S.A.	HLB Hamt
ACERINOX PACIFIC LTD.	Wan Chai - Hong Kong	7,467	100%	ACERINOX, S.A.	PWC
ACERINOX POLSKA, SP. ZO.O.	Warsaw - Poland	25,174	99.98%	ACERINOX, S.A.	PWC
		4	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX RUSSIA LLC	Saint Petersburg - Russia	100	100%	ACERINOX, S.A.	
ACERINOX SCANDINAVIA AB	Malmö - Sweden	31,909	100%	ACERINOX, S.A.	PWC
ACERINOX S.C. MALAYSIA SDN. BHD	Johor - Malaysia	19,476	100%	ACERINOX, S.A.	PWC
ACERINOX SHANGAI CO., LTD.	Shanghai - China	1,620	100%	ACERINOX, S.A.	Shanghai Shenzhou Dalong
ACERINOX (SEA), PTE LTD.	Singapore - Singapore	193	100%	ACERINOX, S.A.	PWC
ACERINOX U.K, LTD.	Birmingham - United Kingdom	28,504	100%	ACERINOX, S.A.	PWC
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	Trofa - Portugal	15,828	100%	ACERINOX, S.A.	PWC
BAHRU STAINLESS, SDN. BHD	Johor - Malaysia	0	99%	ACERINOX, S.A.	PWC
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	241,470	76%	ACERINOX, S.A.	PWC
CORPORACIÓN ACERINOX PERU S.A.C.	Lima - Peru	314	100%	ACERINOX, S.A.	
INOX RE, S.A.	Luxembourg	1,225	100%	ACERINOX, S.A.	PWC
INOXCENTER CANARIAS, S.A.U.	Telde (Gran Canaria) - Spain	270	100%	INOXCENTER	PWC
INOXCENTER, S.L.U.	Barcelona - Spain	17,758	100%	ACERINOX, S.A.	PWC
INOXFIL, S.A.	Igualada (Barcelona) - Spain	6,247	100%	ROLDAN, S.A.	PWC
INOXIDABLES DE EUSKADI S.A.U.	Vitoria - Spain	2,705	100%	ACERINOX EUROPA, S.A.U.	PWC
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Trofa - Portugal	9,693	100%	ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	
METALINOX BILBAO, S.A.U.	Galdácano (Vizcaya) - Spain	3,718	100%	ACERINOX, S.A.	PWC
NORTH AMERICAN STAINLESS INC.	Kentucky - USA	546,271	100%	ACERINOX, S.A.	PWC
NORTH AMERICAN STAINLESS CANADA, INC	Canada	5,091	100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico	18,948	100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - USA	15	100%	ACERINOX, S.A.	
ROLDAN, S.A.	Ponferrada - Spain	17,405	99.77%	ACERINOX, S.A.	PWC
VDM METALS HOLDING GMBH	Werdohl - Germany	313,315	100%	ACERINOX, S.A.	PWC
VDM METALS INTERNATIONAL GMBH.	Werdohl - Germany	51,404	100%	VDM METALS HOLDING, GMBH.	PWC
VDM METALS GMBH	Werdohl - Germany	107,086	100%	VDM METALS HOLDING, GMBH.	PWC
VDM (SHANGHAI) HIGH PERFORMANCE METALS TRAD. CO. LTD.	Shanghai - China	200	100%	VDM METALS, GMBH.	Pan-China Certified Public Accounts
VDM HIGH PERFORMANCE METALS NANTONG CO. LTD.	Nantong - China	2,087	100%	VDM METALS INTERNATIONAL GMBH.	Pan-China Certified Public Accounts
VDM METALS AUSTRALIA PTY. LTD.	Mulgrave - Australia	1,322	100%	VDM METALS, GMBH.	
VDM METALS AUSTRIA G.M.B.H.	Brunn am Gebirge - Austria	4,515	100%	VDM METALS, GMBH.	
VDM METALS BENELUX B.V.	Zwijndrecht - Belgium	2,535	100%	VDM METALS, GMBH.	BDO
VDM METALS CANADA LTD.	Vaughan - Canada	336	100%	VDM METALS, GMBH.	
VDM METALS DE MEXICO S.A. DE C.V.	Naucalpan de Juarez - Mexico	30	100%	VDM METALS, GMBH.	
VDM METALS FRANCE S.A.S.	Saint-Priest - France	8,465	100%	VDM METALS, GMBH.	
VDM UNTERSTÜTZUNGSKASSE GMBH	Werdohl - Germany	0	100%	VDM METALS, GMBH.	
VDM METALS ITALIA S.R.L.	Sesto San Giovanni - Italy	10,704	100%	VDM METALS, GMBH.	
VDM METALS JAPAN K.K.	Tokyo - Japan	178	100%	VDM METALS, GMBH.	

	2023				
	OWNERSHIP				
FULLY CONSOLIDATED COMPANIES	COUNTRY	COST (in thousands of euros)*	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST	AUDITORS
VDM METALS KOREA CO. LTD.	Seoul - Korea	103	100%	VDM METALS, GMBH.	Samdo
VDM METALS UK LTD.	Claygate-Esher - UK	100	100%	VDM METALS, GMBH.	
VDM METALS USA LLC	Florham Park - USA	27,649	100%	VDM METALS, GMBH.	PWC

(*) Amounts are shown net of impairments

The activities of the Group companies are as follows:

- Acerinox, S.A.: is the parent company of the Acerinox Group and holds directly or indirectly the shares of the companies comprising the Group. As the parent company of the Group, it assumes the highest level of management and control over the Group's business operations, corporate functions, and overall coordination with other entities. It approves and supervises the strategic business areas. It is responsible for establishing, designing and developing the Group’s policies and financial strategy, designing investment and environmental policies, defining the R&D strategy, supervising the management services provided to subsidiaries and developing corporate governance policies. It also provides a range of corporate services, including legal, accounting and advisory services to all Group companies.
- Acerinox Europa, S.A.U.: manufacture and marketing of flat stainless-steel products.
- North American Stainless, Inc.: manufacture and marketing of flat and long stainless-steel products.
- Columbus Stainless (Pty) Ltd.: manufacture and commercialisation of flat stainless-steel products and carbon steel.
- Bahru Stainless, Sdn. Bhd.: cold rolling and marketing of flat stainless-steel products.
- Roldan, S.A.: manufacture and marketing of long stainless-steel products.
- Inoxfil, S.A.: manufacture and marketing of stainless-steel wire.
- VDM Holding Metals GmbH: is the holding company of the group of companies comprising the High Performance Alloys business unit.
- VDM Metals International GmbH, a company wholly owned by VDM Holding Metals GmbH, procures the raw materials required for the production of the High Performance Alloys, markets the finished products and centralises the VDM Group’s research and development by directly managing and administering the business and outsourcing production to another entity from the subgroup. The company also has a quality assurance department.
- VDM Metals GmbH, the owner of the production facilities, processes raw materials into high-performance alloys on behalf of VDM Metals GmbH.
- Inox Re, S.A.: reinsurance company.
- Inoxplate, Comercio de productos de Aço Inoxidávei, Unipessoal Lda: owner of the industrial building in which the Group company in Portugal -Acerol, Comércio e indústria de Aços inoxidáveis- carries out its operating activities, for the lease of which it receives income.
- North American Stainless Financial Investment, Inc.: provision of foreign trade advisory services.
- The rest of the companies, which are direct or indirect investees of Acerinox, S.A., as well as the VDM subgroup entities, engage in the marketing of stainless-steel products or high-performance alloys.

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

	2022				
	OWNERSHIP				
FULLY CONSOLIDATED COMPANIES	COUNTRY	COST (in thousands of euros)*	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST	AUDITORS
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	327	100%	ACERINOX, S.A.	PWC
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	ACERINOX, S.A.	Estudio Canil
		13	10%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX AUSTRALASIA PTY. LTD.	Sidney - Australia	385	100%	ACERINOX, S.A.	
ACERINOX BENELUX S.A. - N.V.	Brussels - Belgium	209	99.98%	ACERINOX, S.A.	PWC
		0	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACX DO BRASIL REPRESENTAÇOES, LTDA.	São Paulo - Brazil	373	100%	ACERINOX, S.A.	
		0	0%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100%	ACERINOX, S.A.	PWC
ACERINOX COLOMBIA S.A.S.	Bogotá D.C. - Colombia	68	100%	ACERINOX, S.A.	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45,496	100%	ACERINOX, S.A.	PWC
ACERINOX EUROPA, S.A.U.	Algeciras - Spain	341,437	100%	ACERINOX, S.A.	PWC

FULLY CONSOLIDATED COMPANIES	COUNTRY	2022 OWNERSHIP COST (in thousands of euros)*	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST	AUDITORS
ACERINOX FRANCE S.A.S	Paris - France	18,060	99.98%	ACERINOX, S.A.	PWC
		0	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX INDIA PVT LTD.	Mumbai - India	155	100%	ACERINOX, S.A.	ISK & Associates
ACERINOX ITALIA S.R.L.	Milan - Italy	78,844	100%	ACERINOX, S.A.	Collegio Sindicale - Studio Revisori Associatti
ACERINOX METAL SANAYII VE TICARET L.S.	Gümüşsuyu / Beyoğlu - Turkey	150	100%	ACERINOX, S.A.	
		10	100%	ACERINOX, S.A.	
ACERINOX PACIFIC LTD.	Wan Chai - Hong Kong	7,467	100%	ACERINOX, S.A.	PWC
ACERINOX POLSKA, SP. ZO.O.	Warsaw - Poland	25,174	99.98%	ACERINOX, S.A.	PWC
		4	0.02%	INOXIDABLES DE EUSKADI S.A.U.	
ACERINOX RUSSIA LLC	Saint Petersburg - Russia	100	100%	ACERINOX, S.A.	PWC
ACERINOX SCANDINAVIA AB	Malmö - Sweden	31,909	100%	ACERINOX, S.A.	PWC
ACERINOX S.C. MALAYSIA SDN. BHD	Johor - Malaysia	19,476	100%	ACERINOX, S.A.	PWC
ACERINOX SHANGAI CO., LTD.	Shanghai - China	1,620	100%	ACERINOX, S.A.	Shanghai Shenzhou Dalong
ACERINOX (SEA), PTE LTD.	Singapore - Singapore	193	100%	ACERINOX, S.A.	PWC
ACERINOX U.K, LTD.	Birmingham - United Kingdom	28,494	100%	ACERINOX, S.A.	PWC
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	Trofa - Portugal	15,828	100%	ACERINOX, S.A.	PWC
BAHRU STAINLESS, SDN. BHD	Johor - Malaysia	96,480	99%	ACERINOX, S.A.	PWC
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	263,558	76%	ACERINOX, S.A.	PWC
CORPORACIÓN ACERINOX PERU S.A.C.	Lima - Peru	314	100%	ACERINOX, S.A.	
INOX RE, S.A.	Luxembourg	1,225	100%	ACERINOX, S.A.	PWC
INOXCENTER CANARIAS, S.A.U.	Telde (Gran Canaria) - Spain	270	100%	INOXCENTER	PWC
INOXCENTER, S.L.U.	Barcelona - Spain	17,758	100%	ACERINOX, S.A.	PWC
INOXFIL, S.A.	Igualada (Barcelona) - Spain	6,247	100%	ROLDAN, S.A.	PWC
INOXIDABLES DE EUSKADI S.A.U.	Vitoria - Spain	2,705	100%	ACERINOX EUROPA, S.A.U.	PWC
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Trofa - Portugal	10,193	100%	ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	
METALINOX BILBAO, S.A.U.	Galdácano (Vizcaya) - Spain	3,718	100%	ACERINOX, S.A.	PWC
NORTH AMERICAN STAINLESS INC.	Kentucky - USA	546,042	100%	ACERINOX, S.A.	PWC
NORTH AMERICAN STAINLESS CANADA, INC	Canada	5,091	100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico	18,948	100%	NORTH AMERICAN STAINLESS INC.	PWC
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - USA	15	100%	ACERINOX, S.A.	
ROLDAN, S.A.	Ponferrada - Spain	17,405	99.77%	ACERINOX, S.A.	PWC
VDM METALS HOLDING GMBH	Werdohl - Germany	313,315	100%	ACERINOX, S.A.	PWC
VDM METALS INTERNATIONAL GMBH.	Werdohl - Germany	51,404	100%	VDM METALS HOLDING, GMBH.	PWC
VDM METALS GMBH	Werdohl - Germany	102,037	100%	VDM METALS HOLDING, GMBH.	PWC
VDM (SHANGHAI) HIGH PERFORMANCE METALS TRAD. CO. LTD.	Shanghai - China	200	100%	VDM METALS, GMBH.	Pan-China Certified Public Accounts
VDM HIGH PERFORMANCE METALS NANTONG CO. LTD.	Nantong - China	2,087	100%	VDM METALS INTERNATIONAL GMBH.	Pan-China Certified Public Accounts
VDM METALS AUSTRALIA PTY. LTD.	Mulgrave - Australia	1,322	100%	VDM METALS, GMBH.	
VDM METALS AUSTRIA G.M.B.H.	Brunn am Gebirge - Austria	4,515	100%	VDM METALS, GMBH.	
VDM METALS BENELUX B.V.	Zwijndrecht - Belgium	2,535	100%	VDM METALS, GMBH.	BDO
VDM METALS CANADA LTD.	Vaughan - Canada	336	100%	VDM METALS, GMBH.	
VDM METALS DE MEXICO S.A. DE C.V.	Naucalpan de Juarez - Mexico	30	100%	VDM METALS, GMBH.	Grant Thornton
VDM METALS FRANCE S.A.S.	Saint-Priest - France	8,465	100%	VDM METALS, GMBH.	
VDM UNTERSTÜTZUNGSKASSE GMBH	Werdohl - Germany	0	100%	VDM METALS, GMBH.	
VDM METALS ITALIA S.R.L.	Sesto San Giovanni - Italy	10,704	100%	VDM METALS, GMBH.	
VDM METALS JAPAN K.K.	Tokyo - Japan	178	100%	VDM METALS, GMBH.	
VDM METALS KOREA CO. LTD.	Seoul - Korea	103	100%	VDM METALS, GMBH.	
VDM METALS UK LTD.	Claygate-Esher - UK	100	100%	VDM METALS, GMBH.	BDO
VDM METALS USA LLC	Florham Park - USA	27,649	100%	VDM METALS, GMBH.	PWC

	2022				
			OWNERSHIP		
FULLY CONSOLIDATED COMPANIES	COUNTRY	COST (in thousands of euros)*	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST	AUDITORS

(*) Amounts are shown net of impairments

Associates

The detail of investments in associates in 2023 and 2022 is as follows:

ASSOCIATES	COUNTRY	COST (in thousands of euros)	% NOMINAL VALUE	HOLDER OF OWNERSHIP INTEREST
BETINOKS PASLANMAZ ÇELIK A.S.	Turkey	0	25%	ACERINOX, S.A.
MOL Katalysatortechnik GmbH	Germany	16	20.45%	VDM METALS, GMBH.
Evidal Schmöle Verwaltungsgesellschaft mbH	Germany	15	50%	VDM METALS, GMBH.

The associates are entities which are scantly material for the Group, the ownership interests in which are measured at cost, as the Group is not involved in their management and therefore, does not have their financial statements. The entity Betinoks Paslanmaz Celik, A.S., based in Turkey, is in the process of liquidation. MOL Katalysatortechnik, GmbH, based in Germany, engages in the production and distribution of mineral and metal catalysts. On the other hand, Evidal Schmöle Verwaltungsgesellschaft GmbH manages the pension funds of one of the former manufacturing companies.

5.4 Capital increases and reductions

In 2023, as in 2022, the Group company Inoxplate, Lda, based in Portugal and wholly owned by the Portuguese company Acerol, Ltda, made a repayment of additional contributions to its parent company in the amount of EUR 500 thousand (2022: EUR 500 thousand).

5.5 Impairment losses on investments

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

Following the tests carried out during the year, as explained in Note 8.1, it was necessary to recognise impairment of the portfolio investment in Bahru Stainless Sdn. Bhd for EUR 96,553 thousand, in Columbus for EUR 22,200 thousand and in Acerinox Europa for EUR 67,245 thousand.

Also, in 2022, the Group recorded an impairment of the investment in Bahru Stainless Sdn. Bhd in the amount of EUR 197,197 thousand. On the other hand, there has been a reversal of the impairment recorded in previous years in the company Columbus Stainless Pty. Ltd. in the amount of EUR 58,291 thousand, as the recoverable value of the investment was higher than the impairment recorded at year-end.

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

NOTE 6 – SEGMENT REPORTING

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

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

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

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

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

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

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

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

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

6.1 Operational segments

Segment results for the year ended 31 December 2023 are as follows:

(Amounts in thousands of euros)

	2023				
	Stainless steel	High-performance alloys	Unallocated	Adjustments	Total
Statement of profit or loss					
Revenue	5,279,638	1,445,669	2,031	-19,337	6,708,001
Inter-segment sales	-18,589	-748		19,337	0
Total revenue	**5,261,049**	**1,444,921**	**2,031**	**0**	**6,708,001**
Gross profit from operations	569,900	174,797	-43,207		701,490
Depreciation and amortisation charge	-137,565	-32,796	-769		-171,130
Impairment losses	-156,207				-156,207
Finance income	78,359	1,027	260		79,646
Finance costs	-39,296	-29,947	-31,801		-101,044
Exchange differences	3,433	-1,211	368		2,590
Impairment and loss on disposal of financial instruments					0
Profit (loss) before tax	**318,624**	**111,870**	**-75,149**	**0**	**355,345**
Income tax	-94,369	-38,786	-5,223		-138,378
Consolidated profit (loss) for the year	**224,255**	**73,084**	**-80,372**	**0**	**216,967**
Attributable to:					
Non-controlling interests	-11,161				-11,161
Net profit (loss) attributable to the Group	**235,416**	**73,084**	**-80,372**	**0**	**228,128**
Statement of financial position					
Segment assets	4,848,248	1,170,936	79,195		6,098,379
Investments accounted for using the equity method		390			390
Property, plant and equipment	1,220,955	250,176	10,436		1,481,567
Total consolidated assets	**4,848,248**	**1,171,326**	**79,195**	**0**	**6,098,769**
Segment liabilities	1,355,914	746,503	1,533,226		3,635,643
Unallocated liabilities					
Total consolidated liabilities (excluding equity)	**1,355,914**	**746,503**	**1,533,226**	**0**	**3,635,643**
Property, plant and equipment	**1,220,955**	**250,176**	**10,436**	**0**	**1,481,567**
Investments in non-current assets	**146,286**	**27,233**	**1,266**	**0**	**174,785**

Unallocated liabilities essentially comprise the financial debt, which is mainly centralised in the parent company.

The data for 2022 are as follows:

(Amounts in thousands of euros)

	2022				
	Stainless steel	High-performance alloys	Unallocated	Adjustments	Total
Statement of profit or loss					
Revenue	7,477,172	1,280,405	2,853	-3,540	8,756,890
Inter-segment sales	-2,508	-1,032		3,540	
Total revenue	**7,474,664**	**1,279,373**	**2,853**	**0**	**8,756,890**
Gross profit from operations	1,181,185	124,897	-33,473		1,272,609
Depreciation and amortisation charge	-160,406	-31,832	-697		-192,935
Impairment losses	-203,905				-203,905
Finance income	24,035	490	1,548		26,073
Finance costs	-20,225	-16,395	-26,179		-62,799
Exchange differences	1,214	-10,856	1,877		-7,765
Impairment and loss on disposal of financial instruments	-3				-3
Profit (loss) before tax	**821,895**	**66,304**	**-56,924**	**0**	**831,275**
Income tax	-231,816	-23,343	-5,730		-260,889
Consolidated profit (loss) for the year	**590,079**	**42,961**	**-62,654**	**0**	**570,386**
Attributable to:					
Non-controlling interests	14,332				14,332
Net profit (loss) attributable to the Group	**575,747**	**42,961**	**-62,654**	**0**	**556,054**
Statement of financial position					
Segment assets	5,060,337	1,212,402	45,019		6,317,758
Investments accounted for using the equity method		390			390
Property, plant and equipment	1,398,853	250,354	10,316		1,659,523
Total consolidated assets	**5,060,337**	**1,212,792**	**45,019**	**0**	**6,318,148**
Segment liabilities	1,351,880	834,510	1,584,064		3,770,454
Unallocated liabilities					
Total consolidated liabilities (excluding equity)	**1,351,880**	**834,510**	**1,584,064**	**0**	**3,770,454**
Property, plant and equipment	**1,398,853**	**250,354**	**10,316**	**0**	**1,659,523**
Investments in non-current assets	**124,787**	**27,811**	**1,294**	**0**	**153,892**

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

6.2 Geographical segments

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

The data relating to geographical segments in 2023 is presented below:

(Amounts in thousands of euros)

2023	Spain	Rest of Europe	America	Africa	Asia	Other	Total
Revenue by destination of goods	468,042	2,137,497	3,116,822	336,514	527,314	21,789	**6,607,978**
Segment assets	1,267,746	1,364,909	2,857,679	408,691	195,061	4,683	**6,098,769**
Property, plant and equipment	453,856	260,455	590,279	117,460	49,796	53	**1,471,899**
Investment property	157	9,511					**9,668**
Investments in non-current assets	49,512	25,238	76,639	21,207	2,190		**174,785**

The data for 2022 are as follows:

(Amounts in thousands of euros)

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

The Group sells its products in about 80 countries across the five continents. The Group's sales in each of the following countries exceeded 5% of total consolidated sales in 2023 and 2022: United States 40.47% (2022: 43.29%), Germany 13.85% (2022: 10.29%) and Spain 7.08% (2022: 7.24%). These sales also include the sales of the high-performance alloys segment.

No single transaction with an external customer exceeded 10% of the Consolidated Group's total revenue for 2023 or 2022.

NOTE 7 – INTANGIBLE ASSETS

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

(Amounts in thousands of euros)

COST	Development expenses	Industrial property	Computer applications and others	Customer portfolio	SUBTOTAL	Goodwill
Balance as of 1 January 2022	**17,146**	**32,120**	**53,844**	**29,200**	**132,310**	**118,953**
Procurements	1,454	124	1,159		2,737	
Disposals		-38	-729		-767	
Translation differences			153		153	
Balance as of 31 December 2022	**18,600**	**32,206**	**54,427**	**29,200**	**134,433**	**118,953**
Procurements	1,030	72	2,010		3,112	
Transfers			36		36	
Disposals		-13	-216		-229	
Translation differences			-340		-340	
Balance as of 31 December 2023	**19,630**	**32,265**	**55,917**	**29,200**	**137,012**	**118,953**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Development expenses	Industrial property	Computer applications and others	Customer portfolio	SUBTOTAL	Goodwill
Balance as of 1 January 2022	**8,643**	**25,959**	**47,561**	**3,569**	**85,732**	**-67,889**
Allocation	1,144	529	2,276	1,947	5,896	
Disposals		-31	-707		-738	
Translation differences			106		106	
Balance as of 31 December 2022	**9,787**	**26,457**	**49,236**	**5,516**	**90,996**	**-67,889**
Allocation	606	539	2,064	1,947	5,156	
Allowance for impairment losses			28		28	
Disposals		-19	-215		-234	
Translation differences			-273		-273	
Balance as of 31 December 2023	**10,393**	**26,977**	**50,840**	**7,463**	**95,673**	**-67,889**

NET VALUE	Development expenses	Industrial property	Computer applications and others	Customer portfolio	SUBTOTAL	Goodwill
Cost as of 31 December 2021	17,146	32,120	53,844	29,200	132,310	118,953
Accumulated amortisation and impairment losses	-8,643	-25,959	-47,561	-3,569	-85,732	-67,889
Carrying amount as of 31 December 2021	**8,503**	**6,161**	**6,283**	**25,631**	**46,578**	**51,064**
Cost as of 31 December 2022	18,600	32,206	54,427	29,200	134,433	118,953
Accumulated amortisation and impairment losses	-9,787	-26,457	-49,236	-5,516	-90,996	-67,889
Carrying amount as of 31 December 2022	**8,813**	**5,749**	**5,191**	**23,684**	**43,437**	**51,064**
Cost as of 31 December 2023	19,630	32,265	55,917	29,200	137,012	118,953
Accumulated amortisation and impairment losses	-10,393	-26,977	-50,840	-7,463	-95,673	-67,889
Carrying amount as of 31 December 2023	**9,237**	**5,288**	**5,077**	**21,737**	**41,339**	**51,064**

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

At 31 December 2023, the Group had entered into agreements to acquire intangible assets amounting to EUR 433 thousand (2022: EUR 791 thousand).

Research and development expenditure

Due to the nature of its activity and as stated in its mission, the Acerinox Group considers research, development and innovation to be strategic in nature. R&D&I projects are focused on three main areas: development of new products, improving processes to further improve quality, productivity and costs, and adapting processes to new technologies and sustainability through projects that contribute to the circular economy, decarbonisation and waste recycling. With the incorporation of VDM Metals into the Acerinox Group, efforts were combined to leverage available resources jointly in line with the company's overall purpose and strategy of fostering sustainable innovation. The high-performance alloys division focuses its R&D&I activities mainly on the development of tailor-made products in collaboration with its customers. This includes the development of new materials, as well as the identification of alloys with high performance potential and the optimisation of key properties in those established in the market that can be classified for other applications. Most of the projects are carried out in collaboration with customers and research institutes which take part in the projects. The Group is improving the adaptability of the R&D&I departments by creating joint work structures and more agile and flexible processes. In 2023, collaboration in R&D tasks among the various units of the Group has strengthened, leading to enhanced synergies in generating knowledge and adding value to our products.

VDM is the leading patent holder in the high-performance alloys sector with 53 patents.

Certain research and development expenses incurred by the Group do not meet the criteria for capitalisation and are therefore expensed as incurred, according to their nature. The total research, development and technological innovation (R&D&I) expenses recorded directly as expenses for the year and charged to the Group's income statement stood at EUR 17,652 thousand (2022: EUR 16,516 thousand).

The high-performance alloys division does, however, capitalise costs relating to R&D&I projects in which the research findings are used to produce new products and processes, or to significantly improve existing products and processes, provided that the product or process proves to be technically and commercially feasible, the Group has the resources required to complete the development programme and it is considered that they will generate future cash flows that will enable their recovery. The total R&D&I expenditure capitalised in the year amounts to EUR 1,029 thousand, relating to 8 projects (2022: EUR 1,454 thousand, relating to 5 projects). VDM has 23 employees working on 89 R&D&I projects.

Customer portfolio

The allocation in 2020 of the purchase price of the VDM Group to the net assets and liabilities identified led to the identification of new intangible assets, arising from the valuation of the customer portfolio.

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

Goodwill

At 31 December 2023, goodwill in the amount of EUR 51,064 thousand reflected mainly the amount arising from the business combination performed in 2020 as a result of the acquisition of the VDM Metals Group (EUR 49,829 thousand). The goodwill was allocated to the VDM's subgroup cash-generating unit (CGU) which, as a whole, belongs to the high-performance alloys segment.

7.1 Impairment of goodwill

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

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

VDM

The goodwill resulting from the acquisition of the VDM Group in 2020, amounting to EUR 49,829 thousand, has been allocated to the cash-generating unit (CGU) of the VDM subgroup, which belongs as a whole to the high-performance alloys segment.

The Group prepares annual five-year budgets. The estimated sales and production volumes rely on current capacities determined by existing machinery and equipment, approved investment projects, and considerations of anticipated future demand and market prices. These estimates are verified against projections provided by independent industry experts, including SMR (Steel Metals and Market Research). Management determines production costs by taking into account the current situation, the efficiency plans implemented and future price developments. Raw materials are estimated at constant prices.

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

With a sales volume exceeding 40 thousand tonnes in 2023 (2022: 43 thousand tonnes), VDM Metals continued to be the leading global manufacturer of nickel alloys.

In the 2023 financial year, the high-performance alloys market sustained strong performance with high demand and prices. This led to improved margins compared to the previous year, during which VDM achieved record profits. Additionally, the margins exceeded the estimates from the previous year, validating the goodwill recorded. The VDM Group achieved a new record result this year. The consolidated profit of the high-performance alloys division for the year amounted to EUR 73 million (70% higher than the previous year).

Market performance this year has varied from sector to sector. The oil and gas and chemical process industries have experienced ongoing growth. The automotive sector has maintained levels comparable to those of 2022, while the energy sector has seen significant declines, albeit with prospects for recovery ahead. In the aerospace sector, demand is increasingly oriented towards China, in many cases exceeding the capacity of the supply chain.

The Group has revised its five-year estimates to adapt them to new market circumstances, price levels and approved investment plans.

The Group is confident that the flows to perpetuity will materialise, mainly in terms of its use of production capacity and margins, using a perpetuity growth rate (g) of 2.2% in line with expected long-term inflation for the main markets in which VDM operates.

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

	2023	2022
Planned EBIT margin (*)	9.7%	5.5%
Weighted average growth rate, g (**)	2.2%	2.3%
Pre-tax discount rate (***)	13.1%	11.6%
After-tax discount rate (***)	9.2%	8.4%

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

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

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

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

Due to the uncertain environment clouding the markets in which VDM operates, the Group analysed the probability of occurrence of the key assumptions, adjusting the estimated budgets, as well as those of the terminal year, to normalised values that take into account the results obtained in the past. The residual value determined by the tests represents 60.3% of the total recoverable amount (2022: 63.9%).

The impairment test performed on 31 December 2023 showed a recoverable amount of EUR 1,198,380 thousand (2022: EUR 881,180 thousand), higher than the carrying amount, EUR 1,003,342 thousand (2022: EUR 814,257 thousand) by EUR 195,038 thousand (2022: EUR 66,923 thousand). Consequently, it is not necessary to recognise any impairment losses on goodwill.

To achieve an impairment of the carrying amount, the discount rate (WACC) would have to be increased by 20.3% to 11.1% (2022: 9.0%), while maintaining the growth rate (g). The planned average EBIT margin would have to be reduced by 20.4% to 7.7% (2022: 3.9%), with the other two assumptions remaining unchanged.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

The detail of the various items of property, plant and equipment and of the changes therein in 2023 and 2022 is shown in the following table:

(Amounts in thousands of euros)

COST	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Balance as of 31 December 2021	**978,115**	**4,566,351**	**176,726**	**51,668**	**5,772,860**
Hyperinflation adjustments	344	62	121		527
Additions	1,748	61,948	14,480	72,979	151,155
Transfers	10,700	43,922	4,325	-54,327	4,620
Disposals	-3,109	-32,087	-4,467	-71	-39,734
Translation differences	28,686	147,181	2,113	1,601	179,581
Balance as of 31 December 2022	**1,016,484**	**4,787,377**	**193,298**	**71,850**	**6,069,009**
Hyperinflation adjustments	319	57	114		490
Additions	2,770	51,672	15,348	101,883	171,673
Decommissioning provision	6,871				6,871
Transfers	4,825	24,897	17,146	-46,087	781
Disposals	-2,812	-30,169	-22,989	-59	-56,029
Translation differences	-19,892	-126,157	-2,408	-2,107	-150,564
Balance as of 31 December 2023	**1,008,565**	**4,707,677**	**200,509**	**125,480**	**6,042,231**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Balance as of 31 December 2021	**452,351**	**3,371,032**	**129,169**	**0**	**3,952,552**
Allocation	23,022	150,356	6,062		179,440
Allowance for impairment losses		203,905			203,905
Hyperinflation adjustments	210	50	120		380
Transfers	2,198	-9,789	9,616		2,025
Disposals	-2,050	-27,100	-4,189		-33,339
Translation differences	12,129	101,020	1,290		114,439
Balance as of 31 December 2022	**487,860**	**3,789,474**	**142,068**	**0**	**4,419,402**
Allocation	22,361	122,856	14,340		159,557
Allowance for impairment losses	98,339	56,462	1,005	373	156,179
Hyperinflation adjustments	197	46	109		352
Transfers	62	2,960	-2,497		525
Disposals	-1,802	-26,513	-22,865		-51,180
Translation differences	-11,698	-100,786	-2,010	-9	-114,503
Balance as of 31 December 2023	**595,319**	**3,844,499**	**130,150**	**364**	**4,570,332**

NET VALUE	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Cost as of 31 December 2021	978,115	4,566,351	176,726	51,668	5,772,860
Accumulated amortisation and impairment losses	-452,351	-3,371,032	-129,169		-3,952,552
Carrying amount as of 31 December 2021	**525,764**	**1,195,319**	**47,557**	**51,668**	**1,820,308**
Cost as of 31 December 2022	1,016,484	4,787,377	193,298	71,850	6,069,009
Accumulated amortisation and impairment losses	-487,860	-3,789,474	-142,068		-4,419,402
Carrying amount as of 31 December 2022	**528,624**	**997,903**	**51,230**	**71,850**	**1,649,607**
Cost as of 31 December 2023	1,008,565	4,707,677	200,509	125,480	6,042,231
Accumulated amortisation and impairment losses	-595,319	-3,844,499	-130,150	-364	-4,570,332
Carrying amount as of 31 December 2023	**413,246**	**863,178**	**70,359**	**125,116**	**1,471,899**

The depreciation charge for the year is included under “depreciation and amortisation charge” in the consolidated statement of profit or loss.

The difference between the depreciation and amortisation charge included in the consolidated statement of profit or loss and consolidated statement of cash flows and the sum of the amounts charged reflected in the tables relating to property, plant and equipment, intangible assets, investment property and right-of-use assets is mainly due to the hyperinflation adjustments made to all the profit or loss items of the Argentine entity, which, in the case of the depreciation and amortisation charge, amount to EUR 24 thousand (2022: EUR 28 thousand).

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

Investments

The investments made in 2023 in both property, plant and equipment and intangible assets amounted to EUR 174,785 thousand. These investments include both the acquisition and installation of new equipment and recurrent maintenance expenditure investments. In many cases, these are investments aimed at improving efficiency and productivity, but they are also strategic in nature and committed to sustainability, as they entail a reduction in energy consumption. In the case of Acerinox Europa, the total amount of investments (including maintenance) is EUR 39 million, related to improvements and extensions made to several production lines. The investments made by the company North American Stainless amount to EUR 73.9 million, of which EUR 21 million correspond to the investment plan approved at the beginning of this year, and EUR 27 million to recurring investments in maintenance. At Columbus Stainless, investments for the year amounted to EUR 21.2 million. Finally, the VDM Group invested EUR 27.2 million in the year.

In January 2023, the Board of Directors of Acerinox, S.A. approved an investment of USD 244 million in the North American Stainless Group company, which will allow it to increase its production capacity by 200,000 tonnes (20% more) and thus strengthen its position in the market with higher added value products. NAS will have a new cold rolling mill, and will revamp its annealing and pickling lines. It also plans to enlarge the steelworks, along with other equipment.

In addition, in December 2023, the Board of Directors approved a EUR 67 million investment plan for the high-performance alloys division at the German plants in Unna, Altena and Werdohl, which will enable a gradual increase in production capacity for precision strip, bars, and wires, as well as sales by 15%. The planned investments include the expansion of three remelting furnaces, the upgrade of an annealing and pickling line, an additional defect detection line for bars and an atomiser for the production of stainless-steel powder and high-performance alloys for additive manufacturing.

In 2022, the investments made amounted to EUR 153,892 thousand, which include both the acquisition and installation of new equipment and recurrent investments in maintenance. As for Acerinox Europa, the total investment amount, including maintenance, reached EUR 52.7 million. The capitalisation of the major repairs conducted during the year at the steelworks and hot rolling mill, the construction of the slag storage building, and the installation of the new CS-6 cutting line were notable among these investments. The investments made by the company North American Stainless amounted to EUR 43.9 million, destined to the maintenance of existing equipment, updating of the AP1, new slitting line SL-5 and the replacement of equipment damaged in the steelworks incident and replacement of wiring. At Columbus Stainless, investments for the year amounted to EUR 19.8 million, with the installation of oxygen and nitrogen storage tanks and investments in plant maintenance being particularly noteworthy. Finally, the VDM Group invested EUR 27.8 million over the year for production growth, product quality improvement, safety, environment and the maintenance of existing equipment.

Property, plant and equipment in the course of construction

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

(Amounts in thousands of euros)

	2023	2022
Buildings	15,008	12,280
Plant and machinery	103,180	57,437
Other items of property, plant and equipment	6,928	1,371
Advances		762
TOTAL	**125,116**	**71,850**

Of the total amount recognised under this heading, EUR 25,082 thousand at Acerinox Europa (2022: EUR 21,316) and EUR 57,447 thousand at the US company North American Stainless, as a result of the new investment plan (2022: EUR 25,354 thousand), EUR 10,524 thousand at Roldan, EUR 12,812 thousand at Columbus (2022: EUR 10,648 thousand) and EUR 19,032 thousand in VDM (2022: 9,495 thousand), are noteworthy.

The total amount of transfers carried out from fixed assets in progress to completed in this year amounts to EUR 46,087 thousand, which include EUR 17,397 of Acerinox Europa for a new cutting line and improvements completed in several lines. In the case of North American Stainless, the transfers amounted to EUR 21,368 thousand corresponding, among others, to a bridge crane, improvements in the hot rolling annealing furnace (2022: EUR 54,327 thousand, mainly corresponding to the upgrade of the AP1).

Property, plant and equipment located outside Spain

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

(Amounts in thousands of euros)

	2023		2022	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and buildings	710,534	-424,046	722,417	-319,684
Plant and machinery	3,255,890	-2,668,683	3,347,857	-2,629,224
Other items of property, plant and equipment	142,873	-78,509	138,883	-92,070
Property, plant and equipment in the course of construction	89,860	-364	45,903	
TOTAL	**4,199,157**	**-3,171,602**	**4,255,060**	**-3,040,978**

Changes in estimates

As explained in **Note 3**, the Group periodically reviews estimated useful lives based on the valuations conducted by experts from the appropriate entity.

No useful lives were written down in the Group during the year.

In 2022, the Group company Columbus Stainless reviewed the useful lives of items whose useful life was about to end, extending it in those cases where the items were still in use. The technological improvements and maintenance plans performed on an ongoing basis by the company led the projected useful lives to be lengthened, since the company considered that it would continue to obtain cash flows from the use of these assets. The carrying amount of the assets whose useful lives were estimated in that fiscal year amounted to EUR 932 thousand, while the impact on income from the reduction of depreciation was EUR 60 thousand.

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

Guarantees

None of the Group's assets had been pledged to secure bank borrowings at 31 December 2023 or 2022.

Obligations and commitments

At 31 December 2023, the Group had entered into agreements to acquire new equipment and facilities for EUR 140,189 thousand, among which the following stand out: EUR 97,592 thousand relating to the investments made by North American Stainless as a result of the approved investment plan, EUR 19,828 thousand by Acerinox Europa, EUR 9,880 thousand corresponding to Columbus and EUR 11,152 thousand to the VDM Group.

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

Capitalisation of borrowing costs

Borrowing costs of EUR 60 thousand relating to Columbus Stainless were capitalised in 2023 (2022: EUR 14 thousand, also relating to the same Group company). The capitalisation rate in 2023 was 10.26% (2022: 7.46%).

Disposals of property, plant and equipment

Losses on the sale or retirement of property, plant and equipment recognised under "other operating income" in the consolidated statement of profit or loss for 2023 amount to EUR 2,719 thousand (2022: EUR 1,987 thousand), which mostly correspond to the removal of fixed assets from the Group's warehouses, either because they are obsolete or because they have been used for maintenance work. Last year, the assets damaged at the North American Stainless Group company as a result of the incident at the steelworks were also written off.

The gain on the sale or retirement of property, plant and equipment recognised in the 2023 statement of profit or loss under "other operating income" amounts to EUR 824 thousand, mainly corresponding to the sale of a warehouse in Lisbon owned by one of the Group's marketing entities (2022: EUR 1,837 thousand corresponding to the sale of a warehouse in the Spanish company Inoxcenter, classified as investment property).

Environment

The items of property, plant and equipment the purpose of which is to minimise environmental impact and protect and improve the environment at 31 December 2023 and 2022 were as follows:

(Amounts in thousands of euros)

	2023		2022	
Nature and purpose	**Gross value**	**Accumulated depreciation**	**Gross value**	**Accumulated depreciation**
Water treatment	110,447	-97,659	113,661	-92,214
Acid neutralisation	62,159	-51,824	63,171	-48,559
Treatment of gaseous emissions	89,159	-74,198	89,901	-73,093
Automatic addition system	8,630	-7,448	8,741	-7,339
Other elements	122,632	-101,870	123,839	-101,587
Total	**393,027**	**-332,999**	**399,313**	**-322,792**

In 2023, the Group received an environmental grant of EUR 24,612 thousand mostly related to offsetting the costs of indirect greenhouse gas emissions. In 2022, EUR 9,879 thousand were received for the same concept. Both grants were recognised as income in the year under "other operating income".

In 2023, the Group incurred ordinary environmental expenses of EUR 119,069 thousand (2022: EUR 148,240 thousand).

Property, plant and equipment not used in operations

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

Other disclosures

There were no legal proceedings, attachments or similar measures that could affect items of property, plant or equipment at 31 December 2023 or 2022.

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

8.1 Impairment losses

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

Property, plant and equipment and intangible assets represent 28% of the Group's total assets. When examining individual segments, the high-performance alloys division accounts for 16.9% of the Group's total assets, while the stainless steels division represents 83.1%, with 77.3% attributed to the factories within that division. The remaining 5.8% was accounted for by the rest of the Group's 33 subsidiaries, mainly trading companies:

SUBSIDIARIES	2023	2022
ACERINOX EUROPA, S.A.U.	26.55 %	23.50 %
ROLDAN, S.A.	1.83 %	1.29%
INOXFIL, S.A.	0.18 %	0.17 %
NORTH AMERICAN STAINLESS INC.	37.73 %	34.79%
COLUMBUS STAINLESS PTY Ltd.	7.93 %	7.38 %
BAHRU STAINLESS	3.08 %	12.45%
VDM METALS GROUP	16.89 %	15.09 %
Other subsidiaries	5.81 %	5.33 %
TOTAL	**100.00 %**	**100.00 %**

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

The year 2023 was again marked by geopolitical tensions and supply chain problems. The Gaza-Israel conflict, alongside the ongoing Russia-Ukraine dispute, added to regional tensions. Furthermore, as the year drew to a close, disturbances in the Red Sea caused trade route disruptions, resulting in cargo being rerouted from the Suez Canal to longer alternative routes with higher costs.

The stainless division had a slow year following the inventory adjustment phase that started in the second half of 2022. Production continued the downward trend that was already evident in the fourth quarter of 2022.

The low demand throughout the year and the reduction in inventories meant that all plants in the stainless-steel division had to adjust their production to market conditions.

There were significant adjustments in all production countries with the exception of China and Indonesia, whose surpluses generated led to higher price pressure on the markets.

The market for high-performance alloys, on which Acerinox is focusing part of its strategy with a renewed commitment to higher value-added products, performed satisfactorily, maintaining its strength, solid demand and good prospects. Demand remained stable throughout the year, while production activity was slightly lower than in the record year of 2022 (-7% in steel production).

Amid the uncertain conditions and challenges in the European and Asian stainless-steel markets, there are signs of a negative impacts in the Group's plants. These include Bahru Stainless in Malaysia, the Columbus plant in South Africa and Acerinox Europa, Roldan and Inoxfil in Spain.

Bahru Stainless, Sdn. Bhd

Bahru Stainless, Sdn. Bhd was incorporated in 2008 and is located in Johor, Malaysia. Initially intended as a comprehensive stainless-steel flat product manufacturing facility, the rise in producers in the region prompted the Group to suspend the investments scheduled for future phases. It currently has two annealing and pickling lines and two cold-rolling lines.

The persistent overcapacity in the Chinese market over the past decade, along with the resulting price pressures from producers in this region on the international and Asian markets, has created a substantial price gap compared to the European and, above all, American markets for several years. China and Indonesia currently account for almost 70% of the world's stainless-steel production.

The various Southeast Asian countries and Asian countries in general, as well as Europe, have reacted to Chinese overcapacity by applying anti-dumping or protectionist measures in their local markets.

During the year, the Asian market continued to suffer from aggressive pricing policies by major competitors in China and Indonesia.

In this context, and given the lack of prospects for this market, the Group is in the process of making strategic considerations about the future of Bahru Stainless, and does not rule out cessation of activity at this plant, and a time horizon of two years has been set to realise some of the alternatives currently under discussion.

Given this situation of uncertainty, the Group has again requested the support of an independent expert for the determination of the recoverable amount at 31 December 2023.

In previous years, estimates of recoverable value were made by an independent expert by calculating fair value less costs to sell and under the perspective of a market participant and considering a finite life (until 2046).

Given the new backdrop, the valuation method has been reconsidered to adapt it to the new circumstances and the latest management decisions. Thus, the value in use is the one that best reflects this situation.

For the determination of the value in use, a short-term scenario with a 2-year budget (2024-2025) and a residual value at the end of the period. The estimated budgets consider a gradual closure of the lines in the period considered. This scenario is the main assumption in the valuation conducted, where the discount rate for this two-year period is not significant. Estimated average EBIT over the two-year period is -4.1%.

For measurement purposes, a residual value of the lines has been considered in the terminal value, as well as the necessary decommissioning costs. In view of the scenario considered reasonable in this context, no value was recognised for tax credits and tax concessions, as these would be lost in the scenario under consideration.

In this scenario, the independent expert's valuation of Bahru results in zero value, so the Group has impaired all assets, including intangible assets and property, plant, and equipment, except for land and the residual value of machinery. The impairment recognised amounts to EUR 156,207 thousand. In turn, in view of this new situation, a decommissioning provision amounting to EUR 6,871 thousand has been recognised, recognising in turn an increase in the value of the assets.

As the assets are fully impaired, except for the aforementioned values, the Group does not expect any future changes in valuations and therefore no sensitivity analysis is required. Only in the event of changed circumstances would the Group be able to reverse part of the recorded impairment, as set out in the policy in Note 2.11.

In 2022, an asset impairment of EUR 203,905 thousand was recorded. Impairment accumulated at year-end amounted to EUR 489,435 thousand.

Acerinox Europa, S.A.U.

Acerinox Europa was incorporated in 2011 as a result of the spin-off of the manufacturing activity of Acerinox, S.A., and its main assets are the facilities located in Campo de Gibraltar. The Acerinox Europa factory, inaugurated in 1970, was the first integral stainless-steel factory in the world. The knowledge and experience gained during its design and execution played a pivotal role in the establishment of other factories within the Group. It is the leading stainless-steel producer in the Spanish market.

The integrated flat product plant has steelmaking, hot rolling and cold-rolling facilities and has a theoretical installed steelmaking capacity of one million tonnes in steelmaking and 660,000 tonnes of cold rolling. It manufactures flat stainless-steel products in various types of steel, formats, thicknesses and finishes.

Acerinox Europa is strategically located on the Strait of Gibraltar and has access to the Atlantic and the Mediterranean as well as its own seaport. The company supplies flat products all over the world, with a focus on the European continent, as well as semifinished products to other plants within the Group's production network, primarily to the Acerinox Group's long products plant in Spain (Roldan). Despite being the Group's first a nd oldest factory, the plant remains at the forefront by ensuring that its production lines are upgraded with the latest advances in order to remain competitive.

Acerinox Europa is the market leader in Spain with a market share of around 50% and 10% in Europe.

This year, the adjustment of stocks in the supply chain has led to a fall in apparent consumption in Europe of around 20%. The main correction, with declines of more than 50%, was in imports, which were mainly destined for the distribution market, while demand from end consumers remained more stable.

The reduction in imports this year is due to the collapse of prices on the European market, as well as the safeguard and trade defence measures in force, and the positive impact of the opening of new anti-circumvention investigations into Indonesian re-rolled material in Taiwan, Vietnam and Turkey.

The complicated situation of the European markets caused by the fall in demand and in prices, and the high energy costs, have led to signs of deterioration in this financial year. In the face of this uncertainty, the management team requested a valuation by an independent expert, who determined the recoverable amount of the assets based on their value in use.

For this purpose, the Group has updated the five-year results forecasts based on the new circumstances and taking into account the future strategic plans approved by the management, which have been designed with the aim of improving the results of Acerinox Europa, the main component of the Spanish fiscal Group, redirecting a greater part of its sales towards end customers and towards products with higher added value.

The Board of Directors of Acerinox has approved the Acerinox Europa strategic plan for the next 2 financial years 2024-2025.

In terms of demand, 2023 was the worst year in terms of sales since the creation of Acerinox Europa in 2011, due to the high stock levels in the distribution chain, which have led to a drop in sales to manufacturers, forcing the application of Temporary Layoff Plans (ERTEs) at the Algeciras factory on a recurring basis for several months of this year. Low prices have also forced the Group to forego orders due to the inability to achieve minimum contribution margins. By 2024 and with inventories in the supply chain very low, the Group expects to reach sales levels somewhat above 2022 (second worst year in history, only surpassed by 2023) and to return to more stable volumes, in line with historical pre-pandemic levels, from 2025 onwards, thanks to the strategic plans adopted by the company. From 2026, SMR (Steel Metals and Market Research) demand estimates have been considered, which estimate moderate increases of 1.7% on average for the following 3 years.

On the price side, estimates are based on external sources, which foresee slight increases in both 2024 and 2025, from the lowest historical levels ever seen in 2023. Prices remain constant from 2026 onwards.

For supply prices, forward price curves for both electricity and gas are considered. All other costs take into account increases in consumer price indices.

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

The budgets have been prepared taking into account the following: demand estimates, raw material and selling prices, exchange rates, consumer price increases, energy costs estimates and the Company's strategy itself.

The independent expert has reviewed this initial budget provided by the company. It has taken into account the future sales scenarios and expectations, stressing gross margin to align with historical values improved by the company's strategy.

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

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

	2023	2022
Planned EBIT margin (*)	4.9%	5.1%
Weighted average growth rate (**)	2.0%	2.3%
Pre-tax discount rate (***)	11.9%	10.8%
After-tax discount rate (***)	9.3%	8.2%

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

The discount rate was determined by considering a normalised 20-year German bond as the benchmark. Likewise, a market risk premium for Spain, historical betas, a leverage structure and cost of debt in line with market assumptions have been considered.

A normalisation exercise has been conducted in relation to the terminal value to achieve a perpetuity cash flow that is expected to remain stable in the long term, increased by the growth rate (g). The growth rate (g) was estimated on the basis of expected long-term inflation. The residual value considered in the test represents 79% of the total recoverable amount.

The impairment test conducted at 31 December 2023 shows an excess of the recoverable amount (EUR 1,049,174 thousand) over the carrying amount (EUR 849,966 thousand) of EUR 199,208 thousand. Consequently, no impairment is recorded.

A sensitivity analysis under different scenarios shows that the discount rate (WACC) would have to be increased by 17% to 10.8% to start generating impairment, with the other assumptions remaining unchanged. Regarding the growth rate (g) would have to be brought to zero, and the WACC would have to be increased by 1% in order to start achieving an impairment of the carrying amount.

In order to achieve impairment, the planned average EBIT margin would have to be reduced by 16% to an average value of 4.1% during the projected period, with the other two assumptions remaining unchanged.

Columbus Stainless Pty. Ltd.

Columbus Stainless, Middelburg (South Africa), is the only integrated stainless-steel factory in Africa. It is the main supplier of both the domestic market and the various consumer areas of the continent, in which it is the leader. The Columbus factory, the most technologically advanced in the industry, is equipped with the most efficient machinery and has a considerable competitive advantage due to its location, not just for the distribution of finished goods but also because of its proximity to sources of raw materials, particularly ferrochrome.

Columbus manufactures both flat stainless steel and carbon steel products. Faced with the difficult market situation in both Europe and Asia in recent years, Columbus achieved a milestone with the manufacture of carbon steel using technology designed to produce stainless steel. After the closure of one of the local carbon steel production plants, part of this market was left unsupplied and had to be covered by imports. Columbus took advantage of this situation to win orders and serve this niche. In this way, the company was able to partially compensate for the difficulties in the stainless-steel market, reduce its dependence on exports and increase its steel production, thereby diluting fixed costs.

The Columbus factory has also been affected this year by low levels of demand, which has forced it to close the factory for a few weeks during the year to balance production and reduce stock levels. At Columbus, sales in the local market accounted for 65% of total sales. The diversification towards carbon steel accounted for 36% of total steel production this year.

Exports have been affected by the inclusion of South African steel imports in Europe's safeguard measures since June 2022.

This year, stainless-steel sales in the local market decreased by 7% compared to the previous year; carbon steel sales remained in line with the previous year, while exports decreased by 29%

The company's continuous improvement initiatives in line with the Group's excellence plans have boosted productivity and efficiency, leading to cost improvements. This has enabled Columbus to maintain a highly competitive cost structure.

Sales prices, as in other markets, have suffered a continuous deterioration this year.

With respect to the five-year budgets, the estimated sales and production volumes are based on current capacities using existing machines and equipment, and take into account the evolution of both future demand and prices, with respect to the company’s product mix, as estimated by independent industry experts. Management determines production costs by taking into account the current situation, the efficiency plans implemented and future price developments.

Demand estimates were based on SMR (Steel & Metals Market Research).

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

The Group is confident that the flows to perpetuity will materialise, mainly in terms of its use of production capacity and margins. They were calculated using growth rates estimated on the basis of the expected long-term inflation rate.

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

	2023
Planned EBIT margin (*)	5.7%
Weighted average growth rate (**)	4.5%
Pre-tax discount rate (***)	17.8%
After-tax discount rate (***)	13.1%

(*) Five-year budgeted average EBIT margin. EBIT is defined as operating income and expressed as a margin or percentage of revenue.

(**) Rate used to extrapolate cash flows beyond the budgeted period.
(***) Discount rate: weighted average cost of capital (WACC).

The average EBIT margin indicated for this financial year has been reached in the past, and in 2022 (10.9%) it was 1.9 times higher.

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

With respect to the terminal value, adjustments were performed to obtain flows to perpetuity, depreciation and amortisation were matched to the investments and changes in working capital were also calculated based on average amounts, deemed consistent in the long term, increased by the growth rate (g). The growth rate (g), like the discount rate, is estimated on the basis of the South African rand and calculated in accordance with the expected long-term inflation in that currency. At terminal value, the EBIT margin considered is lower than the average of the explicit budgeting period.

Other assumptions are the ZAR/EUR exchange rate (20.35 ZAR/EUR) and the price of raw materials (USD 16,000/t), which are established when drawing up the budget. Both are extrapolated and kept constant during the period of analysis.

Due to the uncertain environment clouding the markets in which Columbus operates, the Group analysed the probability of occurrence of the key assumptions, adjusting the estimated budgets, as well as those of the terminal year, to normalised values that mainly take into account the results obtained in the past, in addition to the company's new production mix. The residual value considered in the test represents 48% of the total recoverable amount.

The impairment test conducted at 31 December 2023 shows an excess of the recoverable amount (EUR 353,379 thousand) over the carrying amount (EUR 271,962 thousand) of EUR 81,417 thousand, accordingly, no impairment was necessary (there were no indications of impairment the previous year).

However, a sensitivity analysis has been carried out, which concludes that the discount rate (WACC) would have to be increased by 21.8% to 15.9%, and the perpetual growth rate (g) would have to be equal to zero to start generating impairment. The planned average EBIT margin would have to be reduced by 65.6% (up to 2.0%) to start generating impairment.

Roldan, S.A.

Roldan is the eldest industrial facility of the Acerinox Group and one of the three manufacture plants for long product production. Roldan is located in Ponferrada (Leon, Spain) and produces angles, bars and wire rod in various types of steel and finishes. Part of its production is sent to Inoxfil, located in Igualada (Barcelona, Spain).

Roldan uses as raw material for the production of long products, the billet supplied by the Group's plant in Palmones, Acerinox Europa, S.A.U.

The long product manufactured in this plant is supplied to both the internal market and to international customers, and its stainless steels are present in some of the most iconic international projects.

Apparent consumption of the long product in Europe in 2023 fell by 20%. The factories have operated at significantly lower production levels than in previous years, with volumes falling below the break-even point. As a result, the Roldan factory has had to implement the Temporary Layoff Plan on multiple occasions.

The decline in prices throughout the year was primarily driven by imports reaching nearly 40%, while the decrease in raw material costs had a considerable effect on the company's annual performance. Since the beginning of the year, prices have been falling steadily, reaching a cumulative decline of 35% in December. The pressure on the market has also reduced the number of orders quoted with alloy surcharges compared to the effective prices mostly quoted by Asian suppliers.

Similar to stainless-steel flat products, demand has also been consistently low all year due to overstocking within the supply chain. Inventory levels have started to correct in the coming months, so 2024 is expected to see a substantial improvement in production, sales and prices, but not yet to 2022 levels.

The five-year budget and key variables used follow the same guidelines stated for Acerinox Europa, duly contextualised in the stainless-steel long products market.

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

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

The key assumptions used in the value in use calculations are the same as those described for Acerinox Europa with the exception of the budgeted average EBIT margin which in the case of Roldan has been 4.9%.

The terminal value represents 58% of the total recoverable amount. At terminal value, the EBIT margin considered is lower than the average of the explicit budgeting period.

The impairment test performed as of 31 December 2023 reveals an excess of the recoverable amount (EUR 92,787 thousand) over the carrying amount (EUR 57,485 thousand) of EUR 35,302 thousand, so that no impairment of the Company's assets is required.

However, a sensitivity analysis has been carried out, which concludes that the discount rate (WACC) would have to be increased by 56.8% to 14.5%, and the perpetual growth rate (g) would have to be equal to zero to start generating impairment. The planned average EBIT margin would have to be reduced by 33.5% (up to 3.2%) to start generating impairment.

Inoxfil, S.A.

Inoxfil, S.A. is one of the Group's two long product plants in Spain and engages in the manufacture of stainless-steel wire. Located in Igualada (Barcelona, Spain), this company is 100% owned by the Group company Roldan, S.A. Inoxfil receives wire rod mainly from Roldan, but also from other third-party suppliers, which is used as raw material to complete its production process and obtain wire. This is therefore the final production link in a network starting when Roldan receives the billet from Acerinox Europa, this being the only Group plant with a melting shop in Spain.

The long product manufactured by this plant is supplied both to the domestic market and to international customers.

The five-year budget and key variables used follow the same guidelines stated for Acerinox Europa, duly contextualised in the stainless-steel long products market.

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

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

As in the case of Roldan, the key assumptions used in the value in use calculations are the same as those described for Acerinox Europa with the exception of the budgeted average EBIT margin which in the case of Inoxfil has been 5.3%.

The terminal value represents 54% of the total recoverable amount. At terminal value, the EBIT margin considered is lower than the average of the explicit budgeting period.

The impairment test performed as of 31 December 2023 reveals an excess of the recoverable amount (EUR 16,278 thousand) over the carrying amount (EUR 11,063 thousand) of EUR 5,215 thousand, so that no impairment of the Company's assets is required.

However, a sensitivity analysis has been carried out, which concludes that the discount rate (WACC) would have to be increased by 52.4% to 14.1%, and the perpetual growth rate (g) would have to be equal to zero to start generating impairment. The planned average EBIT margin would have to be reduced by 31.2% (up to 3.6%) to start generating impairment.

Impairment analyses conducted in 2022

The Acerinox Group obtained the best results in its history in 2022 despite the complexity of the market, geopolitical uncertainty and high energy costs, especially in Europe. The improvement in activity in 2021 continued in the first half of 2022. In the second half of the year, however, activity was affected by the large quantities of imported material, which led to an increase in inventories at stockists and thus to a decline in apparent consumption.

EBITDA of EUR 1,276 million was achieved in a complex environment. These include, among others, the instability generated by the geopolitical situation with Russia's invasion of Ukraine, cost inflation, especially energy prices in Europe, supply chain problems, the collapse of nickel prices on the London Metal Exchange (LME) in March and incidents that occurred in some of the Group's factories.

In this context of uncertainty, there were signs of deterioration in the Group's factories in Bahru Stainless, and in Acerinox Europa.

In the case of Bahru, an estimation of the recoverable amount (based on fair value less costs of disposal) was carried out in the context of an impairment test analysis from the perspective of a market participant, taking into account the existing scenario of uncertainty. The valuation was carried out by an independent expert. As a result of the analysis an impairment of EUR 203,905 thousand was recorded.

For Acerinox Europa, the determination of the recoverable value was based on calculating its value in use. In this regard, the impairment test conducted at 31 December 2022 showed an excess of the recoverable amount (EUR 1,091,106 thousand) over the carrying amount (EUR 912,260 thousand) of EUR 178,846 thousand. Consequently, no impairment was recorded.

NOTE 9 – INVESTMENT PROPERTY

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

At the end of 2022 and 2023, the Group only has one industrial building in Italy classified as investment property. This industrial building was used for commercial activities and is currently leased to third parties. In addition, a few square metres at Acerinox's headquarters are also included as investment property.

The detail of the changes in investment property in 2023 and 2022 is as follows:

(Amounts in thousands of euros)

COST	2023	2022
Opening balance	**12,700**	**18,145**
Transfers		-4,620
Disposals		-825
Balance as of 31 December	**12,700**	**12,700**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	2023	2022
Opening balance	2,784	4,930
Allocation	248	514
Transfers		-2,036
Disposals		-624
Balance as of 31 December	**3,032**	**2,784**

NET VALUE	2023	2022
Cost at 31 December	12,700	12,700
Accumulated amortisation and impairment losses	-3,032	-2,784
Carrying amount as of 31 December	**9,668**	**9,916**

No changes have taken place in this year.

In 2022, certain floors of the Group's head offices in Spain were reclassified from investment property to property, plant and equipment, as they were used by the Group itself and were no longer available for lease. Meanwhile, one of the buildings classified in this category, located in Spain, was sold with a net carrying amount of EUR 201 thousand. The proceeds from this sale amounted to EUR 1,443 thousand.

Total income from the lease of warehouses amounted to EUR 351 thousand in 2023 (2022: EUR 310 thousand). The associated operating expenses, including repair and maintenance expenses, amounted to EUR 101 thousand (2022: EUR 67 thousand).

The market value of all the investment property exceeded the carrying amount thereof and amounted to EUR 11,706 thousand at 31 December 2023 (2022: EUR 11,656 thousand). This valuation takes into account observable market variables such as offers and prices per square metre of premises available in the geographical area of the Group's investment property and, therefore, the determination of fair value is classified within the LEVEL 2 hierarchy in accordance with the policy established in **Note 2.12.5**.

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

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

(Amounts in thousands of euros)

COST	Land and buildings	Plant and machinery	Other items of property, plant and equipment	TOTAL
Balance as of 31 December 2021	**11,216**	**6,415**	**6,947**	**24,578**
Additions	929	3,581	2,924	7,434
Revaluations		909		909
Disposals	-1,530	-632	-1,657	-3,819
Translation differences	-32	5	236	209
Balance as of 31 December 2022	**10,567**	**10,278**	**8,466**	**29,311**
Additions	4,261	3,125	1,923	9,309
Revaluations				0
Transfers	-2		-815	-817
Disposals	-97	-4,260	-945	-5,302
Translation differences	-74	4	-196	-266
Balance as of 31 December 2023	**14,655**	**9,147**	**8,433**	**32,235**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	Land and buildings	Plant and machinery	Other items of property, plant and equipment	TOTAL
Balance as of 31 December 2021	**3,916**	**3,350**	**2,912**	**10,178**
Allocation	1,845	2,794	2,395	7,034
Disposals	-1,519	-626	-1,637	-3,782
Translation differences	-27	-2	-310	-339
Balance as of 31 December 2022	**4,215**	**5,518**	**3,371**	**13,104**
Allocation	1,873	2,145	2,128	6,146
Revaluations				0
Transfers		28	-553	-525
Disposals	-96	-4,260	-838	-5,194
Translation differences	-62	1	-86	-147
Balance as of 31 December 2023	**5,930**	**3,432**	**4,022**	**13,384**

NET VALUE	Land and buildings	Plant and machinery	Other items of property, plant and equipment	TOTAL
Cost as of 31 December 2021	11,216	6,415	6,947	24,578
Accumulated amortisation and impairment losses	-3,916	-3,350	-2,912	-10,178
Carrying amount as of 31 December 2021	**7,300**	**3,065**	**4,035**	**14,400**
Cost as of 31 December 2022	10,567	10,278	8,466	29,311
Accumulated amortisation and impairment losses	-4,215	-5,518	-3,371	-13,104
Carrying amount as of 31 December 2022	**6,352**	**4,760**	**5,095**	**16,207**
Cost as of 31 December 2023	14,655	9,147	8,433	32,235
Accumulated amortisation and impairment losses	-5,930	-3,432	-4,022	-13,384
Carrying amount as of 31 December 2023	**8,725**	**5,715**	**4,411**	**18,851**

The borrowing costs on the lease liabilities recognised by the Group at 31 December 2023 amounted to EUR 508 thousand (2022: EUR 328 thousand).

The interest rate used is the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the former is not practicable to determine.

Lease expenses for low value assets, short-term leases or contracts that do not qualify as leases in accordance with IFRS 16 and which are shown as "operating expenses" in the income statement amount to EUR 18,097 thousand (2022: EUR 15,735 thousand).

The term of the Group's leases and the amount of the payments remaining as of 31 December 2023 are as follows:

(Amounts in thousands of euros)

	2023	2022
	Amount of future payments	Amount of future payments
Up to 1 year	4,367	4,785
1-5 years	10,181	8,366
5-10 years	2,660	905
More than 10 years	1,615	1,386
TOTAL	**18,823**	**15,442**

Of the total amount of future lease payments, EUR 4,367 thousand correspond to the short term and EUR 14,456 thousand to the long term (2022: EUR 4,785 thousand corresponding to the short term and EUR 10,657 thousand to the long term).

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

At 31 December 2023, the balance of the lease liabilities was EUR 18,823 thousand, most of which were recognised under "other non-current financial liabilities" (2022: EUR 15,442 thousand).

NOTE 11 – INVENTORIES

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

(Amounts in thousands of euros)

	2023	2022
Raw materials and other supplies	439,205	547,965
Products in process	673,544	714,171
Finished products	582,896	695,494
By-products, wastes and recoverable materials	164,890	197,912
TOTAL	**1,860,535**	**2,155,542**

The lower activity this year and the decrease in raw material prices have led to a decrease in inventories.

"Raw materials and other supplies" includes EUR 54,736 thousand relating to the measurement of the emission allowances held by the Group at 2023 year-end (2022: EUR 44,233 thousand).

The changes in finished goods and work in progress in the year, according to the consolidated statements of financial position as at 31 December 2023 and 2022, shown above, differ from the figures recognised in the respective consolidated statements of profit or loss as a result of translation differences.

The cost of goods sold was calculated in accordance with the policy defined in **Note 2.13** and amounted to EUR 5,704 million in 2023 (2022: EUR 6,981 million).

At the close of 2023, the Group recognised an adjustment of EUR 64,630 thousand in order to measure its inventories at net realisable value where this was lower than cost. An adjustment of EUR 97,618 thousand was recognised in 2022.

Obligations and commitments

At 31 December 2023, the Consolidated Group had commitments to purchase raw materials amounting to EUR 240,579 thousand (2022: EUR 271,850 thousand). At the same date, there are no firm sales commitments, but there are formalised orders, for which the Group anticipates no circumstances that would prevent their delivery within the agreed deadlines.

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

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

11.1 Emission allowances

The Group recognises emission allowances as inventories.

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

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

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

The VDM Metals Group entity also holds CO_2 emission allowances. The allocations obtained by VDM free of charge fall short of the plants' requirements, and it is therefore necessary to acquire allowances on the market. The Company recognises the allowances acquired at acquisition cost and for no consideration under "grants". In view of the significant price increase and future forecasts, the Group decided in 2022 to acquire 100% of the rights that it expects to use until 2023, thus hedging against price fluctuations. This purchase was made at very competitive prices and well below quotations in 2023. During the year, the Group has systematically monitored price changes and taken advantage of opportunities to meet its consumption needs for the year ahead. VDM currently has sufficient allowances to cover its 2024 needs.

The changes in emission allowances in 2023 and 2022 were as follows:

	Number of allowances	Value (in thousands of euros)
Balance at 31/12/2021	**1,292,002**	**34,746**
Allocation for the year	223,773	18,692
Procurements	29,187	1,195
Swap		
Disposals	-361,957	-10,400
Balance at 31/12/2022	**1,183,005**	**44,233**
Allocation for the year	224,756	18,680
Procurements	72,806	4,824
Sale	-290	-6
Disposals	-305,135	-12,995
Balance at 31/12/2023	**1,175,142**	**54,736**

As shown in the table, the Group has sufficient surplus rights to cover its long-term needs, so no provision needs to be recorded.

288,939 CO_2 emission allowances were used in 2023, and these allowances will be surrendered to the public authorities in 2024 (2022: 306,680, surrendered in 2023). The Group has not sold its surplus allowances.

The expense for the year in respect of CO_2 emissions totalled EUR 14,427 thousand in 2023 (2022: EUR 12,699 thousand) and is included under "other operating expenses". This expense is equal to the value allocated to the allowances used in the year, which is the market value of these allowances when allocated.

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

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

During this year, CO_2 allowance prices have remained stable at the levels reached in 2022. The increase in the price of allowances last year, from an average price of EUR 25/allowance in 2021 to EUR 80 at the end of 2022, had little impact on the Group as the Spanish plants have sufficient allowances allocated to cover their needs. As described in the accounting policy in **Note 2.13.1**, any increase in the price of rights allocated free of charge will be offset by grant income, thus not affecting the Group's income statement. There were no significant variations this year.

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

There are no significant contingencies for emission-related fines.

NOTE 12 – FINANCIAL INSTRUMENTS

12.1 General considerations

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

12.2 Categories of financial assets and liabilities

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

(Amounts in thousands of euros)

Class	Long-term financial instruments						Short-term financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
Category	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Loans and receivables					5,221	4,533					632,610	642,392
Held-to-maturity investments												
Equity instruments:												
- Valued at fair value through other comprehensive income												
- Valued at cost	381	394										
Assets at fair value through profit or loss					10	115					4,351	5,219
Hedging derivatives					9,000	25,540					16,995	41,756
TOTAL	**381**	**394**	**0**	**0**	**14,231**	**30,188**	**0**	**0**	**0**	**0**	**653,956**	**689,367**

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

(Amounts in thousands of euros)

Class	Long-term financial instruments						Short-term financial instruments					
	Bank borrowings		Bonds and other marketable securities		Derivatives and others		Bank borrowings		Bonds and other marketable securities		Derivatives and others	
Category	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Financial liabilities at amortised cost	1,291,155	1,319,182		74,850	18,284	14,777	767,147	592,858	76,584	1,634	1,028,386	1,269,353
Liabilities at fair value through profit or loss					206	194					6,857	12,367
Hedging derivatives					1,309						10,872	12,637
TOTAL	**1,291,155**	**1,319,182**	**0**	**74,850**	**19,799**	**14,971**	**767,147**	**592,858**	**76,584**	**1,634**	**1,046,115**	**1,294,357**

12.2.1 Financial assets at amortised cost

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

(Amounts in thousands of euros)

	2023	2022
Customers	560,002	575,036
Debts with personnel	1,624	1,737
Public Administrations	17,190	33,252
Other debtors	29,426	17,685
Accruals and deferrals	22,139	14,990
Deposits and bonds	69	103
Other financial assets	6,267	4,457
Write-downs of uncollectible debts	-4,107	-4,868
TOTAL	**632,610**	**642,392**

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

During the year, variations have not been significant, as activity levels have remained similar to those of the last quarter of the previous year.

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

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

(Amounts in thousands of euros)

	2023	2022
Opening balance	**4,868**	**5,050**
Allocation	543	864
Application	-706	-175
Reversion	-533	-1,118
Translation differences	-65	247
Balance as of 31 December	**4,107**	**4,868**

Changes in the balance of valuation adjustments are included under “other operating expenses” on the statement of profit and loss.

No interest was earned on impaired financial assets in 2023 or 2022.

No valuation adjustments were recognised for uncollectible receivables from related parties in 2023 or 2022.

At 31 December 2023, certain Group companies had receivables amounting to EUR 297,025 thousand factored on a non-recourse basis to banks in exchange for cash (2022: EUR 329,327 thousand). The factored amounts were derecognised as they met the conditions specified in IFRS 9 regarding the transfer of risks and rewards.

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

12.2.2 Trade and other payables

The detail of “trade and other payables” in the consolidated statements of financial position as at 31 December 2023 and 2022 is as follows:

(Amounts in thousands of euros)

	2023	2022
Suppliers and creditors for services rendered	794,921	1,021,284
Debts with personnel	73,868	74,782
Suppliers of fixed assets	19,794	21,342
Taxes and Social Security	34,646	33,876
Other creditors	7,462	7,529
Current provisions	20,427	22,627
TOTAL	**951,118**	**1,181,440**

Most of the amount included under tax and social security payables relates to amounts payable for VAT settlements and personal income tax withholdings. EUR 4,565 thousand relate to social security payables (2022: EUR 4,131 thousand).

As with customers, the decrease in suppliers and service creditors is mainly due to lower activity this year, lower raw material prices and lower payment terms for suppliers in the area of high-performance alloys due to the diversification of suppliers, which eliminates dependence on raw material sources from Russia.

With regard to the average payment period, as established in Law 18/2022 of 29 September on the establishment and growth of companies the Group breaks down below the average payment period for suppliers, the volume of money and the number of invoices paid in a period lower than the maximum established in the regulations on late payments, as well as the percentage of these invoices in the total number of invoices and in the total amount of money paid to their suppliers for the Group's Spanish companies included in the scope of consolidation.

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

	2023	2022
	Days	**Days**
Average supplier payment period	64 days	63 days
Ration of operations settled	62 days	62 days
Ratio of transactions pending payment	81 days	80 days
	Amount	**Amount**
Total payments made	2,363,976	2,384,319
Total outstanding payments	189,493	189,759

Details of the volume and number of invoices paid are as follows:

	2023	2022
a) Monetary volume of invoices paid within a period equal to or less than the maximum established in the regulations on late payment	1,114,046	1,129,490
Percentage share of total number of invoices of payments to its suppliers	47 %	47 %
b) Number of invoices paid within a period equal to or less than the maximum period established in the late payment regulations	23,427	22,172
Percentage share of total monetary payments to its suppliers	41 %	40 %

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

12.2.3 Bank borrowings and bonds issued

The detail of the financial debt line items in the consolidated statements of financial position as at 31 December 2023 and 2022, including both bank borrowings and bonds issued by the Group in the year, is as follows:

(Amounts in thousands of euros)

	Non-current		Current	
	2023	2022	2023	2022
Bonds issued		74,850	76,584	1,634
Loans from credit institutions	1,291,156	1,319,182	767,147	592,858
Total non-current debt	**1,291,156**	**1,394,032**	**843,731**	**594,492**

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

The detail of the maturity of the outstanding debt at 31 December 2023 is as follows:

(Amounts in thousands of euros)

	2024	2025	2026	2027	2028 and thereafter	TOTAL
Financial debts	843,731	521,323	400,771	260,587	108,475	**2,134,887**
Total financial debt	**843,731**	**521,323**	**400,771**	**260,587**	**108,475**	**2,134,887**

The 2022 figures were as follows:

(Amounts in thousands of euros)

	2023	2024	2025	2026	2027 and thereafter	TOTAL
Financial debts	594,492	258,271	471,171	398,271	266,319	**1,988,524**
Total financial debt	**594,492**	**258,271**	**471,171**	**398,271**	**266,319**	**1,988,524**

The breakdown of the debt by currency is as follows:

(Amounts in thousands of euros)

	Non-current payables		Current liabilities	
	2023	2022	2023	2022
EUR	1,291,156	1,394,032	625,054	476,017
USD			122,448	43,667
ZAR			96,229	74,808
TOTAL	**1,291,156**	**1,394,032**	**843,731**	**594,492**

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

(Amounts in thousands of euros)

	Non-current payables		Current liabilities	
	2023	2022	2023	2022
Fixed	483,753	665,523	181,771	67,637
Variable	807,403	728,509	661,960	526,855
TOTAL	**1,291,156**	**1,394,032**	**843,731**	**594,492**

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

There are swap contracts to hedge the interest rate for EUR 430 million of the variable rate debt (**Note 12.2.6**).

The fair value of fixed-rate bank borrowings and private placements was EUR 665,523 thousand at 31 December 2023, and their carrying amount was EUR 650,865 thousand. The fair value of these borrowings at 31 December 2022 amounted to EUR 702,010 thousand (carrying amount of EUR 733,160 thousand).

For the determination of fair value, the Group has taken into account observable market variables such as interest rate curves, the term of the loans, etc., so the determination of fair value is classified within the LEVEL 2 hierarchy in accordance with the policy established in **Note 2.12.5**.

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

The weighted average cost of the financing instruments in euros (including interest rate hedges) at the end of 2023 was 2.77% for a total of EUR 1,916 million, 7.37% for USD 135.3 million of financing and 11% for ZAR 1,976 million of financing. In 2022, the cost of the loans (including the interest rate hedges) in euros was 1.69% for an amount of EUR 1,870 million, 6.30% for USD 46.5 million and 9.34% for ZAR 1,358 million of financing.

At 31 December 2023, accrued interest payable on bank borrowings amounted to EUR 11,081 thousand (2022: EUR 6,164 thousand). In addition, accrued interest payable on bonds issued amounted to EUR 1,634 thousand at 2023 year-end (2022 year-end: EUR 1,634 thousand).

The total borrowing costs calculated using the effective interest rate on long-term loans at amortised cost amounted to EUR 871 thousand (2022: EUR 1,465 thousand).

At 31 December 2023, the Acerinox Group had arranged bank financing facilities and private placements amounting to EUR 2,807 million (31 December 2022: EUR 2,786 million), in addition to approved non-recourse factoring facilities amounting to EUR 530 million (31 December 2022: EUR 480 million). The amount drawn down on financing facilities at 31 December 2023 amounted to EUR 2,135 million (31 December 2022: EUR 1,989 million) and EUR 297 million on factoring facilities (31 December 2022: 329 million).

Certain Group companies have arranged reverse factoring facilities with various banks to manage payments to suppliers. Trade payables payment of which is managed by the banks are recognised under “trade and other payables” until the related obligation is discharged or cancelled or expires. The Group uses reverse factoring solely as a payment instrument, but offers its suppliers the possibility of obtaining financing through such instruments. As far as the Acerinox Group is concerned, invoices are paid when they fall due. In some specific cases, where an extension of the payment term has been agreed with the financial company, the debt is classified as other financial liabilities. In this financial year, the Group did not reclassify any amounts as there was no extension of payments (2022: EUR 13,113 thousand).

Main financing transactions undertaken in the year

The most significant financing transactions in 2023 were as follows:

- Signing of the Syndicated Factoring contract in Spain between several subsidiaries of the Acerinox Group, including, for the first time, VDM Metals International as the new transferor, and Unicaja as the new transferee from among the existing ones (Abanca, BBVA, Banca March, Banco Sabadell, Bankinter, Banque Marocaine du Commerce Extérieur International, Caixabank and Santander Factoring and Confirming) for a total amount of EUR 380 million until 2025. The agent and structuring agent for the transaction continues to be Santander Factoring and Confirming

- In August 2023, the “Borrowing Base Facility” contract of Columbus Stainless Pty Ltd. in South Africa was restructured and extended for ZAR 3,500 million. This deal, originally signed in April 2015 and renewed in 2017 for a further two and a half years, and in 2019 for a further three and a half years, has been extended to 2027, including some modifications to its structure to provide Columbus with greater flexibility. Participating entities include Deutsche Bank AG, Johannesburg Branch, Bankinter S.A., Banco Bilbao Vizcaya Argentaria S.A., FirstRand Bank Limited, Banco Santander S.A., Banco de Sabadell S.A. London Branch, Caixabank S.A., Investec Bank Limited, Nedbank Limited and HSBC Bank Plc Johannesburg. The agent and Co-ordinating Mandated Lead Arranger for the transaction continues to be Deutsche Bank AG, Amsterdam Branch

- In order to ensure continued Group liquidity, credit facilities were renewed in both euros (EUR 301 million) and dollars (USD 135 million)

- Signing of four new long-term floating rate loans in Spain for a total amount of EUR 105 million with: Kutxabank (EUR 15 million), Intesa Sanpaolo (EUR 65 million), Caja rural del Sur (EUR 10 million) and Banca March (EUR 15 million)

- In addition, Acerinox Europa has signed a one-year floating-rate loan with BBVA for EUR 50 million

- VDM has extended the maturity of five bilateral financing facilities for an additional year until 2025 with HSBC, Unicredit, BBVA, Santander and Caixabank for a total maximum amount of EUR 210 million. In addition, it has extended the long-term loan contracted with Intesa Sanpaolo in the amount of EUR 30 million until the end of 2024.

- Increase in Bahru’s short-term financing facilities (credit facilities and revolving credit facilities) to a maximum of USD 145 million.

Regarding debt renegotiations, the Group assessed the significance of the modifications made to determine whether they were substantially different, in accordance with the criteria established in the accounting policy defined in **Note 2.12.3**, and, where appropriate, determine whether to recognise the effects of certain of the new agreements as an extinguishment and the simultaneous recognition of a new loan. No debt refinancing took place during the year. In 2022, the amount of fees and commissions recognised in income in this connection amounted to EUR 557 thousand.

The most noteworthy financing transactions in 2022 were as follows:

- In order to ensure continued Group liquidity, the following transactions were carried out:
  - The renewal of credit facilities in euros for a total amount of EUR 256 million, increasing the amount of some of them by EUR 55 million
  - Signing of three new euro credit facilities totalling EUR 45 million with Abanca, Unicaja and Cajamar Caja Rural
  - Signing of new credit facilities in US dollars and renewal of existing ones for a total amount of USD 135 million

- Novation of the loan signed in 2020 with Caixabank for EUR 80 million, with final maturity in 2025, increasing the capital to EUR 260 million and extending its final maturity to 2027. To this end, the two loans signed with Bankia and Caixabank for amounts of EUR 160 million and EUR 50 million, respectively, with final maturity in 2024, have been cancelled

- Signing of five new long-term loans: a fixed-rate loan of EUR 50 million with Unicredit with a final maturity of 4 years and four variable-rate loans, one with Abanca for EUR 40 million with a final maturity of 4 years; another with Bankinter for a total amount of EUR 25 million with a final maturity of 3 years; another with Kutxabank for EUR 15 million with a final maturity of 4 years; and another with Banca March for EUR 15 million with a final maturity of 5 years

- Signing of seven bilateral financing facilities for VDM with HSBC, Banco Santander, Caixabank, Deutsche Bank, Helaba, Unicredit and BBVA for a maximum amount of up to EUR 290 million and a long-term loan with IKB for a total amount of EUR 50 million. All of these transactions replaced the syndicated revolving credit facility, which expired in 2022, and the financial covenants linked to the development of the company's results were cancelled

- Renegotiation of the long-term loan of EUR 60 million arranged with Banco de Crédito Social Cooperativo, whereby the conditions were improved by increasing the loan principal by EUR 20 million and extending the final maturity to 2026

- Increase in the financing facilities for the issuance of import letters of credit by more than EUR 100 million.

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

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

(Amounts in thousands of euros)

	Non-current payables		Current liabilities	
	2023	2022	2023	2022
Opening balance	**1,319,182**	**1,293,494**	**592,858**	**483,271**
Additions	138,203	663,456	250,993	364,417
Debt repayment	-16,214	-448,869	-224,839	-453,495
Interest at amortised cost	871	1,465	4,998	4,403
Short-term transfers	-152,923	-193,952	152,923	193,952
Transfers of other financial liabilities	2,037			
Translation differences and others		3,588	-9,786	310
Balance as of 31 December	**1,291,156**	**1,319,182**	**767,147**	**592,858**

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

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

(Amounts in thousands of euros)

	2023	2022
Capital grants	328	-3
Long-term bank borrowings	138,202	663,456
Short-term bank borrowings	250,993	364,417
Other debts (capital leases)	3,164	870
Total income from borrowed funds	**392,687**	**1,028,740**

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

(Amounts in thousands of euros)

	2023	2022
Long-term bank borrowings	-16,214	-448,869
Short-term bank borrowings	-224,839	-453,495
Other debts (capital leases)	-5,554	-6,557
Total repayment of interest-bearing liabilities	**-246,607**	**-908,921**

Non-current borrowings subject to achievement of ratios

Currently, no loan agreement entered into by the Acerinox Group contains covenants linked to ratios related to the Group's results. The contracts subject to covenants are generally related to own funds, either of the consolidated group or own funds of the borrower and are detailed below:

a) Acerinox, S.A.:

The EUR 260 million loan novated in the first half of 2022 with Caixabank and the two loans of EUR 80 million each signed with BBVA and ICO in the first half of 2020 for the acquisition of VDM are subject to compliance with the financial ratios relating to the maintenance of minimum equity levels at the consolidated level.

In addition to these three loans, there are three other financing contracts conditional on compliance with covenants also referring to the maintenance of minimum levels of own funds at consolidated level. The loan arranged in March 2017 and novated in December 2021 with Banca March for EUR 50 million and assigned to a Securitisation Fund upon arrangement, the loan arranged with the European Investment Bank ("EIB") in December 2017 for EUR 70 million and the loan arranged in March 2018 with the Instituto de Crédito Oficial ("ICO") for EUR 100 million. This type of covenant is standard market practice in financing with these maturities, as the loan arranged with Banca March had an initial term of seven years, the EIB loan of ten years and the ICO loan of eight years.

b) Columbus Stainless (PTY) LTD:

Additionally, the Group company Columbus Stainless has structured financing (a Borrowing Base Facility) which is also subject to the achievement of a covenant relating to the maintenance of minimum equity levels at that Company. This financing facility is recognised under "bank borrowings" in the consolidated statement of financial position at the amount drawn down. At 31 December 2023, the amount drawn down from this financing amounts to ZAR 1,976 million (around EUR 97 million at the exchange rate of 31 December 2023). At 2022 year-end, ZAR 1,358 million had been drawn down from this credit facility.

c) VDM Group:

Finally, it should be noted that the eight bilateral financing facilities signed by VDM (both the long-term loan with IKB and the seven financing lines signed with HSBC, Banco Santander, Caixabank, Deutsche Bank, Helaba, Unicredit and BBVA) are subject to compliance with minimum equity ratios and a ratio of net financial debt to working capital.

At 2023 year-end (as in 2022), Acerinox, S.A., Columbus Stainless (PTY) Ltd. and the VDM Group had achieved all the covenants required under the aforementioned agreements with a considerable margin.

12.2.4 Fair value measurement

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

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

LEVEL 1: quoted prices in active markets
LEVEL 2: observable market variables other than quoted prices

LEVEL 3: variables not observable in the market

The Group's position at 31 December 2023 and 2022 was as follows:

(Amounts in thousands of euros)

	2023			2022		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial derivatives (assets)		30,356			72,630	
TOTAL	**0**	**30,356**	**0**	**0**	**72,630**	**0**
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial derivatives (liabilities)		19,244			25,198	
TOTAL	**0**	**19,244**	**0**	**0**	**25,198**	**0**

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

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

12.2.5 Financial assets at fair value through other comprehensive income

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

The value of financial assets at fair value through other comprehensive income at year-end amounted to EUR 381 thousand (31 December 2022: EUR 394 thousand).

The Group has classified in this category its 8.48% minority shareholding in the company Fortia Energía, S.L., whose corporate purpose is the acquisition of electricity on behalf of its shareholders. This investment enables the Group's Spanish factories to obtain more competitive electricity prices. The investment is measured at acquisition cost, as there are insufficient data to measure it at fair value. The Group has no control over this entity. The acquisition cost of the investment was EUR 276 thousand. The Group does not consider that there are any indications of impairment in this connection.

This category also includes the investment made by Columbus, Pty. Ltd in the entity Nimawize Pty Ltd. Columbus acquired a 20% stake in 2020 in compliance with the requirements of the Broad-Based Black Economic Empowerment (B-BBEE Act 53 of 2023). Columbus does not exercise any control over this entity.

On 7 July 2022, the Group sold its shares in the listed Japanese company Nippon Steel & Sumitomo Metal Corporation for EUR 10,157 thousand. Acerinox, S.A. held 747,346 shares in this company, which represented a scantly significant percentage of ownership in the Japanese Group. The shares, prior to their sale, were valued at fair value. As they are classified as assets at fair value through other comprehensive income, the gains on their sale amounting to EUR 1,070 thousand were classified through equity. The revaluation, recognised in other comprehensive income until its sale, amounted to EUR -572 thousand.

12.2.6 Derivative financial instruments

As detailed in **Note 4**, in relation to market risk, the Group is essentially exposed to the following three types of risk in the course of its business activities: foreign currency risk, interest rate risk and raw material price risk. The Group uses derivative financial instruments to hedge its exposure to certain risks.

The Group classifies derivative financial instruments that do not qualify for hedge accounting in the category of assets and liabilities measured at fair value through profit or loss. Those that qualify as hedging instruments are classified as hedging derivatives and are accounted for by applying the accounting policy defined in **Note 2.12.4**.

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

(Amounts in thousands of euros)

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives	25,995	12,181	67,296	12,637
Derivatives at fair value through profit or loss	4,361	7,063	5,334	12,561
TOTAL	**30,356**	**19,244**	**72,630**	**25,198**

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

(Amounts in thousands of euros)

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Currency forwards	4,361	7,063	5,331	12,561
Interest rate swaps	21,358		34,305	
Commodity futures contracts	4,637	12,181	32,994	12,637
TOTAL	**30,356**	**19,244**	**72,630**	**25,198**

Foreign currency risk

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

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

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

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

At 31 December 2023, the effect on profit or loss of measuring these derivatives at market value was positive, amounting to EUR 317 thousand (2022: EUR -3,141 thousand). The positive exchange differences of the Group in the year amounted to EUR 2,273 thousand (2022: loss of EUR -4,624 thousand). The differences between the two amounts are mainly due to the interest rate differences between the currencies involved in the exchange rate insurance taken out and the differences between the insurance taken out and the monetary items in foreign currency.

At 31 December 2023, all the currency forwards covered mainly receivables (assets) and payables (liabilities) and related to both commercial and financing transactions between Group companies. At 31 December 2023, the fair value of the Group's currency forwards totalled EUR -2,702 thousand (2022: EUR -7,230 thousand), of which EUR 4,361 thousand were recognised under assets (2022: EUR 5,331 thousand) and EUR 7,063 thousand under liabilities (2022: EUR 12,561 thousand). None of those currency forwards were accounted for as hedges at the end of 2023 or 2022. In 2023, EUR -159 thousand were transferred from the consolidated statement of comprehensive income to profit or loss for the year (2022: EUR -165 thousand).

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

At 31 December 2023, the Group had used contracts for foreign currency transactions amounting to EUR 563 million for foreign currency sales and EUR 281 million for foreign currency purchases. At 31 December 2022, EUR 479 million were used for foreign currency sales and EUR 335 million for foreign currency purchases. The detail of these foreign currency forward contracts, by currency, is as follows:

(Amounts in thousands)

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
USD	434,472	268,322	301,791	338,897
EUR	36,834	9,573	36,886	2,947
GBP	44,345	11,542	55,205	1,790
SEK	7,146			
CAD	11,372	4,001	7,807	
AUD	11,383	843	10,281	
NZD	123	0	315	
JPY	6,170,016	552,377	7,116,614	254,207
MYR	144,700	0	138,690	
KRW		6,863,736		1,900,754

At 31 December 2023 and 2022, there were no bank borrowings in currencies other than the functional currency and, therefore, the Group no longer has any derivative financial instruments to hedge exposure to foreign currency risk or interest rate risk.

Interest rate risk

The Group enters into interest rate derivatives to hedge floating rate cash flows from debt instruments. As Acerinox's risk management strategy allows for the exchange of hedging instruments and hedged items to meet corporate financing needs, the Group has documented the effectiveness of hedging through the contracted financial instruments so that they can be qualified for accounting purposes as cash flow hedging instruments through the designation of generic hedging relationships.

The swaps entered into by the Group as at 31 December 2023 are as follows:

	Notional contracted	Amount outstanding	Expiration
From variable to fixed rate	EUR 70 million	EUR 50 million	2028
From variable to fixed rate	EUR 100 million	EUR 50 million	2026
From variable to fixed rate	EUR 80 million	EUR 70 million	2028
From variable to fixed rate	EUR 260 million	EUR 260 million	2027

The average interest rate of euro-denominated financing hedged by an interest rate hedging derivative, totalling EUR 430 million at year-end, was 1.70% (2022: 1.72%). The credit spread on these borrowings is included in both cases.

By the end of 2023 and 2022 there is no interest rate hedge in a currency other than the euro.

As explained in **Note 4.1.2**, during 2023 the Group has not entered into any new swap transactions.

In 2022, the Group entered into an interest rate derivative with Caixabank for a total amount of EUR 260 million and a final maturity date of 2027 to hedge the highly probable future cash flows related to the floating interest rate and any change in this interest rate that may occur before the maturity date. In addition, three interest rate swaps were cancelled, following the novation of the loan signed in 2020 with Caixabank for EUR 80 million and final maturity in 2025 and the cancellation of the two loans signed with Bankia and Caixabank for a total amount of EUR 160 million and EUR 50 million, respectively. Given that the Group's hedging policy is through the designation of generic hedges, the amount accumulated in equity due to the cancellation of the derivatives and the contracting of the new derivative did not have any impact on the income statement.

The detail at 31 December 2022 was as follows:

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

The fair value of the interest rate swaps was based on the market value of equivalent derivative financial instruments at the reporting date and amounted to EUR 21,358 thousand (31 December 2022: EUR 34,305 thousand). These amounts are recognised in the Group's consolidated statement of financial position under the following line items:

	2023		2022	
	Current	Non-current	Current	Non-current
Other financial assets	12,367	8,991	9,051	25,254
Other financial liabilities				

The Group assesses whether outstanding hedging relationships meet the effectiveness requirements both at the date of designation and at year-end. At 31 December 2023 and 2022, all outstanding interest rate derivatives arranged qualified as cash flow hedging instruments and, therefore, the unrealised gains and losses in the amount of EUR -3,821 thousand, on their measurement at fair value were recognised in the consolidated statement of comprehensive income (2022: EUR 35,184 thousand). The Group has documented the effectiveness of the derivatives arranged to be recognised as hedging instruments, as detailed in **Note 2.12.4.** The financial instruments considered to be hedges were not ineffective at any point in 2023 or 2022.

In 2023, EUR -12,175 thousand were transferred from the consolidated statement of comprehensive income to profit or loss for the year, reducing borrowing costs (2022: EUR 2,494 thousand). Combined with the EUR -159 thousand arising from the foreign currency hedges referred to in the previous section and the EUR -20,068 thousand from the raw material derivatives, the amount totalled EUR -32,402 thousand and was included in the consolidated statement of comprehensive income. In 2022, the transfer amount from comprehensive income related to interest rate hedges would need to include EUR -165 thousand from currency hedges and EUR -4,105 thousand from raw material derivatives. This totals EUR -1,776 thousand in the consolidated statement of comprehensive income for 2022.

Risk of changes in raw material prices

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

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

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

(Amounts in thousands of euros)

	2023			2022		
	Nominal	Derivative fair value		Nominal	Derivative fair value	
		Assets	Liabilities		Assets	Liabilities
Purchase	142,956	158	12,156	180,265	31,949	194
Sale	42,483	4,480	25	80,275	1,044	12,443
TOTAL		**4,638**	**12,181**		**32,994**	**12,637**

All the assets and liabilities arising from derivative financial instruments in this category are current, except for the EUR 9 thousand included as non-current financial assets in the consolidated statement of financial position and EUR 1,309 thousand recorded as non-current liabilities (2022: EUR 286 thousand).

At year-end all financial instruments contracted to hedge this risk meet the conditions to be considered as cash flow hedging instruments. As of 31 December 2022, of the total financial instruments contracted to hedge this risk, EUR 20,353 thousand met the conditions to be considered as cash flow hedging instruments and EUR 4 thousand were recorded at fair value through profit or loss as they are instruments contracted prior to the start of the documentation of the hedging relationships. As of 31 December 2023, unrealised gains and losses arising from the valuation at fair value and charged to the consolidated statement of comprehensive income amount to EUR -7,829 thousand. The amount transferred from the consolidated statement of comprehensive income to the profit for the year for these hedges is EUR -20,068 thousand (in 2022, the unrealised gains and losses from fair value measurement recognised in the consolidated statement of comprehensive income amounted to EUR 20,316 thousand and the amount transferred from the consolidated statement of comprehensive income to the profit for the year for these hedges was EUR -4,105 thousand).

NOTE 13 – CASH AND CASH EQUIVALENTS

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

(Amounts in thousands of euros)

	2023	2022
Cash and banks	155,691	228,515
Short-term bank deposits	1,637,992	1,319,525
TOTAL	**1,793,683**	**1,548,040**

The Group made cash placements mainly in both US dollars and South African rand. The effective interest rate on the short-term bank deposits in 2023 was 5.51% for the dollar (2022: 4.53%) and 8.15% for the rand (2022: 6.5%). The average term of the placements is between one day and three months, and they have been deposited at banks of recognised financial solvency.

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

NOTE 14 – EQUITY

14.1 Subscribed capital, issue premium and treasury shares

The detail of the changes in the shares outstanding in 2023 and 2022 is as follows:

	No. of shares (thousands)	Number of treasury shares (thousands)	Treasury shares (in thousands of euros)	Share capital (in thousands of euros)	Issue premium (in thousands of euros)
As of 1 January 2022	**270,546**	**-908**	**-10,251**	**67,637**	**268**
Acquisition of treasury shares		-20,415	-206,005		
Amortisation of treasury shares	-10,822	10,822	124,294	-2,706	
Long-term compensation plan (delivery of treasury shares)		109	1,234		
As of 31 December 2022	**259,724**	**-10,392**	**-90,728**	**64,931**	**268**
Acquisition of treasury shares		-213	-2,084		
Amortisation of treasury shares	-10,389	10,389	90,685	-2,597	
Long-term compensation plan (delivery of treasury shares)		110	1,072		
As of 31 December 2022	**249,335**	**-106**	**-1,055**	**62,334**	**268**

a) Share capital

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

At the cut-off date the share capital consisted of 249,335,371 ordinary shares of EUR 0.25 nominal value each, yielding capital of EUR 62,334 thousand (259,724,345 ordinary shares at 31 December 2022 and a capital amount of 64,931). The shares have been fully subscribed and paid.

All the Company's shares are listed on the Madrid and Barcelona stock exchanges.

During the year, Acerinox, S.A.'s share capital has been reduced, as approved by the Annual General Meeting held on 23 May 2023, through the amortisation of 10,388,974 treasury shares with a value of EUR 2,597 thousand. The purpose of this reduction of share capital is to increase the value of the shareholders' stake in the Company.

As regards 2022, the Board of Directors of Acerinox, S.A. held on 30 June 2022, on the basis of the authorisation granted by the Annual General Meeting of Acerinox, S.A. held on 16 June, resolved to execute the resolution to reduce share capital, reducing it by EUR 2,706 thousand through the redemption of 10,821,848 treasury shares.

At 31 December 2023, the only shareholder with a stake of 10% or more in the share capital of Acerinox, S.A. is Corporación Financiera Alba, S.A. with 19.29% (2022: 18.52%).

b) Issue premium

The issue premium amounted to EUR 268 thousand both in 2023 and 2022 and has the same restrictions and may be used for the same purposes as the voluntary reserves of the parent, including its conversion into share capital.

No issue premium distributions were made this year or last year.

c) Treasury shares

At year-end, treasury shares amounted to 106,790 with a value of EUR 1,055 thousand (31 December 2022: 10,392,827 treasury shares with a value of EUR 90,728 thousand).

The Board of Directors meeting on 27 July 2022, in view of the Company's financial strength, cash generation prospects and the low level of the share price, agreed to initiate a new 4% share buy-back programme. This programme fulfilled the Company's commitment to redeem the shares that were issued in the years when scrip dividends were made.

The terms of the buy-back programme were as follows:

- The shares had to be purchased at market price and under the price and volume conditions set out in Article 3 of the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016.
- The Company could not purchase shares at a price higher than the higher of the prices of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase was carried out.
- The Company could not purchase on any trading day more than 25% of the average daily volume of the shares on the trading venue on which the purchase was carried out. The average daily volume of the Company's shares for the purposes of the foregoing calculation was based on the average daily volume traded during the twenty business days preceding the date of each purchase. This limit applied for the entire duration of the programme.

On 26 October 2022, the Company completed the acquisition of 10,388,974 shares included in the second approved buy-back programme. The disbursement made by the Group in connection with this programme amounted to EUR 90,685 thousand.

The Annual General Meeting held on 23 May 2023 approved the reduction of Acerinox, S.A.'s share capital by EUR 2,597 thousand, through the retirement of 10,388,974 treasury shares. The purpose of this reduction of share capital through the redemption of treasury shares is to increase the value of the shareholders' stake in the Company. This capital reduction was carried out in August this year.

During the year, 213 thousand treasury shares were acquired to cover the Multi-Year Remuneration Plans for Group executives for an amount of EUR 2,084 thousand. In addition, 110,563 treasury shares were delivered to Company's executives as a result of the completion of the Third Cycle of the First Multi-Year Remuneration Plan. In this way, treasury shares totalling EUR 1,072 thousand were derecognised. The difference between the equity instruments recorded in accordance with the valuation made at the beginning of the plan and the treasury shares delivered has been recorded against reserves of the parent company in the amount of EUR -769 thousand.

With regard to 2022, the Board of Directors of Acerinox, S.A., at its meeting held on 16 December 2021, also approved a share buyback plan of up to 4% of the share capital. The maximum investment approved was EUR 150 million and the maximum number of shares to be acquired could not exceed 10,821,848, representing 4% of the Company's capital, at the time of approval.

During the year, in addition to those mentioned above, 9,986,487 shares were acquired for an amount of EUR 114,875 thousand in connection with this buy-back programme (835,361 shares for an amount of EUR 9,418 thousand had been acquired the previous year). As explained in the section on share capital, all shares corresponding to this buy-back programme were redeemed in 2022 for an amount of EUR 124,294 thousand. Effective 30 August 2022, 10,821,848 shares of Acerinox, S.A. were delisted from trading on the Madrid and Barcelona Stock Exchanges.

In June 2022, 109.378 treasury shares were delivered to Group executives as a result of the completion of the second cycle of the First Multi-Year Remuneration Plan. Treasury shares totalling EUR 1,234 thousand were derecognised. The difference between the equity instruments recorded in accordance with the valuation made at the beginning of the plan and the treasury shares delivered were recorded against reserves of the parent company in the amount of EUR -810 thousand.

Also, last year, 40,000 treasury shares amounting to EUR 419 thousand were acquired to cover the multi-year remuneration plans for Group executives.

14.2 Dividends paid

The Board of Directors of Acerinox S.A., held on 20 December 2023, has agreed to propose to the Shareholders' Meeting the payment of a dividend of EUR 0.62 per share, i.e. an increase of 3.33% over the last approved dividend, of which EUR 0.31 gross per share has been payable in cash to each of the existing and outstanding shares of the Company entitled to receive such dividend on 26 January 2024 through the depositary entities participating in the "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal" (IBERCLEAR).

In accordance with Acerinox's Dividend Policy approved on 20 December 2022, the total shareholder remuneration is maintained, so that the reduction in the number of shares as a result of the last share buyback plan results in a higher payment per share.

The provisional accounting statement prepared by the directors in accordance with Article 277 of the Spanish Corporate Enterprises Act, which shows the liquidity status for the payment of the interim dividend, is as follows:

	2023	
Cash on hand at 30 November 2023		**6,939**
Plus:		
Planned cash increases between 30 November 2023 and 26 January 2024		**97,464**
Dividend collection	83,486	
Receivables from operating activities	4,980	
Collection of tax refunds	8,998	
Less:		
Planned cash decreases between 30 November 2023 and 26 January 2024		**-6,800**
Payments for operating activities	4,820	
Payments from financial operations	1,980	
Projected liquidity as at 26 January 2024		**97,603**
Credit line capacity		**156,300**
Available liquidity at 26 January 2024		**253,903**

The Annual General Meeting held on 23 May 2023 resolved to distribute a dividend of EUR 0.60 per share. The amount of the dividend distribution was the aggregate result of the sum of the following amounts:

- the payment of the interim dividend for 2022 in the amount of EUR 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 amounted to EUR 74,799; and
- a complementary dividend charged to the financial year 2022 at a rate of EUR 0.30 gross per share for each of the 259,724,345 existing shares (without prejudice to the provisions of Article 148 of the Corporate Enterprises Act with respect to the shares held as treasury stock at the time of payment). This complementary dividend was paid on 17 July 2023 in the amount of EUR 74,765 thousand.

The amount paid amounted to EUR 149,562 thousand.

The Annual General Meeting held on 16 June 2022 approved the distribution of a dividend of EUR 0.5 per share, which was paid on 5 July 2022. The amount paid amounted to EUR 129,850 thousand.

14.3 Reserves

a) Retained earnings in reserves

"Retained earnings in reserves" includes consolidated profit or loss for the year and reserves of fully consolidated companies and of the parent, other than those mentioned below.

The detail of the reserves by Company is included in **Note 14.5**.

There are no restrictions on the transfer of funds by any Group company in the form of dividends, except for the non-distributable reserves required by the applicable legislation. At 31 December 2023, the Group had EUR 40,141 thousand in reserves and retained earnings subject to restrictions (31 December 2022: EUR 39,733 thousand).

The parent's legal reserve, which is included under "retained earnings in reserves" in the consolidated statement of changes in equity, was recognised in compliance with Article 274 of the Spanish Corporate Enterprises Act, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. Acerinox S.A has already recorded this reserve for an amount equivalent to 20% of the share capital, amounting in both periods to EUR 13,527 thousand.

The legal reserve is not distributable to shareholders and can only be used to offset losses, in the event that sufficient other reserves are not available for this purpose, in which case the reserve must be replenished with future profits.

b) Property, plant and equipment revaluation reserve

In accordance with Royal Decree-Law 7/1996, of 7 June, on urgent tax measures and measures to foster and deregulate the economy, the parent revalued its items of property, plant and equipment. The amount of the reserve reflects the revaluation gains, net of tax at 3%.

The tax authorities had a three-year period from 31 December 1996 in which to conduct a tax audit. Since such an audit did not take place, the aforementioned balance may be used to eliminate losses or increase the Company's share capital.

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

c) Hedge reserves

Valuation adjustments relating to hedges includes cumulative net changes in the fair value of cash flow hedging instruments associated with highly probable future transactions.

d) Fair value adjustments to financial assets

The Company designated certain financial instruments as at fair value through comprehensive income. In accordance with the related accounting policy, changes in the fair value of these instruments are recognised directly in the consolidated statement of comprehensive income. The main assets classified in this category were sold last year as described in **Note 12.2.5**.

e) Reserve for actuarial adjustments

This reserve includes the changes in the actuarial value of the defined benefit plan obligations. The Group, particularly in its high-performance alloys division, has significant commitments to its employees regarding pension matters. **Note 16.1** includes detailed information. As described in the accounting policy defined in **Note 2.16**, the Group recognises changes in the actuarial valuation of the obligations in other comprehensive income.

14.4 Translation differences

The detail of the changes in "translation differences" is included in the consolidated statement of changes in equity.

The breakdown of the cumulative translation differences by company at the end of 2023 and 2022 and the functional currencies of their respective financial statements are as follows:

(Amounts in thousands of euros)

GROUP COMPANIES	Currency	2023	2022
ACERINOX (SCHWEIZ) A.G.	CHF	1,781	1,604
ACERINOX ARGENTINA S.A.	ARS	-7,379	-6,182
ACERINOX AUSTRALASIA PTY. LTD.	AUD	20	36
ACX DO BRASIL REPRESENTAÇOES, LTDA.	BRL	-259	-279
ACERINOX CHILE, S.A.	CLP	-1,277	-905
ACERINOX COLOMBIA S.A.S.	COP	-199	-227
ACERINOX INDIA PVT LTD.	INR	-81	-67
ACERINOX METAL SANAYII VE TICARET L.S.	TRY	-1,878	-1,333
ACERINOX MIDDLE EAST DMCC (DUBAI)	AED	72	104
ACERINOX PACIFIC LTD.	HKD	-4,862	-4,826
ACERINOX POLSKA, SP. ZO.O.	PLN	-1,690	-3,830
ACERINOX RUSSIA LLC.	RUB	-174	-85
ACERINOX SCANDINAVIA AB	SEK	-7,358	-7,441
ACERINOX S.C. MALAYSIA SDN. BHD	MYR	-1,940	-2,042
ACERINOX (SEA), PTE LTD.	SGD	183	208
ACERINOX SHANGAI CO., LTD.	CNY	916	1,140
ACERINOX U.K., LTD.	GBP	-6,138	-6,702
BAHRU STAINLESS, SDN. BHD	USD	93,376	92,260
COLUMBUS STAINLESS INC.	ZAR	-192,677	-168,040
CORPORACIÓN ACERINOX PERU S.A.C.	PEN	-20	-22
NORTH AMERICAN STAINLESS CANADA, INC	USD	3,785	5,826
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	USD	5,648	7,465
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS, LTD.	USD	3	4
NORTH AMERICAN STAINLESS INC.	USD	108,206	181,514
VDM METALS GROUP	—	3,952	5,743
TOTAL		**-7,990**	**93,923**

The origin of the changes arising in 2023 as in 2022 is detailed below:

(Amounts in thousands of euros)

	2023	2022
Opening balance	93,923	-10,154
Difference in equity translation	-89,339	115,829
Difference in translation results	-7,471	-6,380
Difference on translation of investments in Group companies	-4,919	-5,961
Dividend distribution translation difference		831
Other changes	-184	-242
Balance as of 31 December	**-7,990**	**93,923**

The translation difference resulting from the measurement of equity was negative, i.e. EUR -89,339, due to the depreciation of 4% of the USD and 12% of the rand with respect to the exchange rate at the end of 2022. The EUR/USD exchange rate applied at the end of 2023 was 1.1050 (2022: 1.0666), while the EUR/ZAR rate was 20.3477 in 2023 (2022: 18.0986).

In 2022, this difference was also positive in the amount of EUR 115,829, mainly due to the appreciation of the USD. The EUR/USD exchange rate applied at the end of 2022 was 1.10666 (2021: 1.1326), while the EUR/ZAR rate was 18.0986 in 2022 (2021: 18,0625).

The translation difference by income derives from the difference between the average exchange rate applied in the translation of the income statement and the closing exchange rate applied to the balance sheet items.

14.5 Detail of reserves, profit or loss and non-controlling interests: Contribution by company

At 31 December 2023 and 2022, the contribution of each of the consolidated companies to reserves and consolidated profit or loss is detailed as follows:

(Amounts in thousands of euros)

	2023				2022			
	Contribution reserves	Contribution profit or loss	Results attributable to non-controlling interests	Total non-controlling interests	Contributio n reserves	Contribution profit or loss	Results attributable to non-controlling interests	Total non-controlling interests
ACERINOX S.A	2,087,657	-5,948			2,048,140	-16,196		

	2023				2022			
	Contribution reserves	Contribution profit or loss	Results attributable to non-controlling interests	Total non-controlling interests	Contribution reserves	Contribution profit or loss	Results attributable to non-controlling interests	Total non-controlling interests
ACERINOX (SCHWEIZ) A.G.	883	-21			825	58		
ACERINOX ARGENTINA S.A.	8,514	-561			7,173	313		
ACERINOX AUSTRALASIA PTY. LTD.	32	-22			62	-30		
ACERINOX BENELUX S.A. - N.V.	1,307	231			667	641		
ACX DO BRASIL REPRESENTAÇOES, LTDA.	277	-4			289	-12		
ACERINOX CHILE, S.A.	1,679	-1,314			578	1,100		
ACERINOX COLOMBIA S.A.S.	376	-199			514	-138		
ACERINOX DEUTSCHLAND GMBH	-19,241	1,866			-18,299	-941		
ACERINOX EUROPA, S.A.U.	-117,073	-189,947			-70,289	-46,784		
ACERINOX FRANCE S.A.S	-11,369	207			-11,892	522		
ACERINOX ITALIA S.R.L.	-30,809	-3,880			-34,164	3,355		
ACERINOX INDIA PVT LTD.	123	193			-52	176		
ACERINOX METAL SANAYII VE TICARET L.S.	2,198	715			1,750	448		
ACERINOX MIDDLE EAST DMCC (DUBAI)	807	-4			871	-65		
ACERINOX PACIFIC LTD.	-21,326	566			-21,270	-57		
ACERINOX POLSKA, SP. ZO.O.	3,287	2,142			4,418	-1,131		
ACERINOX RUSSIA LLC.	200	-26			606	-214		
ACERINOX SCANDINAVIA AB	1,180	-151			1,914	-733		
ACERINOX S.C. MALAYSIA SDN. BHD	-36,670	-778			-38,362	1,693		
ACERINOX SHANGAI CO., LTD.	789	-17			906	-118		
ACERINOX (SEA), PTE LTD.	844	-79			857	-13		
ACERINOX U.K., LTD.	5,105	661			5,409	-303		
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	-2,358	91			-2,137	-220		
BAHRU STAINLESS, BDN. BHD	-766,830	-205,208	-2,463	-1,280	-548,880	-217,950	-2,652	1,170
COLUMBUS STAINLESS (PTY) LTD.	117,674	-26,304	-8,669	55,845	59,631	58,043	16,961	72,266
CORPORACIÓN ACERINOX PERU S.A.C.	-263	-156			-209	-54		
INOX RE, S.A.	33,972	-2,949			34,245	-273		
INOXCENTER CANARIAS, S.A.U.	1,071	141			1,071	1		
INOXCENTER, S.L.U.	-10,877	-3,524			-12,137	1,259		
INOXFIL, S.A.	667	-2,670	-6	10	-2,075	2,742	6	16
INOXIDABLES DE EUSKADI S.A.U.	5,263	672			5,826	-563		
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	2,190	115			2,077	114		
METALINOX BILBAO, S.A.U.	16,374	938			16,371	2		

	2023				2022			
	Contribution reserves	Contribution profit or loss	Results attributable to non-controlling interests	Total non-controlling interests	Contribution reserves	Contribution profit or loss	Results attributable to non-controlling interests	Total non-controlling interests
NORTH AMERICAN STAINLESS CANADA, INC	45,411	3,816			39,486	5,925		
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	21,807	6,435			15,655	6,152		
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	-9,993	9,993			-10,207	10,207		
NORTH AMERICAN STAINLESS INC.	737,281	579,366			338,590	697,451		
ROLDAN, S.A.	45,194	-9,342	-23	121	36,507	8,687	17	144
VDM METALS HOLDING GMBH	84,496	73,084			66,288	42,960		
TOTAL	**2,199,849**	**228,128**	**-11,161**	**54,696**	**1,920,753**	**556,054**	**14,332**	**73,596**

In this financial year, the Group company North American Stainless paid dividends of EUR 296 million to the parent company (2022: EUR 469 million), which explains why the reserves of the American company have barely increased compared to the previous year, as well as the change in the reserves of Acerinox, S.A.

14.6 Hyperinflation adjustments

Since 1 July 2018, Argentina has been classified as a hyperinflationary economy due to meeting the qualification requirements established in IAS 29. The Acerinox Group has an entity in Argentina which engages exclusively in the marketing of stainless steel in that country and, accordingly, the amount of its assets and liabilities and its contribution to the Group's results are not significant. The Group did not restate the comparative figures for the previous period as the impacts are not significant for the Group.

The financial statements of Acerinox Argentina for both 2023 and 2022 were expressed in terms of the measuring unit current at the end of the reporting period. The restated cost of each non-monetary item in the financial statements was determined by applying to its historical cost and accumulated depreciation and amortisation charge the change in a general price index from the date of acquisition to the end of the reporting period. The revaluation of non-cash assets amounted to EUR 490 thousand cost and EUR 351 thousand accumulated depreciation (2022: EUR 527 thousand cost and EUR 380 thousand accumulated depreciation).

The components of owners' equity, except retained earnings and any revaluation surplus, were restated by applying a general price index to the various items from the date on which the components were contributed or otherwise arose. Restated retained earnings are the result of applying these indices to the other amounts in the consolidated statement of financial position. The impact on reserves amounted to EUR 1,028 thousand, as reflected in the consolidated statement of changes in equity (2022: EUR 973 thousand).

All the items in the consolidated statement of comprehensive income were also restated in the monetary unit current at the end of the reporting period. For this purpose, all the amounts were restated by applying an index calculated on the basis of the change in the general price index from the date on which the income and expenses were recognised in the financial statements. The amount recognised in the consolidated statement of profit or loss for this item was EUR -1,345 thousand (2022: EUR -605 thousand).

14.7 Non-controlling interests

At year-end, the companies with non-controlling interests were Columbus Stainless, Ltd. (Columbus), with an interest of 24% held by the South African group IDC (Industrial Development Corporation), and Bahru Stainless Sdn. Bhd, (Bahru), whose non-controlling interests were reduced to 1.19% owned by Hanwa, Co. Ltd.

There are no rights to protect non-controlling interests that may restrict the entity's ability to access or use assets, or settle the entity's liabilities.

Neither of these companies distributed dividends in 2023 or 2022.

The detail of the main items in the financial statements of Columbus, which was the only Group company with significant non-controlling interests at year-end, is as follows:

Columbus

(Amounts in thousands of euros)

	2023	2022
Non-current assets	119,822	123,328
Current assets	304,520	432,168
Total Assets	**424,342**	**555,496**
Non-current liabilities	8,912	22,712
Current liabilities	182,741	231,671
Total Liabilities	**191,653**	**254,383**

Statement of profit or loss	2023	2022
Revenue	610,191	984,008
Profit/(loss) for the year	**-36,121**	**70,669**

Cash flows	2023	2022
Operating cash flows	-19,439	44,511
Investment flows	-21,924	-18,803
Financing flows	29,649	-2,729
Total cash flows generated	**-11,714**	**22,979**

When Columbus Stainless was incorporated, Acerinox signed a Shareholders Agreement in December 2001 with the three South African partners, Highveld Steel and Vanadium Corporation, Ltd., Samancor, Ltd. and IDC, which held ownership interests therein.

In Clause 9 of that agreement it was stipulated that, in the event of a change of control at Acerinox, S.A., by virtue of which a shareholder acquired shares of Acerinox, S.A. that afforded it a majority of votes at the General Meeting or on the Board, the shareholders would be able to exercise a put option on their ownership interests vis-à-vis Acerinox, S.A.

In the years that have passed, two of the three partners who signed the agreement, Highveld and Samancor, have renounced their shareholdings, and the third, IDC, a state entity supporting industrial development in South Africa, has increased its ownership interest from 12% to 24%, given its interest in supporting the creation of wealth, the maintenance of employment and the status of the stainless-steel industry as a strategic industry for the country. IDC recently declared that this was a strategic and long-term interest.

Consequently, the exercise of this option, with respect to the aforementioned assumption, is highly unlikely for the only minority shareholder of Columbus Stainless, since its permanence is not determined by the presence of Acerinox, as it was in the case of the other shareholders, but by support to the national industry.

14.8 Distribution of profit

The proposed distribution of profit of the parent, Acerinox, S.A., for 2023 that the Board of Directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	2023
Basis for distribution:	
Profit/(loss) for the year	114,186,613
Application:	
Dividends	149,537,702
Distribution of dividends against prior years' reserves	-35,351,089

The Board of Directors of Acerinox, S.A. resolved to propose to the next Annual General Meeting of the Company a dividend distribution of EUR 0.62 per share.

On 23 May 2023, the General Meeting of Shareholders approved the appropriation of the results of the parent company for the financial year 2022, with the following distribution:

	2022
Basis for distribution:	
Profit/(loss) for the year	332,013,162
Application:	
Dividends	149,599,165
To voluntary reserves	182,413,997

The dividend finally distributed does not correspond exactly to the distribution approved last year, as the number of treasury shares had changed at the time of the dividend distribution.

14.9 Earnings per share

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

(Amounts in thousands of euros)

	2023	2022
Profit/(loss) for the year attributable to the Group	228,128	556,054
Weighted average number of common shares outstanding	249,260,083	257,598,114
Earnings per share (in euros)	**0.92**	**2.16**

Although there were other equity instruments that gave access to capital at 31 December 2023, as indicated in **Note 16.1.3**, these do not have a significant effect on the calculation of earnings per share and, therefore, diluted earnings or losses per share are the same as basic earnings or losses per share.

NOTE 15 – DEFERRED INCOME

"Deferred income" includes non-refundable government aid, including emission allowances received free of charge (see **Note 11.1**) and other grants related to assets. The changes therein were as follows:

(Amounts in thousands of euros)

	2023	2022
Balance as of 1 January	27,465	18,684
Grants awarded	45,979	29,156
Application to results	-37,097	-20,375
Balance as of 31 December	**36,347**	**27,465**

The amount recognised under "deferred income" includes mainly aid received by Acerinox Europa for its research and development and environmental activities, and the balancing entry for emission allowances allocated for no consideration under the National Allocation Plan and not used in the year (**Note 11.1**).

The detail of the grants received in 2023 is as follows:

(Amounts in thousands of euros)

	2023	2022
R&D	1,889	14
Environment	24,612	9,879
Allocation of CO2 rights	19,113	18,692
Covid-19 grants	29	198
Training	273	306
Other	63	67
Total	**45,979**	**29,156**

In 2023, the Group received an environmental grant of EUR 24,612 thousand mostly related to offsetting the costs of indirect greenhouse gas emissions and energy offsetting. In 2022, EUR 9,879 thousand were received for the same concept.

The Group considers that it has met or will meet all the conditions for receiving the grants in the period stipulated and, therefore, there are no significant contingencies in connection with the grants obtained.

NOTE 16 – PROVISIONS AND CONTINGENCIES

The detail of the long-term provisions included in the consolidated statements of financial position for the 2023 and 2022 tax years is as follows:

(Amounts in thousands of euros)

	2023	2022
Employee benefits	148,311	135,397
Other provisions	31,683	23,661
TOTAL	**179,994**	**159,058**

16.1 Employee benefits

16.1.1 Defined contribution plans

In accordance with their domestic legislation, certain Group companies make contributions to pension plans managed by external entities. An expense of EUR 17,656 thousand was recognised in this connection under “staff costs” in the consolidated statement of profit or loss for the year (2022: EUR 20,400 thousand).

16.1.2 Defined benefit plans

The detail of the provisions for employee benefits, by type of obligation, is as follows:

(Amounts in thousands of euros)

	2023	2022
Pension plans	118,137	106,326
Compensation for early retirement	7,661	7,130
Supplements	12,395	11,625
Post-employment obligations	8,675	9,004
Other obligations	402	
Restructuring plans	1,041	1,312
TOTAL	**148,311**	**135,397**

The defined benefit liability recognised in the consolidated statement of financial position corresponds to the present value of the defined benefit obligations existing at the reporting date less the fair value of the plan assets at that date.

The detail of the main liabilities recognised by the Group is as follows:

Pension plans

The VDM Group guarantees pension plans to its employees, mainly in Germany. The pension obligations are discharged under voluntary plans established by the company prior to the acquisition. Nowadays, new hires cannot benefit from obligations of this nature. These obligations take into consideration various remuneration schemes representing various risk profiles and are based on individual and collective regulations. All these obligations are pension plans that provide benefits to plan members in the form of a pension for life. The level of this pension is based on the years of service and, depending on the case, may be based on the final salary, average salary or even fixed amounts. Since the obligations undertaken by the company in this connection are not outsourced, the company fulfils the related payment obligation when it falls due.

The weighted average term of the defined benefit obligations is 14.46 years (2022: 14.3).

The actuarial valuation of these obligations is conducted annually by an independent expert.
The detail of the amounts recognised in the consolidated statement of financial position and of the changes in the net defined benefit obligations in the financial year is as follows:

	2023	2022
Balance as of 1 January	**106,326**	**147,250**
Contributions paid	-4,253	-3,846
Expense for services rendered recognised in income	3,372	5,278
Interest cost	3,785	1,604
Actuarial loss recognised against comprehensive income	8,906	-43,959
Balance as of 31 December	**118,137**	**106,326**

The analyses of the expected maturity of undiscounted pensions in the years 2023 and 2022 are as follows:

	2023	2022
2023		4,824
2024	5,039	4,559
2025	4,793	4,764
2026	5,134	5,128
2027	5,729	5,504
2028-2032	37,011	29,719
Total	**57,706**	**54,498**

The actuarial assumptions used in this valuation for 2023 and 2022 are as follows:

	2023	2022
Discount rate	3.20	3.70
Inflation	2.20	2.20
Long-term growth rate	3.00	3.00
Pension dynamic with adjustment according to Sec. 16	2.20	0.00
Pension dynamics with adjustment according to inflation	2.20	2.20
Mortality rate	RT2018 G	Richttafeln 2018G

The sensitivity analysis performed by the company gave rise to the following adjustments to the pension obligations, based on changes in certain assumptions:

		2023	2022
Discount rate	0.50 bp decrease	10,735	9,468
Salary increase	0.50 bp increase	100	82
Pension increase	0.25 bp increase	2,065	1,872
Mortality rate	Increase in life expectancy by 1 year	3,108	2,751

Post-employment obligations

Post-employment obligations relate to medical care plans provided by Columbus Stainless to plan members following their retirement. No new members have joined the plan. The company generally performs actuarial valuations of the obligations assumed. The most recent valuation was performed this financial year. The assumptions used in the latest valuation were a discount rate of 12.33% and a medical cost inflation rate of 9.06%. The beginning and closing balances for the year are reconciled as follows:

(Amounts in thousands of euros)

	2023	2022
Balance as of 1 January	**9,004**	**8,456**
Contributions paid	-394	-494
Expense for services rendered recognised in income	98	134
Interest cost	963	965
Actuarial result recognised against comprehensive income		-40
Translation differences	-995	-18
Balance as of 31 December	**8,675**	**9,004**

The discount rates applied are based on the expected growth rates of health insurance policies. Any changes in these rates may have an impact on both the obligations recognised and on comprehensive income. An increase of one percentage point in the discount rate would increase the obligation by EUR 892 thousand (2022: EUR 928 million). By contrast, a decrease of one percentage point in the discount rate would reduce the obligation by EUR 1.1 million in 2023 (2022: EUR 1.1 million).

Acerinox Europa, S.A.U.'s employment regulation plan

On 13 November 2019, the representatives of Acerinox Europa, S.A.U. and the workers' representatives signed an agreement at the Servicio de Resolución Extrajudicial de Conflictos Laborales (SERCLA) of the Junta de Andalucía (Andalusian Regional Government) to reduce the workforce at the Campo de Gibraltar Factory (Cádiz) by 215 people.

These 32 employees left immediately after the execution of the aforementioned agreement and prior to year-end. The remaining departures, i.e. those leaving the company due to age reasons, took place gradually until the end of 2022, as the employees signed up to the plan reached 60 years of age. The last 4 employees involved in the collective redundancy procedure left the company in 2022.

The obligations arising from the approved early retirement plan are completely externalised, which means that the insurance company will compensate the employees at the time of their retirement. EUR 4,997 thousand were paid in this fiscal year in this connection with a charge to the insurance policy taken out (EUR 5,968 thousands in 2022).

At 31 December the existing liabilities relating to the future payments to be made by the Group were duly outsourced and covered in full. Accordingly, it was not necessary for the Group to recognise any additional liabilities. Any differences arising between the amount of the provision and the insurance taken out are charged or credited to profit or loss for the year.

The Company also provisioned EUR 9,254 thousand relating to the contribution to the Treasury established in Additional Provision Sixteen of Law 27/2011, amended by Royal Decree 1484/2012, accrued as a result of the presence of certain workers of over 50 years of age. This contribution will be payable to the pertinent authority in accordance with the aforementioned legislation. This provision is included under "other provisions", as disclosed in **Note 16.2**.

In 2022, the Company claimed exceptional aid on the basis of Royal Decree 908/2013, of 22 November, in favour of workers involved in company restructuring processes. This aid is subject to the workers signing up to a special agreement with the social security authorities and will be used to pay for social security contributions. The Group received subsidies totalling EUR 583 thousand which was recorded as "other operating income".

The company has made a provision of EUR 998 thousand, to cover an amount in anticipation of possible repayments to be made through the insurance company of the aforementioned aid, mainly by employees opting to bring forward their retirement age.

16.1.3 Other obligations

In addition, there are obligations arising from certain senior executive retirement benefit arrangements amounting to EUR 18.8 million (2022: EUR 17.9 million). Since these obligations were appropriately insured in both 2023 and 2022, and their estimated amount was covered by cash flows arising from the insurance policies taken out for this purpose, no liabilities were recognised in this connection.

The assumptions used to calculate the fair value are detailed below:

	2023	2022
Mortality table	PER2020_Col_1er.orden	PER 2020_Col_1er.orden
CPI	2.00 %	2.00 %
Salary growth	2.00 %	2.00 %
Growth in social security	IPC+0.115%	2.00 %
Retirement age	65 years	65 years
Accrual method	Projected Unit Credit	Projected Unit Credit

16.1.4 Sare-based payment transactions

At its meeting held on 22 March 2018, the Board of Directors of Acerinox, S.A. approved a multi-year remuneration or long-term incentive (LTI) plan enabling the CEO and senior executives of the Acerinox Group to receive a portion of their variable remuneration in the form of treasury shares of Acerinox, S.A. The target amount is 30-50% of their base salary, subject to a personal limit of 200% of the respective target. This plan was subsequently submitted to, and approved by, the shareholders of Acerinox at the General Meeting held on 10 May 2018.

The approved LTI plan consists of three three-year cycles. The First Cycle of the plan ran from 1 January 2018 to 31 December 2020. The Second Cycle commenced on 1 January 2019 and ended on 31 December 2021, and the Third Cycle commenced on 1 January 2020 and ended on 31 December 2022.

On 1 January 2021, a new multi-year remuneration plan was also approved, consisting of three cycles, each with a duration of three years. Other Group executives have also been included in this second plan.

Under both remuneration plans, employees receive shares of the parent ("performance shares") at the end of each cycle. The delivery of the shares and the number to be delivered are contingent upon the fulfilment of certain vesting requirements relating to the employee remaining in service and the achievement of individual corporate objectives, certain of which depend on market circumstances.

The Group presumes that the services are to be provided over the irrevocability or vesting period as consideration for the future delivery of the shares. Accordingly, the services rendered are recognised on a straight-line basis over the period in which the rights to receive those shares become irrevocable.

The Group measures the goods or services received, as well as the corresponding increase in equity, at the fair value of the equity instruments granted at the grant date.

To calculate this theoretical number of shares, the shares of Acerinox, S.A. are measured at their quoted price 30 trading days prior to commencement of the plan, and their subsequent increase or decrease in value is assumed by the employee. The resulting number of Performance Shares is used as the basis for determining the actual number of Acerinox, S.A. shares to be delivered (if any) at the end of each cycle, depending on the extent to which objectives are achieved and subject to compliance with the requirements set out in the regulations governing each plan.

The Group engaged an independent expert to calculate the percentage of objectives achieved, subject to market conditions. Using accepted valuation techniques (the Monte Carlo method), the expert calculated the reasonable percentage of shares attributable to each employee subject to the remuneration plan. According to this valuation, the number of shares to be delivered in the performance of each of the plan cycles would be 78,853 shares for the first plan and 203,830 shares for the second, which would represent 0.3% of the share capital of Acerinox, S.A. at the end of the three cycles.

This year, 110,563 treasury shares were delivered to Group executives as a result of the completion of the third cycle of the First Multi-Year Remuneration Plan (2022: 109.378 treasury shares delivered). The difference between the value of the treasury shares delivered (2023: EUR 1,072 thousand and 2022: EUR 1,234 thousand) and the equity instruments provisioned on the basis of the estimates made (2023 and 2022: EUR 940 thousand), after deducting withholdings on account, was moved to reserves in the amount of EUR -769 thousand and EUR -810 thousand, respectively.

The expense incurred in 2023 amounted to EUR 1,429 thousand (2022: EUR 1,617 thousand), the balancing entry of which was recognised under "other equity instruments". The amount recognised at year-end under "other equity instruments" in the balance sheet totalled EUR 4,157 thousand (2022: EUR 3,695 thousand).

16.2 Other provisions

The changes in 2023 and 2022 were as follows:

(Amounts in thousands of euros)

	Litigation	CO_2	Other provisions	Total
As of 31 December 2021	**300**	**9,643**	**10,468**	**20,411**
Allocation provision		12,804	396	13,200
Application		-9,835	-97	-9,932
Release of provisions		-2	-1	-3
Translation differences			-15	-15
As of 31 December 2022	**300**	**12,610**	**10,751**	**23,661**
Allocation provision		14,264	7,212	21,476
Application	-250	-12,658	-478	-13,386
Release of provisions	-50	-14	-100	-164
Translation differences			-24	-24
As of 31 December 2023	**0**	**14,202**	**17,481**	**31,683**

CO_2

This heading includes the provisions relating to CO_2 emissions in the year, for which the emission allowances had yet to be surrendered at year-end (see **Note 11.1**).

"Amount used" in the year includes derecognition of emission allowances for 2023, totalling EUR 12,658 thousand (2022: EUR 9,835 thousand) (see **Note 11.1**).

Litigation

At the end of 2023, the Group continued to be involved in litigation with the Italian tax authorities concerning transfer pricing adjustments made for the years 2007 to 2015, which are explained in detail in **Note 19.5**. These legal proceedings relate to the adjustments imposed by the Italian authorities as a result of the purchase and sale transactions between the Italian Group company and Columbus Stainless (Pty) Ltd., as the transactions with the Group's Spanish factories have already been settled through an amicable procedure between the tax authorities of both countries.

During the year, negotiations between the Italian company and the tax authorities for the years 2007 to 2013 were completed and the Group's estimates were confirmed. The Italian company has made payments arising from these agreements amounting to EUR 3.6 million, which were fully provisioned, so the provision was reduced by that amount.

For the years 2014 and 2015, the Group is in negotiations with the authorities to try to conclude the agreements on the same terms.

The amount of the provision at year-end amounted to EUR 7,556 thousand. This amount includes not only the aforementioned open litigation, but also the amounts resulting from the amicable settlements reached between the Spanish and Italian tax authorities from 2007 to 2015, which are pending enforcement in Italy. The company, in view of the opinion obtained from the experts who advise it on the subject, considers that the provision provided is sufficient to cover the amounts resulting from the litigation as well as the pending settlements

Other provisions

"Other provisions" includes mainly the measurement by Acerinox Europa, S.A.U. of the obligations arising from the collective redundancy procedure implemented in 2019 and those relating to the contribution to the Treasury set forth in Additional Provision Sixteen of Law 27/2011. The amount of this obligation, as verified by an independent expert, totals EUR 9,254 thousand. When calculating the provision, the characteristics of the employees included in the collective redundancy procedure were taken into account, together with observance of the legal requirements established by law and the applicable percentages. **Note 16.1.2** sets out the details of this collective redundancy procedure.

In addition, this year, as explained in Note 8.1, a provision for the possible obligation to dismantle the land of the Group entity in Bahru Stainless has been recorded in the amount of EUR 6,871 thousand. This provision has also been recognised as an increase in the value of assets. This provision was valued at market value and recorded at its current value.

16.3 Guarantees provided

At 31 December 2023, the Group had provided guarantees to third parties, mainly public authorities, totalling EUR 28.8 million (2022: EUR 28.2 million). This amount includes the guarantees totalling EUR 1.5 million provided to the Italian tax authorities as a result of the tax assessments arising from the tax audits described in **Note 19.5**. It also includes EUR 4.2 million deposited as a guarantee with the Ministry of Industry for credits obtained under the financial support programme for industrial investment in the framework of the public policy for reindustrialisation and strengthening industrial competitiveness (REINDUS). Guarantees totalling EUR 2.5 million were also deposited with the customs authorities.

Group management does not expect any significant liabilities to arise from these guarantees.

16.4 Contingencies

There are no contingent liabilities at the end of this year or last year.

NOTE 17 – INCOME AND EXPENSES

17.1 Revenue

The detail of "revenue" in 2023 and 2022 is as follows:

(Amounts in thousands of euros)

	2023	2022
Sale of goods	6,594,564	8,679,783
Provision of services	13,414	8,711
Work performed by the company on its fixed assets	7,825	27,371
Operating lease income	622	567
Income from disposal of fixed assets	824	1,837
Income from grants or subsidies	29,066	13,070
Revenues from emission allowance subsidies	8,031	7,305
Valuation at fair value of derivatives	-2,687	10,701
Other income	56,342	7,545
TOTAL	**6,708,001**	**8,756,890**

The decline in sales compared to the previous year is due to lower demand in all markets and lower stainless-steel prices, which were partly influenced by the continuous decline in nickel prices over the course of the year.

The decrease in "work performed by the company on its fixed assets" is mainly due to the fact that major repairs were carried out on the steel and hot-rolling mills at one of the Group's plants last financial year, which were capitalised in accordance with the policy set out in **Note 2.8**.

"Income from grants or subsidies" includes the extraordinary subsidies from public bodies listed in **Note 15**.

"Other income" mainly includes the compensation received from the insurance company as a result of the incident at the Group's factory in the United States last year.

17.2 Staff costs

The detail of "staff costs" incurred in 2023 and 2022 is as follows:

(Amounts in thousands of euros)

	2023	2022
Wages and salaries	487,654	503,064
Social security	113,786	109,684
Contributions to employee benefit plans	11,183	10,897
Contributions to defined benefit plans	6,473	9,503
Termination benefits	3,138	2,621
Variation in employee benefit provision	1,709	-947
Other staff costs	12,603	18,941
TOTAL	**636,546**	**653,763**

Due to the unprecedented high prices of electricity and gas, on 16 March 2023, the Labor Authority was informed of the company's decision to extend the Temporary Layoff Plan (ERTE) agreed on 16 March 2022, of the Campo de Gibraltar (Cádiz) factory, whereby a Temporary Layoff Plan was approved due to economic and productive circumstances. This extension has a duration of one year from 17 March 2023, includes the entire workforce and allows for the adaptation of staff to the production needs prevailing at any given time, thus providing considerable flexibility for management purposes. As it is an extension of the existing ERTE, it creates an environment of safety and certainty which is beneficial to all parties, helping to maintain jobs and enabling the workforce to adapt to the portfolio of orders. This ERTE has been applied to all workshops throughout the year, although the necessary activity has been maintained in order to comply with the commitments acquired with our customers.

The average number of employees for 2023 and 2022, by category, is as follows:

	2023		2022	
	Men	**Women**	**Men**	**Women**
Senior Vice President	9		11	
Director	24	7	19	5
Manager	243	53	220	48
Analyst / Supervisor	604	210	569	181
Specialist	339	124	312	130
Administrative staff	595	466	598	462
Operators	5,347	215	5,444	230
TOTAL	**7,161**	**1,075**	**7,173**	**1,056**

The detail of the employees, including directors, at 31 December, by gender and category, is as follows:

	2023		2022	
	Men	**Women**	**Men**	**Women**
Board Members	7	4	7	4
Senior Vice President	9		9	
Director	25	7	19	5
Manager	243	49	220	49
Analyst / Supervisor	624	226	570	176
Specialist	332	118	321	138
Administrative staff	599	476	598	458
Operators	5,313	217	5,356	214
TOTAL	**7,152**	**1,097**	**7,100**	**1,044**

These figures do not include 6 workers on partial retirement plan (60 workers in 2022).

At 31 December 2023, the number of employees in Spain with a disability equal to or greater than 33% was 43 (39 men and 4 women) (44 in 2022 (43 men and 1 woman)).

All the companies comply with the provisions of the General Law on the Rights of Persons with Disabilities and their Social Inclusion, with the exception of Acerinox Europa, S.A.U. which, due to the retirements that have taken place in recent years, does not comply with the provisions of the aforementioned Law at 31 December 2023. To remedy this, on 15 December 2023 a request was submitted to the Junta de Andalucía for authorisation to adopt alternative measures. On 1 February 2024 this authorisation was received.

At Acerinox Europa, the collective redundancy procedure approved in 2019 resulted in the departure in 2022 of the last 4 employees signed up to the plan.

17.3 Other operating expenses

The detail of "other operating expenses" is as follows:

(Amounts in thousands of euros)

	2023	2022
Rentals	18,097	15,735
Commercial expenses	179,260	267,503
Supplies	347,689	530,636
Maintenance	87,134	99,032
Outside services	185,022	188,011
Insurance	28,429	23,210
Banking services	3,929	5,408
Other operating expenses	44,699	31,543
Taxes	18,031	30,670
Changes in current provisions	1,955	3,295
Losses on sale of fixed assets	2,719	1,987
Other extraordinary expenses	18,812	429
TOTAL	**935,776**	**1,197,459**

Of note was the generalised decrease in all costs due to the decrease in sales and productions. The decrease in the supplies item stands out as a result of the decrease in prices compared to the maximums reached in Europe last year, as well as the decrease in the tonnage produced. **Note 4.1.3** includes detailed information on the risk posed to the Group by the volatility of energy prices.

NOTE 18 – NET FINANCE COSTS

The detail of "net finance costs" is as follows:

(Amounts in thousands of euros)

	2023	2022
Interest income and other financial income	79,641	25,207
Dividend income	5	866
TOTAL FINANCIAL INCOME	**79,646**	**26,073**
Interest and other financial expenses	-101,044	-62,799
Impairment and loss on disposal of financial investments	0	-3
TOTAL FINANCIAL EXPENSES	**-101,044**	**-62,802**
Income from exchange differences	2,273	-4,624
Results from revaluation of financial instruments at fair value (currency forwards)	317	-3,141
FINANCIAL INCOME FROM EXCHANGE DIFFERENCES	**2,590**	**-7,765**
NET FINANCIAL COSTS	**-18,808**	**-44,494**

"Interest income" includes mainly the income arising from the cash placements made by the Group. The increase compared to the previous year is mainly due to higher interest rates and the Group's higher cash investments in USD. **Note 4.1.2** includes detailed information on the management of interest rate risk in the Group.

Borrowing costs include mainly the interest accrued on bank borrowings and bonds issued, which are explained in **Note 12.2.3**. The increase over the previous year is due to higher interest rates.

Lastly, gains or losses from translation differences arise in the course of the Group's commercial transactions as well as its financial and investment transactions. The Group uses derivative financial instruments to hedge most of the transactions performed in a currency other than the functional currency of each country. The use of these instruments ensures that any exchange rate fluctuations are offset by changes with the opposite sign in respect of the arranged derivative. The differences between the two amounts are mainly due to the interest rate differences between the currencies involved in the exchange rate insurance taken out and the differences between the insurance taken out and the monetary items in foreign currency.

NOTE 19 – TAX MATTERS

19.1 Legislative amendments

The most significant regulatory amendments approved during this period are as follows:

- In March 2022, the Organisation for Economic Co-operation and Development (OECD) approved the new international taxation model known as Pillar 2, 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 their profits in each jurisdiction in which they operate. The Pillar 2 standard apply to all multinational groups with a turnover of more than EUR 750 million. The basic principle of this standard, with some exceptions, is to ensure that the minimum payment in each jurisdiction is at least 15%, requiring the establishment of a supplementary tax system.

  A Directive was recently adopted at European Union level that defines the content of the GloBE standards in order to ensure their consistent and harmonised application in all EU Member States. This Directive should have been transposed by EU member states by 31 December 2023 at the latest, with effect from 2024. Transposition is pending in Spain, although the prior public consultation document on the transposition of the Pillar 2 Directive into Spanish law was published on 6 March 2023.

  The Group has carried out an analysis of the potential impacts of the application of this standard on the Group. The country-by-country report for 2022 presented this year has been used as a basis for the analyses. The GloBE standards provide for the possibility of applying safe harbours, based on a number of established parameters, which are calculated per jurisdiction on the basis of data published in the country-by-country report. Compliance with these parameters allows companies to limit the number of jurisdictions affected by the calculation of the minimum payment. The implementation of safe harbours is a temporary measure applicable for the first three years of implementation of the law, i.e. from 2025 to 2027.

  From the analysis carried out by the Group, it follows that all jurisdictions significant to the Group would be eliminated from the application of the minimum tax, so the Group does not expect the application of this standard to have a significant impact.

- In Spain, Law 38/2022 of 27 December introduced, among other things, a temporary measure concerning the calculation of corporate income tax for companies taxed under the tax consolidation regime. Commencing with tax periods beginning in 2023, the taxable income of the tax group will be determined by integrating the taxable income of the entities forming part of the tax group and 50 per cent of the individual tax losses. Any remaining individual tax losses not accounted for in the tax group's taxable income shall be integrated evenly over the initial ten tax periods beginning on or after 1 January 2024.

  The group has applied the rule in the calculation of the tax for this year, although it has had no economic impact as the tax base is negative in any case. The Group has recognised carry-forward tax losses that have not been recognised for tax purposes and which are to be included on a straight-line basis over the next ten years.

- On 24 May, also in Spain, Law 13/2023 was approved, which introduces amendments to Law 27/2014 on corporate income tax. In particular, the amendment concerns the calculation of the operating profit applicable to the limitation of the deductibility of financial expenses. The provision makes it clear that income, expenses or earnings that are not included in the basis of assessment for this tax are never part of the operating profit. This prevents the inclusion of dividends from foreign subsidiaries, which are exempt from the calculation of the tax, in the calculation of operating profit. The rule is applicable from 1 January 2024.

  The Spanish tax group has accumulated excess operating profits that have not been utilised in previous years and that can be utilised over a period of 5 years, meaning that the application of this standard should have no impact in the medium term. From the fifth year onwards, Acerinox could be affected by this standard due to its financial structure if the operating profit of the consolidated tax Group is insufficient to cover the net financing costs, but the forward-looking estimates of the consolidated tax group made at the end of the year do not appear to show any material impact.

- Corporate income tax on 18 January 2024, the Constitutional Court has declared certain corporate tax measures introduced by Royal Decree Law 3/2016, of 2 December, unconstitutional. The Court considers that the approval of these measures by Royal Decree-Law has violated Article 86.1 of the Spanish Constitution, as this regulatory instrument cannot “affect the rights, duties and freedoms of citizens regulated in Title I”. In particular, it considers that the duty to contribute to the support of public expenditure is affected.

The changes to corporate income tax that have been annulled include, in particular: the setting of the 25% limitation for offsetting tax losses, the introduction of a limit on the application of deductions for double taxation and the obligation to automatically include in the tax base the impairment of holdings deducted in previous years.

With the annulment of this Royal Decree 3/2016, the original Corporate Income Tax Act is once again applicable according to its original wording, which allows the recoverability of tax losses with a limit of 70% (instead of 25%) of the taxable income generated in the year. This measure has a significant impact on the recognition of unused tax credits, which the Group has taken into account this year, allowing it to capitalise the tax credits generated this year as explained in **Note 19.3.3**.

The Group, in anticipation of a possible declaration of invalidity, challenged its corporate income tax returns for the years 2016 to 2020 in 2021. These claims are currently before the National High Court. In 2022, it also challenged the 2021 corporate income tax return.

The Group, in view of the final judgement of the Constitutional Court, considers that its claims should be resolved in 2024, which will mean an income for the Group of EUR 11.5 million plus interest. These refunds mainly correspond to the higher application of carry-forward tax losses from previous years. The Group has not recognised any asset for this item during the year as it was not applicable at year-end and it has not received any notification from either the National High Court or the Tax Agency regarding the possible enforcement of the judgement.

- In South Africa, the tax rate applicable for the calculation of income tax has been changed from 28% to 27%. The Group has included the effect of the change in rates on deferred tax assets and liabilities, which has had a positive effect on the income statement of EUR 437 thousand as the Group company in South Africa has mainly deferred liabilities as a result of the different accounting and tax treatment of depreciation and amortisation.

In 2022, no significant legislative amendments were passed relating to corporate income tax that could have an impact on the Group.

19.2 Income tax expense

The income tax expense recognised was as follows:

(Amounts in thousands of euros)

	2023	2022
Current tax	204,632	262,590
Deferred taxes	-66,527	-2,178
Income tax	**138,105**	**260,412**

The increase in deferred tax in the year is mainly due to the recognition of tax credits relating to losses incurred by certain Group companies. **Note 19.3.3** explains the recoverability analyses conducted by the Group this year with respect to tax loss carryforwards. No additional impairment losses had to be recognised this year; on the contrary, tax credits were recognised for tax loss carryforwards generated this year, amounting to EUR 80,465 thousand, mainly corresponding to the Spanish tax group and the Columbus Stainless entity (2022: EUR 15,550 thousand recognised in the Spanish tax consolidation).

The amount recognised under “other taxes” in the consolidated statement of profit or loss includes the taxes paid abroad as a result of the withholdings made on the payment of interest and dividends.

The parent received dividends from its subsidiaries in the amount of EUR 306 million, most of which were exempt from tax withholdings abroad (2022: EUR 488 million, and practically all of them were exempt from taxation).

Withholdings on interest payments are deductible from corporate income tax under the double taxation conventions, and they reduce the income tax expense.

A reconciliation of the income tax expense recognised in the consolidated statement of profit or loss to the accounting profit is presented below:

(Amounts in thousands of euros)

	2023		2022	
Net profit (loss) for the year		**228,128**		**556,054**
Non-controlling interests		-11,161		14,332
Income tax		138,105		260,412
Other taxes		273		477
Profit (loss) before tax		**355,345**		**831,275**
Tax on profits using local tax rate	25 %	88,836	25 %	207,819
Effects on tax charge:				
Effect of tax rates for foreign companies		1,264		-2,129
Non-deductible expenses		39,877		52,750
Tax incentives not recognised in the income statement		-2,301		-2,885
Non-taxable income		-555		2,721
Adjustment for prior years		1,167		-914
Adjustment to tax rates related to deferred taxes		-820		-1,197
Provision for tax litigation, tax assessments and settlements		-104		-110
Unrecognised tax credits		12,696		5,509
Unused tax credits used in the year		-12		-709
Other		-1,943		-443
Income tax		**138,105**		**260,412**

The amount of non-deductible expenses, mainly due to the non-deductibility of the impairment of assets recognised in the Malaysian company Bahru Stainless is noteworthy, both this year and in the past. In addition, the amount of unrecognised tax credits has increased due to tax losses in some subsidiaries where the recognition criteria are not met.

The tax incentives and other tax credits not recognised in the consolidated statement of profit or loss relate mainly to tax credits for R&D&I activities.

19.3 Deferred taxes

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

(Amounts in thousands of euros)

	2023		2022	
	Prepaid taxes	Deferred taxes	Prepaid taxes	Deferred taxes
Balance as of 1 January	**101,225**	**227,784**	**105,848**	**200,051**
Expenses / (Income) for the period	48,106	-18,421	63,319	61,251
Taxes taken directly to shareholders' equity	2,926	-13,162	-30,381	-1,205
Exchange rate variations	-233	-3,783	72	5,380
Transfers	17,242	17,242	-37,739	-37,739
Other variations	0	-3,759	106	46
Balance as of 31 December	**169,266**	**205,901**	**101,225**	**227,784**

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

(Amounts in thousands of euros)

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
Goodwill and other intangible assets	2,526	6,783	-12,911	-16,764	-10,385	-9,981
Property, plant and equipment	1,120	683	-135,630	-147,684	-134,510	-147,001
Financial assets	24	1,811	-184	-687	-160	1,124
Inventories	3,442	4,337	-79,807	-75,354	-76,365	-71,017
Other assets	2,350	31	-6,172	-14,213	-3,822	-14,182
Provisions	9,531	12,895	-1,464	2,637	8,067	15,532
Employee benefit plan	30,945	25,729	-11	38	30,934	25,767
Financial liabilities	2,330	3,606	-5,921	-8,986	-3,591	-5,380
Other liabilities	1,562		-10,068	-11,047	-8,506	-11,047
Other tax deductions	22,663	19,845			22,663	19,845
Unused tax losses	146,596	80,609			146,596	80,609
Provision for tax litigation			-7,556	-10,828	-7,556	-10,828
Deferred tax assets/liabilities	**223,089**	**156,329**	**-259,724**	**-282,888**	**-36,635**	**-126,559**
Offsetting deferred tax assets and liabilities	-53,823	-55,104	53,823	55,104		
Deferred tax assets/liabilities	**169,266**	**101,225**	**-205,901**	**-227,784**	**-36,635**	**-126,559**

Most of the deferred taxes have a reversal period of more than one year.

As laid down in the corporate income tax accounting policy (**Note 2.19**), the Group only offsets deferred tax assets and liabilities when there is a legally enforceable right to do so, the assets and liabilities correspond to the same tax authority and the Group plans to realise current tax assets or settle current tax liabilities on a net basis.

19.3.1 Deferred tax liabilities

The deferred tax liabilities recognised include those arising from property, plant and equipment and relate mainly to the different tax and accounting treatment of depreciation as permitted by the laws of certain countries. These liabilities arose mainly from North American Stainless, Inc., Columbus Stainless, Ltd. and the VDM Metals Group. Deferred tax liabilities from inventories are also significant due to the different accounting and tax treatment of inventory valuation; they arise mainly from Germany.

With respect to the deferred tax liabilities arising from investments in subsidiaries, as explained in **Note 3**, certain companies forming part of the Consolidated Group have reserves which could be taxable if distributed, since certain legislation envisages withholdings at source that affect the payment of dividends, as well as limitations on the deductibility of gains from other countries distributed in the form of dividends. The Group recognises the tax effect in this connection provided that it considers that such reserves will have to be distributed in the foreseeable future. On the other hand, the Spanish General State Budget Law for 2021 (Law 11/2020, of 30 December) includes, among other measures, a corporate income tax amendment affecting the exemption from taxation of dividends received from Group companies in certain circumstances. As a result of the entry into force of this amendment to income tax, the parent of the Acerinox Group has had its tax exemption for dividends received reduced to 95%, whereby it is now taxed on 5% of the dividends received from subsidiaries, which are treated as non-deductible expenses relating to management of the ownership interest. As with the distributable reserves mentioned in the previous paragraph, the Group also takes into account the tax effect if it believes that the distribution of reserves from subsidiaries will be required in the foreseeable future.

This limitation could give rise to the recognition of a deferred tax liability for the undistributed retained earnings of Group companies, provided that these are expected to be repatriated in the form of dividends in the foreseeable future.

Although the Group does not have a general policy of distributing dividends from subsidiaries to the parent, each year the Group analyses the equity position of all its subsidiaries, while also taking into account existing taxes, in order to determine whether reserves should be repatriated through the distribution of dividends. In view of the significant amount of dividends distributed by North American Stainless in the last three years and at their level of income generation year-on-year, the Group considers that it will not distribute dividends from the reserves of the Group companies in the foreseeable future and, accordingly, it did not recognise a deferred tax liability in this connection. Also, there are very few companies in the Consolidated Group that have significant distributable reserves that will be distributed in the foreseeable future.

19.3.2 Deferred tax assets

At 31 December 2023 and 2022, the Group had tax assets arising from carry-forward tax losses, to be used within the following periods:

(Amounts in thousands of euros)

	2023	2022
From 1 to 5 years	68,079	3,008
From 6 to 10 years	18,401	76,206
From 11 to 20 years	940	115
From 21 to 30 years		2,332
No expiration date	243,206	179,769
TOTAL	**330,626**	**261,430**

Not all the tax assets included in the table have been recognised by the Group. The recognised tax assets amounted to EUR 146,596 thousand in 2023 (2022: EUR 80,609 thousand).

The distribution by country of the recognised tax assets is as follows:

(Amounts in thousands of euros)

	2023	2022
Spain	125,744	61,179
South Africa	13,465	
USA	42	13,903
France	2,125	2,215
Poland	11	
Italy	1,391	
Sweden	2,589	2,738
Chile	237	250
Colombia	137	115
UK	58	209
Mexico	699	
Argentina	98	
TOTAL	**146,596**	**80,609**

During the year, tax credits recognised have increased mainly due to the capitalisation of new credits generated in the year as a result of tax losses obtained by both the Spanish consolidated tax group and Columbus.

As explained in **Note 19.3.1**, the Group considers that after the annulment of Royal Decree 3/2016 and the possibility of offsetting tax bases with 70% of the tax bases generated in the future, this will allow their recovery in a reasonable period of less than ten years.

A comparison of the two tables above reveals that the Group has unrecognised tax assets amounting to EUR 184,030 thousand, equal to tax losses of EUR 759 million, which were not recognised for accounting purposes as they did not meet the recognition criteria (2022: EUR 180,821 thousand of unrecognised tax assets, equal to losses of EUR 748 million).

The Group also has assets for unrecognised temporary differences of EUR 360.9 million (EUR 266.3 million in the previous year) arising from the accounting impairment of Acerinox, S.A.'s investments in some of its investees, which have not been recognised as the timing of their reversal is not known, and from the impairment of assets recognised in other entities. These assets are not deductible until the assets giving rise to the related temporary difference are realised.

On 22 June 2015, the Group Company Bahru Stainless received confirmation from the Malaysian Ministry of Economy that tax relief had been approved in respect of the investments made in the country from 2009 to 2014. This relief consists of corporate income tax credits for an amount equal to the investments made in certain items of property, plant and equipment, totalling MYR 1,806 million (EUR 356 million to the tax base). As in the case of the tax loss carryforwards, the Group did not recognise a deferred tax asset in this connection as it was still unable to estimate the timing of the recoverability thereof at the reporting date. At the same time, the Company also has unused temporary differences as a result of the different depreciation and amortisation methods for accounting and tax purposes ("capital allowances"), amounting to EUR 340 million (2022: EUR 361 million). These temporary differences have an unlimited utilisation period in Malaysia.

The Group Company North American Stainless is also entitled to tax relief for investments in assets that contribute to recycling. This relief is deducted from the calculation of the Kentucky State tax and amounted to EUR 528 million at 2023 year-end (year-end 2022: EUR 549 million). Of the total tax relief, EUR 16.1 million expire in 2028 and EUR 4.5 million expire in 2031. The rest are unlimited. Application of this relief is limited to 50% of the tax payable in the State of Kentucky, or USD 2.5 million/year. The Group only recognises a deferred tax asset for assets arising from investments which expire and relate to a specific tax relief programme approved in 2005 by the State of Kentucky (Major Credits Program). At 2023 year-end, EUR 7.2 million (2022: EUR 6.8 million) were recognised as deferred tax assets. The Group has recognised an additional EUR 629 thousand this year.

Deferred tax assets arising from deductions pending utilisation, amounting to EUR 22,663 thousand (2022: EUR 19,845 thousand), relate mainly to the Spanish tax group, except for the EUR 7.2 million mentioned in the preceding paragraph in relation to North American Stainless and EUR 671 thousand in relation to Columbus Stainless. The Group also took these tax benefits into consideration when conducting the recoverability analyses.

19.3.3 Analysis of the recoverability of deferred tax assets

As stated in the accounting policies, the Group recognises deferred tax assets in the consolidated statement of financial position provided that those assets are recoverable within a reasonable period, also taking into consideration the legally established limitations on their use. The Group considers a period of approximately ten years to be reasonable if permitted by tax legislation.

To assess the recoverability of the unused tax assets, the Group prepares a five- to ten-year budget for each of the companies with recognised tax assets, based on which it performs the tax adjustments necessary to determine the tax bases. The Group also takes into account the limitations on the offset of tax bases established in the respective jurisdictions, as well as the minimum payment regulations. In addition, the Group assesses the existence of deferred tax liabilities against which tax losses may be offset in the future.

In preparing budgets, the Group considers the financial and macroeconomic circumstances and those of the stainless-steel market itself, adapted to the entity's operating environment. Parameters such as expected growth, use of installed production capacity, prices, etc. are projected on the basis of the forecasts and reports of independent experts, as well as historical figures and the targets set by management. Relevant key assumptions such as exchange rates, raw material prices or energy prices are extrapolated using highly conservative criteria, always tied to the most recent values recorded in the pertinent markets at the date of the analysis.

At the end of the year, the Group entities that record activated tax credits in their financial statements are mainly Spanish. Columbus Stainless, the Group's company in South Africa, has also recorded the tax credits generated during the year, which are the only ones pending offset.

- In the case of the Spanish entities, the tax assets arise mainly from the consolidated tax group in Spain, which comprises all the Spanish Group companies with the exception of those established in the regions of Álava, Vizcaya and Guipúzcoa. Tax assets arising from tax loss carryforwards from the consolidated tax group in Spain amounted to EUR 220 million at year-end, of which EUR 96 million were not recognised as deferred tax assets. In this financial year, the fall in demand, due to high inventories in the supply chain, as well as the decrease in stainless-steel prices in Europe, which reached record lows, caused some of the Group's Spanish companies to report losses. Following an appropriate impairment analysis, the Group has deemed it appropriate to capitalise the tax credits incurred this year.

  In Spain there are limitations on the use of carry-forward tax losses. Royal Decree 3/2016 introduced an amendment to the Corporate Income Tax Act, limiting the possibility of offsetting carry-forward tax losses to 25% of the taxable income generated in a given year. As explained in Note 19.1 on regulatory modifications, the Constitutional Court has declared this Royal Decree null and void, so that the limitations established in the original Corporate Income Tax Act, which raise the compensation percentage to 70%, are back in force. In the case of entities subject to the tax regimes in force in Álava, Vizcaya and Guipúzcoa, the limitation is 50%.

  As explained in Note 8.1, in this financial year, the Group has updated the five-year results forecasts based on the new circumstances and taking into account the future strategic plans approved by the management, which have been designed with the aim of trying to improve the results of Acerinox Europa, the main component of the Spanish fiscal Group, redirecting a greater part of its sales towards end customers and towards products with higher added value. The Group has also engaged an independent expert to perform an impairment analysis.

  To analyse the recoverability of the tax credits capitalised in the Spanish tax group, the Group has taken into account the budgets of Acerinox Europa prepared by the independent expert, in addition to the five-year budgets of the other companies in the consolidated tax group.

The key assumptions considered in the preparation of the budgets are based on demand estimates, raw material and selling prices, exchange rates, consumer price increases, energy costs estimates and the Company's strategy itself.

In view of all these aspects and taking into account the new limitations on the application of carry-forward tax losses, the five-year budgets extrapolated to ten years taking into account historical average yields and margins, justify the recovery of all the credits capitalised in a period of less than ten years and all the deductions pending application, also allowing the Group to recover the carry-forward tax losses generated in this year, amounting to EUR 259 million, so it has capitalised them.

Sensitivity analyses were performed on these estimates to determine the risk that a change in the assumptions may require an additional impairment loss to be recognised on these deferred tax assets. The Group has adopted a prudent approach this year, preferring only to capitalise the tax credits generated this year and not to exceed the ten-year limit established in its policy. Capitalised tax credits have a recovery period of eight years. A 10% fluctuation of the considered results would allow for a further recovery of the capitalised tax bases in a period of less than ten years. Among the possible ten-year projection scenarios, the Group selected that which it deems the most reasonable on the basis of historical factors and in the five-year budget made by the independent expert.

- The aforementioned circumstances in the European market have also affected Columbus, the Group's South African factory, as Europe is its main export market. The successful strategy followed by the company, which consists of balancing stainless-steel production with carbon steel for the local market, allows Columbus to be less exposed to the situation of the international markets. **Note 8.1** includes a detailed analysis of the assumptions considered in the five-year budgets prepared by management. These same budgets are the basis for the analysis of the recoverability of the tax credits capitalised this year. The company had no outstanding tax credits from previous years. With the approved budgets, the Group expects to recover the carry-forward tax losses within three years and has therefore capitalised the corresponding tax credits.

- With respect to the other European entities, the recognised tax assets arose from the crisis years, and the amount thereof has been reduced since 2013 through the generation of profits, enabling their partial recovery. The transfer pricing policies adopted by the Group to remunerate and define transactions with distributors render it unlikely that those entities will suffer significant losses. The existence of a transfer pricing bilateral advance pricing agreement with similar entities and the various mutual agreements reached in various countries make it unlikely that the results of those entities will differ significantly from the projected results. Therefore, the conclusions reached are not expected to change. The Group analysed the recoverability of the tax assets and concluded that, based on the estimated results, they are expected to be recoverable within a reasonable period of less than ten years.

19.4 Current tax

At 31 December 2023, there is a current income tax asset balance of EUR 13,506 thousand (2022: EUR 22,770 thousand) and a current income tax liability of EUR 12,601 thousand (2022: EUR 58,295 thousand).

19.5 Tax audits and years open for review

19.5.1 Tax audits

The detail of the status of each of the tax audits under way at 2023 year-end, or that were concluded but signed on a contested basis and are currently under appeal, is as follows:

Italy

In 2011, the subsidiary Acerinox Italia, S.r.l. underwent a tax audit for 2007, 2008 and 2009.

Between 2012 and 2014, the tax assessments for the three years were received, primarily indicating transfer pricing adjustments in relation to sale and purchase transactions between the Company and the Group's factories in Spain and, to a lesser extent, in South Africa. The resulting tax payable amounted to EUR 16 million, plus interest of EUR 3.5 million. No penalties were imposed.

Subsequently, in 2016, 2017, 2018, 2019 and 2021, without receiving prior notice of the commencement of tax audits, the Company received transfer pricing tax assessments relating to 2011, 2012, 2013, 2014 and 2015, which automatically applied criteria similar to those followed in the previous tax audits. These tax assessments resulted in adjustments to the tax base of

EUR 4.3 million in 2011, EUR 4.9 million in 2012, EUR 3 million in 2013, EUR 2.3 million in 2014 and EUR 3.8 million in 2015, and amounts payable of EUR 1.5 million, EUR 1.6 million, EUR 1 million, EUR 954 thousand and EUR 1.4 million, respectively. No penalties were imposed in this case either. The Group lodged appeals against all these tax assessments at the Milan Provincial Tax Commission within the respective time limits, and at the same time requested the suspension of payment of the debts until the end of the procedures. In addition, a request was filed at the Spanish and Italian authorities to eliminate double taxation on the basis of Convention 90/436/EEC, of 23 July 1990. The Group has provided guarantees of EUR 1.5 million to cover the suspension of the debts in Italy.

In addition, in December 2018 the request for the elimination of double taxation with South Africa was submitted in Italy in respect of the tax audits under way in relation to 2011 to 2013. On 9 March 2021, the Company had to waive this procedure so that regularisations derived from friendly agreements could be initiated and negotiations carried out to apply the same criteria reached in such agreements to transactions with third countries.

On 3 October 2019, both the Group entity in Italy and the Spanish entities affected by the adjustments were notified of the agreement reached by the Spanish and Italian authorities for 2007 to 2013, which reduced the transfer pricing adjustments initially proposed by the Italian tax inspectors for the Spanish entities from EUR 84 million to EUR 41 million and completely eliminated double taxation. Following the aforementioned agreements, Spain recognised a tax refund of EUR 5.8 million and an increase in the tax losses equal to EUR 5.9 million in tax assets. In Italy, the agreements resulted in the elimination of all the tax losses and, accordingly, the Group derecognised tax assets recognised amounting to EUR 8.3 million. The amounts recoverable in Spain were received on 17 February 2020. The Group nevertheless submitted pleadings in Spain against the execution of the agreements, due to failure to recognise late-payment interest for the refundable amount of EUR 5.9 million.

On 18 November 2021, the notifications of the amicable settlements reached between the Spanish and Italian authorities for the 2014 and 2015 tax years were received. With regards to 2014, the Italian authorities cancelled all transfer pricing adjustments made on transactions with Spanish companies. As for 2015, Italy waived EUR 2.2 million of the adjustments initially imposed, leaving adjustments of EUR 404 thousand to be recognised in Spain as less taxable income in 2015. On 12 April 2022, a refund was received in Spain of EUR 47 thousand corresponding to the corporate income tax liability plus EUR 3 thousand in late payment interest. In addition, tax loss carryforwards in Spain have increased by EUR 101 thousand.

All agreements reached between the Spanish and Italian authorities are pending execution in Italy. Although the amicable agreements only extend to the transactions performed between the Italian entity and the respective factories in Spain, the same agreement should technically apply to sale and purchase transactions with third countries. In this respect, and following discussions held with the Italian tax authorities, the Group has closed the negotiations relating to the transactions between Italy and the Columbus Stainless Group company from 2007 to 2013. As a result of the aforementioned agreements, on 16 June, the Group company Acerinox Italia has paid EUR 3,633 thousand (EUR 2,544 thousand of corporate income tax and EUR 1,096 thousand of interest), which the company had already provisioned, and has therefore proceeded to reduce the provision by the aforementioned amounts.

In relation to the appeals filed for the years 2014, 2015 and 2016, the Milan Provincial Tax Commission has already been informed of the agreements reached and the hearing has been postponed in order to try to reach an agreement on the same terms and for the same reasons as in previous years.

This year, following the submission of the transfer pricing documentation for 2017, the Company has received transfer pricing adjustment assessments, applicable to the tax base in the amount of EUR 1.1 million. Prior to the issuance of the assessments, the tax authorities informed the Group that they are willing to close all outstanding adjustments, to accept the transfer pricing policy adopted by the Group and to finalise the recurring transfer pricing adjustments.

However, while negotiations continue, the Group intends to follow the same procedure for 2017 as in previous years, i.e. it will file an appeal in Italy and request the elimination of double taxation in Spain through the Amicable Agreement procedure.

Following the review at year-end of the provision recorded for open litigation in Italy and the opinion received from the experts advising it on the matter, the Group has decided to maintain the provision in the amount of EUR 7,556 thousand, which is equivalent to the amount it calculates will be payable in Italy for the amicable agreements pending execution and open litigation relating to transfer pricing adjustments for transactions carried out with third countries in 2014, 2015, 2016 and 2017.

Germany

On 14 December 2020, the Group Company in Germany, Acerinox Deutschland, GmbH, was notified of the commencement of a tax audit relating to 2015 to 2018. For those years, the Group had a bilateral advance pricing agreement applicable to transactions between the Group's Spanish plants and Acerinox's subsidiary in Germany. On 12 January 2023, the inspector's report was received with a proposal to complete the audit without adjustments, pending the issuance of the final report.

With regard to the VDM companies in Germany, an audit procedure was initiated in June 2021 for the financial years 2016 to 2018. The procedures have not yet been completed and no report has been prepared to date from which the existence of corrections could be deduced.

The renewal of the previous bilateral valuation agreement between the Group's factories in Spain and the Group's distributor in Germany (Acerinox Deutschland GmbH) is still in progress. The application was submitted on 29 June 2021, on the same terms as the ones in force until 31 December 2021.

Spain

On 21 December 2023, the companies Acerinox, S.A., Acerinox Europa S.A.U. and Roldan received notification of the commencement of partial verification and investigation proceedings limited to the verification of the request for rectification of corporate income tax for the year 2021 submitted by the Group, as well as the deductions for technological innovation (TI) expenses pending application, generated in the years 2017 to 2021.

The first meeting took place in February 2024.

Chile

In December 2023, an inspection was initiated at the Group's subsidiary in Chile, in order to review the tax losses pending recovery accumulated since 2012. To date, the inspection is still ongoing and all the requested information has been provided.

Malaysia

In February 2022, the Group's two entities in Malaysia were notified of the opening of a transfer pricing inspection procedure relating to the financial years 2015 to 2020.

On 2 December 2022, the inspection report was received, bringing the inspection proceedings to an end. In the case of Bahru Stainless, Sdn. Bhd, the inspection report includes an adjustment given that the interest accrued from 2019 on the loan granted by Acerinox, S.A. until its full capitalisation in 2021 is considered non-deductible, as it is considered to be a capital contribution from that date. This adjustment has no effect because there was a restriction on the deductibility of interest that prevented it from being deducted. In addition, the company has no recognised deferred tax assets.

As regards the entity Acerinox SC Malaysia Sdn. Bhd, the inspection has been completed in conformity and without any adjustment.

Other inspection activities

During the year, inspections were carried out at VDM Metals Japan K.K. and, for the years 2020 to 2022, at VDM Metals Korea Co. Ltd, relating to the year 2021. Both inspections have been completed without significant adjustments.

19.5.2. Years open for review

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the deadline for registration has expired.

Spain

Pursuant to the Spanish Corporate Income Tax Law, carry-forward tax losses declared in the tax returns for years open for review become statute-barred ten years from the day following the final day of the period established for filing the tax return or self-assessment for the tax period in which the right to offset arose. Once this period has elapsed, taxpayers must demonstrate that the carry-forward tax losses that they wish to offset, and the amount thereof, are appropriate by submitting the assessment or self-assessment and the accounting records, together with evidence that they were filed at the Companies Registry within the aforementioned period.

At 31 December 2023 and 2022, Acerinox, S.A. and the companies in the consolidated tax group had all the taxes applicable to them open for review in relation to the following years:
Type of tax

	2023	2022
Corporate income tax	2017-2022	2017-2021
Value added tax	2020-2023	2019-2022
Customs duties	2020-2023	2019-2022
Personal income tax	2020-2023	2019-2022

Other countries

The other Group entities have the taxes for the years established by their respective local jurisdictions open for review. The Directors of the parent and of its subsidiaries do not expect that any significant additional liabilities will arise in the event of a tax audit.

NOTE 20 – RELATED PARTY BALANCES AND TRANSACTIONS

20.1 Related parties

The consolidated financial statements include transactions performed with the following related parties:

- Key executives of the Group and members of the Boards of Directors of the various Group companies; and
- Significant shareholders of the parent.

Transactions performed between the Company and its subsidiaries, which are related parties, are carried out, from the standpoint of their subject-matter or terms and conditions, in the ordinary course of the Company’s business activities and have been eliminated on consolidation. Therefore, they are not disclosed in this Note.

20.2 Related party transactions and balances

The only transactions carried out with related parties relate to the Directors and key management personnel in payment for the functions performed, all of which are carried out on an arm’s length basis.

a) Directors and key management personnel

The remuneration received during the year by the twenty-four members of the Management Committee and who do not hold a position on the Board of Directors of Acerinox, S.A. amounts to EUR 12,044 thousand. Of this amount, EUR 5,308 thousand are salaries, EUR 5,081 thousand are variable remuneration corresponding to the previous year's results and EUR 1,655 thousand are benefits in kind, partly derived from the shares they received for completing the third cycle of the multi-year remuneration plan, as explained below. They did not receive any per diems during this financial year.

In December 2023, at the proposal of the Appointments and Remuneration Committee, a Management Committee was created that included not only those who report directly to the Chief Executive Officer but also those who, without this direct reporting line, perform a corporate function in the company's Central Services and whose remuneration includes a specific retention system.

In 2022, the nine senior executives received EUR 8,124 thousand, of which EUR 3,061 thousand related to salaries, EUR 4,082 thousand to variable remuneration based on the previous year's results and EUR 981 thousand to remuneration in kind. No per diems were received.

In 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 4,129 thousand in fixed allowances, attendance fees, and fixed and variable salaries (based on the previous year's results), of which EUR 1,490 thousand related to salaries and fixed allowances for Directors, EUR 679 thousand to attendance fees, EUR 1,500 thousand to variable remuneration based on the previous year's results and EUR 460 thousand to remuneration in kind. In 2022, the remuneration received amounted to EUR 4,250 thousand, of which EUR 1,443 thousand related to salaries and fixed allowances of Directors, EUR 726 thousand to attendance fees, EUR 1,500 thousand to variable remuneration based on the previous year's results and EUR 581 thousand to remuneration in kind.

With regard to the breakdown of the Chief Executive Officer's variable remuneration, the annual bonus for 2022 has been settled in this year. The metrics used for their calculation combined financial, environmental and other business aspects specified in the Annual Report on Directors' Remuneration (IARC) for the year.

The Appointments, Remuneration and Corporate Governance Committee considered the different levels of compliance and submitted its proposal to the Company's Board of Directors, which generated a combined achievement coefficient that resulted in a preliminary bonus of EUR 740 thousand and a bonus pool (a percentage to be distributed of 0.616% of EBITDA, shared with the rest of the senior executives) of an additional EUR 962 thousand. As the maximum remuneration for this item is capped, the total bonus received amounted to EUR 1,500 thousand. This amount was paid during the month of March.

As regards the long-term incentive, due to the application of the metrics of comparable companies in the terms described in the Annual Report on Directors' Remuneration, the Chief Executive Officer was awarded 23,498 Acerinox, S.A. shares, after deducting the amount corresponding to personal income tax.

In relation to the multi-year remuneration or long-term incentive (LTI) plan, the terms and conditions of which are detailed in **Note 16.1.2**, the expense incurred in the year in relation to the Chief Executive Officer and senior executives, the balancing entry of which is recognised under "other equity instruments", amounts to EUR 1,429 thousand, of which EUR 233 thousand relate to the Chief Executive Officer (2022: EUR 1,146 thousand, accrued by senior executives, of which EUR 286 thousand relate to the Chief Executive Officer). During the year, the shares corresponding to the third cycle of the first approved share-based remuneration plan were delivered. A total of 110,563 shares were delivered (109,378 shares corresponding to the second cycle were delivered in 2022), after deducting applicable withholdings, of which 23,498 corresponded to the Chief Executive Officer (2022: 34,537). The difference between the amount recorded as other equity instruments corresponding to that cycle and the amount of shares finally delivered, amounting to EUR -769 thousand, has been recorded against equity under the "reserves" caption (2022: EUR -810 thousand).

There are obligations arising from certain senior executive retirement benefit arrangements amounting to EUR 18.8 million (2022: EUR 17.9 million), of which EUR 5.5 million correspond to the Chief Executive Officer (2022: EUR 5.3 million). Since these obligations were duly insured in both 2023 and 2022, and their estimated amount was covered by cash flows arising from the insurance policies taken out for this purpose, no liabilities were recognised in this connection. In 2023, the amount of EUR 458 thousand has been contributed to the insurance company (2022: EUR 1,512 thousand). There are no obligations contracted with proprietary or independent directors of Acerinox, S.A. At 31 December 2023 there are no advances or loans granted to or balances with members of the Board of Directors or senior executives.

The Company's Directors and their related parties were not involved in any conflict of interest that had to be reported pursuant to Article 229 of the Consolidated Spanish Limited Liability Companies Law.

The Group has taken out a third-party liability insurance policy which covers the directors and senior executives, as well as Group employees. The premium paid in 2023 amounted to EUR 754 thousand (2022: EUR 718 thousand).

In 2023 and 2022, the members of the Board of Directors did not perform any transactions with the Company or with Group companies that were outside the normal course of business or were not on an arm's length basis.

b) Significant shareholders

The Acerinox Group has not entered into any related party transactions with any significant shareholders in 2023 or 2022.

NOTE 21 – AUDIT FEES

The shareholders at the Annual General Meeting held on 23 May 2023 resolved to reappoint the auditors "PricewaterhouseCoopers Auditores, S.L." to perform the review and statutory audit of the financial statements of ACERINOX, S.A. and its Consolidated Group for 2023.

The detail of the fees and expenses incurred for services rendered by the audit firms that audited the Acerinox Group's financial statements in 2023 and 2022, respectively, and their associate firms, is as follows:

(Amounts in thousands of euros)

	2023			2022		
	PWC Auditores, S.L.	PWC International	TOTAL	PWC Auditores, S.L.	PWC International	TOTAL
For audit services	408	1,150	1,558	371	1,049	1,420
For tax advisory services		9	9		7	7
For other verification services	128	18	146	70	21	91
For other services						0
TOTAL	**536**	**1,177**	**1,713**	**441**	**1,077**	**1,518**

"Other audit-related services" includes the limited review of the interim condensed consolidated financial statements as at 30 June 2023 and 2022, the report on agreed-upon procedures regarding the system of Internal Control over Financial Reporting (ICFR) and the report on agreed-upon procedures relating to the achievement of the financial ratios required by the Borrowing Base Facility of Columbus Stainless and the ICO in Spain, and other agreed-upon procedures performed in accordance with ISRS 4400 in Malaysia. For the first time, this year the independent review of the non-financial information contained in the Consolidated Statement of Non-Financial Information in the Consolidated Group's 2023 Directors' Report is included in other audit-related services.

The amounts detailed in the foregoing table include the total fees for services rendered in 2023 and 2022, irrespective of when they were billed.

Other audit firms billed the Group in 2023 for fees and expenses for audit services amounting to EUR 222 thousand (2022: EUR 151 thousand).

NOTE 22 – EVENTS AFTER THE REPORTING PERIOD

Acerinox, S.A. closes an agreement for the acquisition of the US company Haynes International

The Boards of Directors of Acerinox, S.A. and Haynes International have agreed to the acquisition by the Acerinox Group of 100% of Haynes International (Haynes), a US-listed company based in Indiana (United States) specialising in the specialty alloys sector.

The Haynes Board of Directors will submit to its shareholders the sale of 100% of its shares. If the sale agreement is accepted by a majority of Haynes shareholders, it will be binding on all of them and they will receive the agreed amount (USD 61 per share) in cash, for a total consideration of USD 798 million, corresponding to an enterprise value of USD 970 million.

Haynes will become wholly owned by North American Stainless (NAS), which in turn is wholly owned by Acerinox, S.A.

The agreement will be subject to prior clearance by the US competition authorities and the US Foreign Investment Committee.

The closing of the transaction, and thus the takeover of the Haynes Group, is subject to the approval of Haynes' own Annual General Meeting and the aforementioned competition authorities. Depending on the date of obtaining approval, it is estimated that the transaction could go through by mid-2024.

With this deal, Acerinox will strengthen its position in the North American market, where it is currently the leader in the stainless-steel segment, and further solidify its dominant position in the global high-performance alloy markets.

Interim dividend

The Board of Directors of Acerinox, S.A. held on 20 December 2023 has decided to propose to the Ordinary Annual General Meeting of Shareholders of the Company a dividend of EUR 0.62 per share charged to 2023 results, of which EUR 0.31 were paid as an interim dividend on 27 January 2024. This dividend will be submitted for approval at the Annual General Meeting to be held in 2024.

Acerinox Europa, S.A.U. agreement

Acerinox Europa began the process of renewing the IV Collective Bargaining Agreement in January 2023. The company is dedicated to implementing a new model at this plant to address its financial losses and effectively compete in the market. This transformation involves regaining productivity through greater flexibility and versatility of its workforce.

In this context, after months of negotiations, a strike began at the Campo de Gibraltar plant on 5 February. At the time of publication of these results, the strike persists despite the Company's stated willingness to negotiate.

Integrated

Annual Report 2023

ACERINOX

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

Consolidated directors' report /
Non-financial information statement (NFIS)

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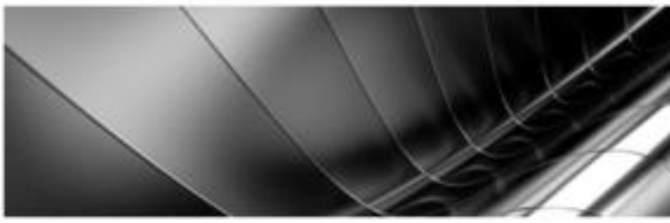


Letter from the Chief Executive Officer

GRI 2-22

Mr. Bernardo Velázquez

Chief Executive Officer
Acerinox

It is an honor to speak to you all today to lay out the strategic importance of sustainable development - one of the essential pillars that serves as a backbone for our work and our strategy's principles. We efficiently manufacture high-performance stainless steels and alloys in a respectful, committed way. We are committed to a responsible management model that helps protect the planet, reduce inequality, and promote a more prosperous, sustainable world.

We're well aware that the worldwide nature of our business exposes us to new risks and geopolitical tensions. Russia's invasion of Ukraine, conflict in the Middle East, and the growing tension between China and Taiwan threaten to block the way of economic development and further strain supply chains. By the end of 2023, events in the Red Sea - with constant attacks on cargo ships - disrupted maritime trade and diverted Suez Canal cargo flows to longer, more costly alternative routes. Our Group undoubtedly faces numerous challenges and complex risks in an increasingly changing, unstable world.

In this complex, adverse context, we have been able to maintain our commitment to operational excellence and sustainable efficiency, standing out as a leader and driver in circular economy, once again demonstrating our ability to adapt to changing circumstances.

As a global supplier of stainless steel and high-performance alloys, we are committed to best practices in governance and sustainability in order to contribute to economic and social development. We are firmly committed to helping achieve the Sustainable Development Goals (SDGs) approved by the United Nations, with recycled materials, manufacturing products that are wholly and indefinitely recyclable while also promoting innovation, education, equality policies, and climate change mitigation. To this end, we have a responsible management model that structures, coordinates, and strengthens our goals while ensuring the sustainability of the business.

Our sustainability plan, 360° Positive Impact, is based on a materiality and ESG risk analysis; it identifies levers for value generation and establishes long-term targets alongside the Group's main environmental, social, and corporate governance initiatives. This multi-year program is structured around five strategic pillars: ethical, responsible, and transparent governance; eco-efficiency and climate change mitigation; circular economy and sustainable products; a committed team, culture, diversity, and safety; and lastly supply chain and societal impact.

The Group has also established a set of targets for 2030 which include ambitious goals such as a 20% reduction in direct and indirect carbon emissions intensity (Scope 1 and 2) using the 2015 baseline. We have managed to reduce them by 11% already. Responsible energy consumption is another essential characteristic of our company's work. In this regard, the stainless steel division has committed to reducing its energy intensity by 7.5% compared to 2015. However, we weren't able to improve in this area this year; it was affected by the drop in production, which had a significant impact on factory efficiency.

The 20% reduction target for water intake intensity is also progressing steadily (18% versus 2015). Another of our Group's essential goals is to recycle 90% of our waste. Stainless steel is a sustainable material by definition; thanks to our ongoing investments and efforts, our waste reuse figure has now reached 80%. All these carbon intensity, energy intensity, water withdrawal, and percentage of waste recycled targets were set for the stainless steel division only. However, in 2024, this will be extended to the entire Group.

I would also like to lay out the progress we have made on our other priorities and best practices, such as our commitment to avoid any kind of accidents, far exceeding the 2023 target, as detailed in the report and thanks to everyone’s hard work. The Group has a presence in all five continents, where most races and religions are represented. As part of our growing commitment to diversity, we also set ourselves the target of increasing the percentage of women in the workforce to 15% (currently 13.3%, well above the 9.1% of the Spanish steel industry).

A leader in circular economy

To achieve all these targets and manufacture increasingly sustainable products and solutions, we believe that the R&D&I strategy must go hand-in-hand with environmental challenges. For this reason, we're committed to managing our production processes in an eco-efficient way, from the source to the end of the product's life cycle. In addition to legal obligations, Acerinox factories also have procedures in place to control environmental risks, as well as their corresponding likelihood and severity evaluations. All Group facilities also have an environmental management system in accordance with the ISO 14001 standard.

In short, our ESG model is a future international benchmark. This year, our commitment to sustainability has once again earned us top-level international recognition that validates and supports our aim: to create the most efficient materials for the future, generating a positive environmental impact. For the second consecutive year, Acerinox was awarded the Platinum Medal by EcoVadis in 2023, the highest rating in corporate sustainability. This rating evaluates corporate social responsibility in global supply chains.

This year, Acerinox obtained an overall score of 82 points; placing us in the 99th percentile, at the top of the sector, as well as exceeding the score received last year (79 points). The assessment includes 21 sustainability criteria divided into four key areas: environment, labor and human rights, ethics and sustainable procurement.

In 2023, we also joined the Together for SDGs initiative, flying the colors of the United Nations Sustainable Development Goals (SDGs). Looking ahead to 2024, we've identified projects in key business areas to improve quality and performance in the production of high-value-added steels, optimize internal scrap and raw material management, and introduce further sustainability improvements to make consumable use more efficient and further reduce CO2 emissions.

We are proud that this strong commitment, which underpins our circular-economy-based business model, is supported by the ongoing efforts of the thousands of people who make up our Group. Sustainability is our driving force, which in turn brings together and unites the other pillars. We are looking for a model based on value generation for our stakeholders, carrying forward the legacy for future generations. You can find a full accounting of all our progress and contributions to sustainability in the various chapters of this report, which I now invite you to read.

1. Business model

Business model and value creation

13
Factories

20
Service centers

26
Warehouses

57
Sales offices

22
Commercial agents

61
Countries in which the sales network operates

Global presence

5 Continents

Sales in **79** countries

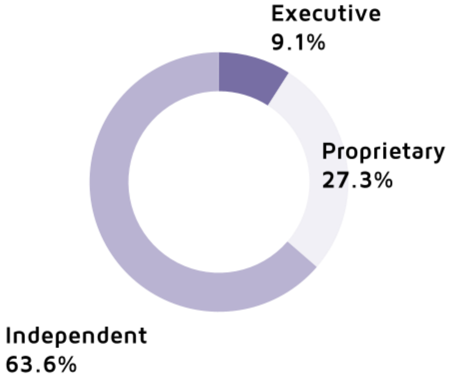
8,229 employees

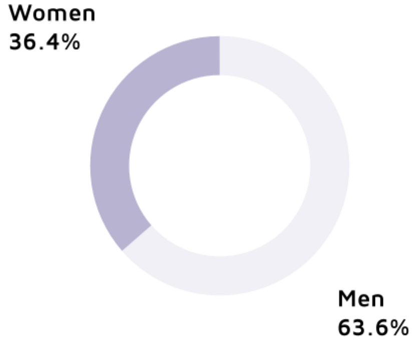
Customers

11,864

Acerinox's factories have
more than 120
quality certifications

Board of directors





63.6%
Independent directors

34
board committee meetings

14
meetings held by the board of directors

Economic performance

6,608
EUR million
revenue

228
EUR million
net income

703
EUR million
EBITDA

341
EUR million
net financial debt

481
EUR million
operating cash flow

Our shares

249,335,371
shares

150
EUR million
dividend

2,657
EUR million
Market capitalization

EUR 10.66/share
share price at year-end

EUR 62,333,842.75
share capital

Production volume

1,869,417
metric tons of stainless steel

76,288
metric tons of high-performance alloys

More than 18,000 combinations

The widest range of products and solutions

Products for all areas

- Transport
- Industrial and engineering equipment
- ABC and infrastructure
- Food sector
- Electrical appliances and hardware
- Energy and environmental technology
- Aeroespace

Purchases from suppliers

4,967

EUR million

79% of suppliers are local

(from the same country as the production center)
We promote the development of local communities in which the Group operates

Digitalization and innovation

EUR 17.6 million

digitalization and innovation investments and expenses

Main R&D&i lines

- Research to improve quality
- Technological development
- Development of new types of steel and finishes
- Investments to optimize the circular economy
- Production line improvements
- Digitalization, automation and control of the production process
- Investment in climate change mitigation

'Excellence 360°' strategic plan

Comprehensive view of the business

- **Raw material purchases:** optimize the mix. Predictability of consumption, raw materials and consumables.
- **Production:** increase reliability and competitiveness.
- **Supply chain:** optimize inventories and delivery processes.
- **Sales:** focused on providing added value and improving margins. Demand planning.

Commitment to sustainability

Contribution of sustainability to the business strategy

The Sustainability Plan, Positive Impact 360°, responds to one of the main areas of Acerinox's strategy, which identifies sustainability as one of its fundamental lines of action and includes five pillars.

Ethical, accountable, and transparent governance	Eco-efficiency and climate change mitigation	Circular economy and sustainable products	Committed team, culture, diversity, and safety	Supply chain and community impact

Positive Impact 360° responds to the ESG risk and materiality analysis carried out based on the Group's strategy. It identifies the levers of value generation and establishes long-term objectives to make these levers a reality.
Acerinox has established **six sustainability objectives** with a view to 2030 associated with the pillars of the Positive Impact 360° Plan.

Pillar	2030 targets**	Degree of progress	2023 vs 2022
	20% reduction in CO2 emissions intensity (Scopes 1 and 2) compared to 2015.	-11% vs 2015	-3%
	7.5% reduction in energy intensity compared to 2015	8% vs 2015	6%
	20% reduction in water withdrawal intensity compared to 2015	-18% vs 2015	-3%
	90% waste recycled	80%	1%
	10% annual reduction in LTIFR	–	-24%
	15% women at the organization	13.28%	0.37%*

*Increase in the percentage of women on staff compared to the previous year.

**Carbon intensity, energy intensity, water withdrawal intensity and % waste recycled targets were set for the stainless steel division only. In 2024, they will be extended to the Group level.

The Group seeks to reduce, reuse, and recycle as many of the resources used as possible to establish a more sustainable production model.

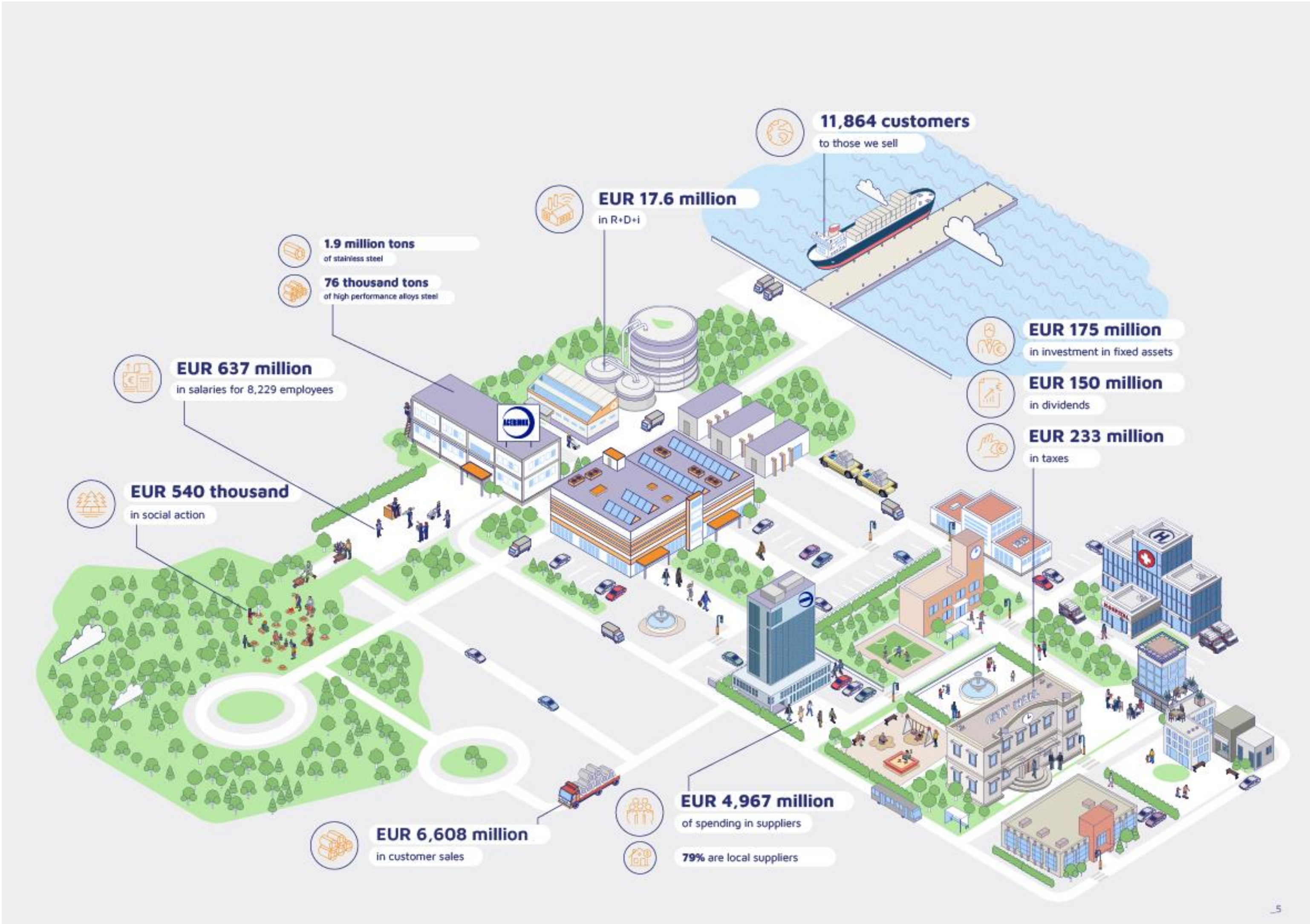
Committed to the United Nations 2030 Agenda

The Group identified the Sustainable Development Goals to which it can make the biggest contribution.

Recognitions

Acerinox received, for the second consecutive year, the EcoVadis Platinum Medal for its performance in sustainability and two gold awards, one in sustainability and one in safety, at the Annual Stainless Steel Industry Awards.

1.1 Value creation



1.2 About the Group

GRI 2-1 / 2-2

The Acerinox Group is the world's most global manufacturer and distributor of stainless steel and high-performance alloys; present on all five continents, it is a market leader in the US and Africa, as well as one of the industry's best-positioned companies in Europe. The Group has an international sales network made up of 20 service centers, 26 warehouses, 57 offices and 22 sales representatives, thanks to which Acerinox distributes in 79 countries.

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

Acerinox's mission, vision and values guide the entire company towards its purpose: creating the most efficient materials for the future, maximizing societal benefit and creating value for its stakeholders. In its wide range of solutions, Acerinox Group, a leader in circular economy, offers more than 18,000 possible combinations. These are used in industries such as transportation, construction, energy and environmental technology, and food service, thanks to their corrosion resistance, durability, versatility, mechanical properties, aesthetic beauty, and low maintenance requirements.

At December 31, 2023, **the majority shareholder of Acerinox was Corporación Financiera Alba (19%)**

20 Service centers

26 Warehouses

57 Sales offices

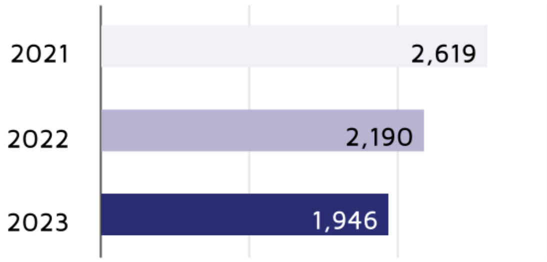
22 Commercial agents

61 Countries in which the sales network operates

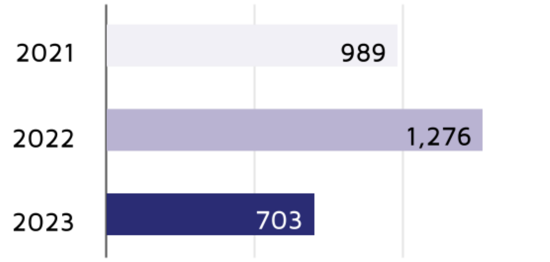
Key indicators

Performance in figures

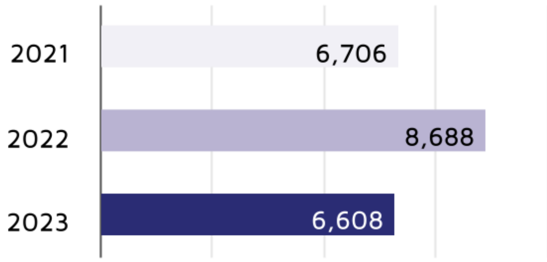
Melting shop production (MMT)



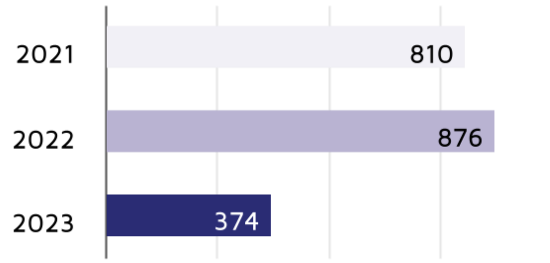
EBITDA (M€)



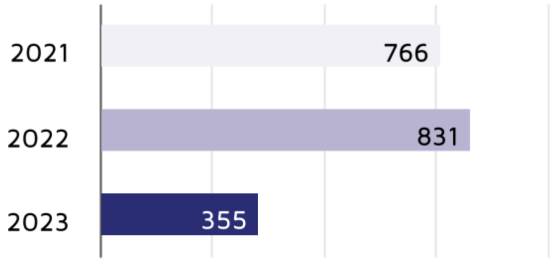
Turnover (M€)



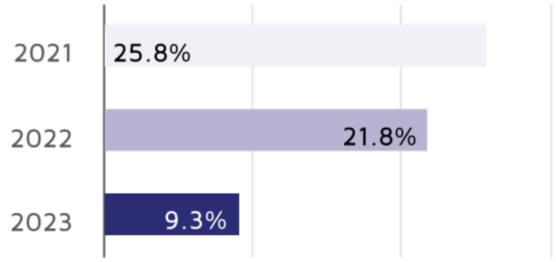
EBIT (M€)



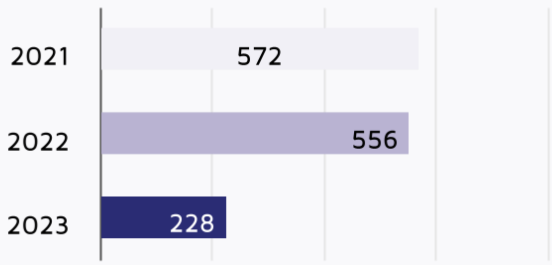
Profit before tax (M€)



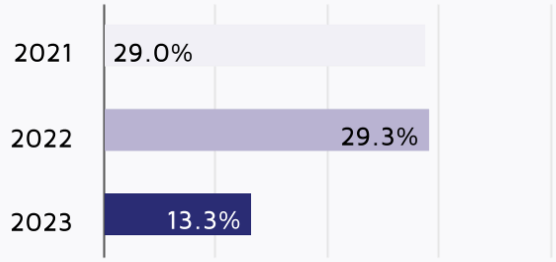
ROE (%)



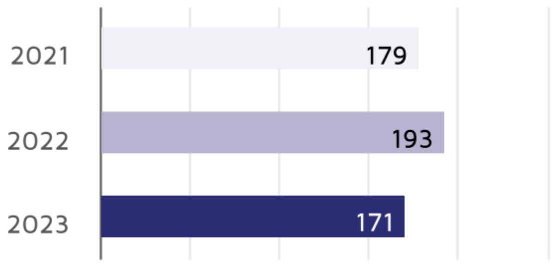
Net profit (M€)



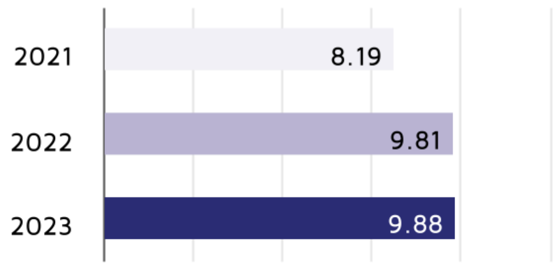
ROCE (%)



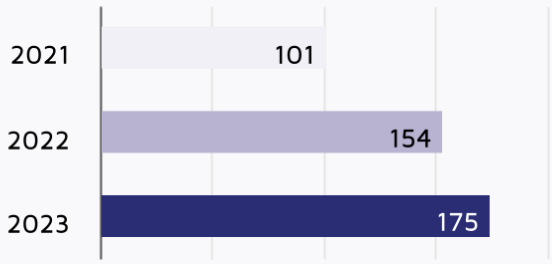
Depreciation and amortization (M€)



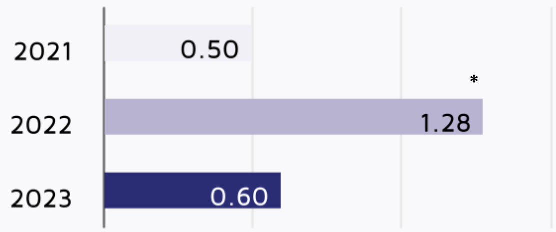
Book value per share (€)



Investments (M€)

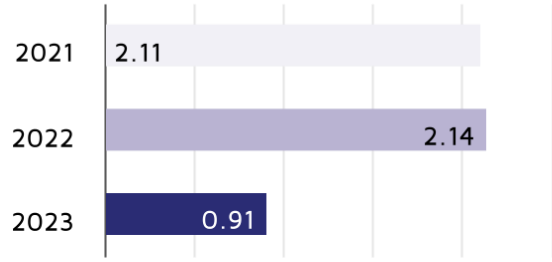


Shareholder remuneration per share (€)



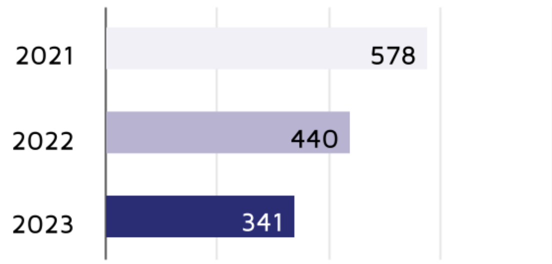
*Includes the ordinary dividend of EUR 0.50/share and the indirect remuneration derived from the share buyback program

Earnings per share* (€)

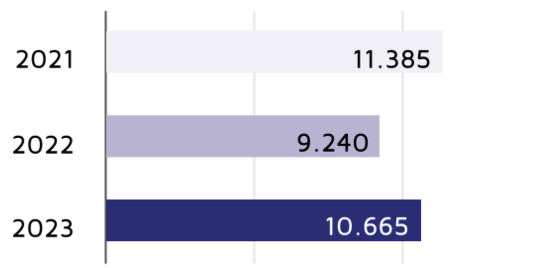


*Calculated based on the number of outstanding shares at year-end

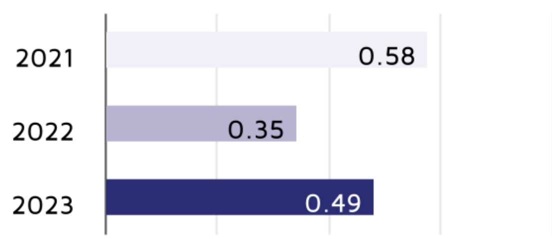
Net financial debt (M€)

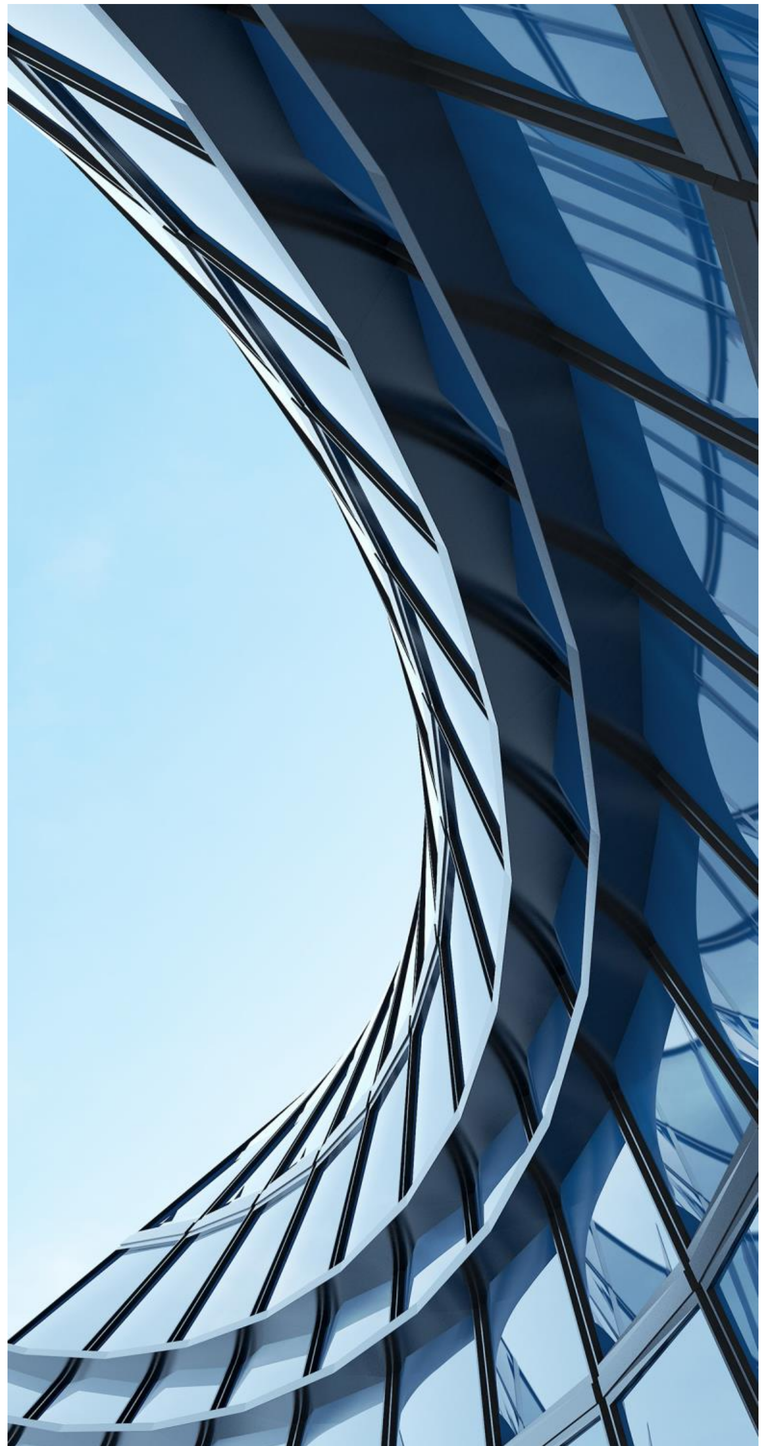


Share price at end of fiscal year (€)



Net financial debt / EBITDA (Number of times)





1.3 Parent

Acerinox S.A.

Acerinox S.A. is the Group's holding company, which establishes and monitors the strategic lines of business. It also provides corporate services such as legal, accounting and consulting, and is responsible for the management and administration of Group financing.

The head office, with 114 employees, is located in Madrid, and is where the main decision-making and management bodies convene.

Acerinox's shares are listed on the continuous market and the company is part of the selective Spanish IBEX 35. Approximately 45,000 shareholders, including individuals and legal entities, own stock in the company.

At December 31, 2023, Acerinox's share capital consisted of 249,335,371 ordinary shares with a nominal value of EUR 0.25 each.

1.4 Production companies

_1970

STAINLESS STEEL

Acerinox Europa

Campo de Gibraltar (Spain)

1,746 employees.

Fully integrated flat product factory. Its melting shop production totaled **550,162** metric tons.

More information at: https://www.acerinox.com/es/grupo-acerinox/fabricas/acerinox-europa/inicio-acerinox-europa/

_1990

STAINLESS STEEL

North American Stainless

Kentucky (US).

1,606 employees.

Fully integrated flat- and long-product factory. Its melting shop production totaled **841,821** metric tons.

More information at: https://www.northamericanstainless.com/

_2002

STAINLESS STEEL

Columbus Stainless

Middelburg (South Africa).

1,248 employees.

Fully integrated flat product factory.

Its melting shop production totaled **477,434** metric tons.

More information at: https://www.columbus.co.za/

_2009

STAINLESS STEEL

Bahru Stainless

Johor Bahru (Malaysia).

427 employees.

Bahru has cold rolling lines, which processed **77,181** metric tons.

More information at: https://bahrustainless.com/en/

_1957

STAINLESS STEEL

Roldán S.A

Ponferrada (Spain).

361 employees

44,479 metric tons of hot-rolled products.

Its product portfolio includes bars, wire rods, angles, hexagonal bars and reinforcement bars, all of them flat products.

More information at: https://www.acerinox.com/es/grupo-acerinox/fabricas/roldan/inicio-roldan/

_1989

STAINLESS STEEL

Inoxfil S.A

Igualada (Spain).

96 employees.

5,502 metric tons produced.

Manufactures stainless steel wire.

More information at: https://www.acerinox.com/es/grupo-acerinox/fabricas/inoxfil/inicio-inoxfil/index.html

_2020

HIGH-PERFORMANCE ALLOYS

VDM Metals

Unna, Duisburg, Siegen, Altena & Werdohl (Germany).

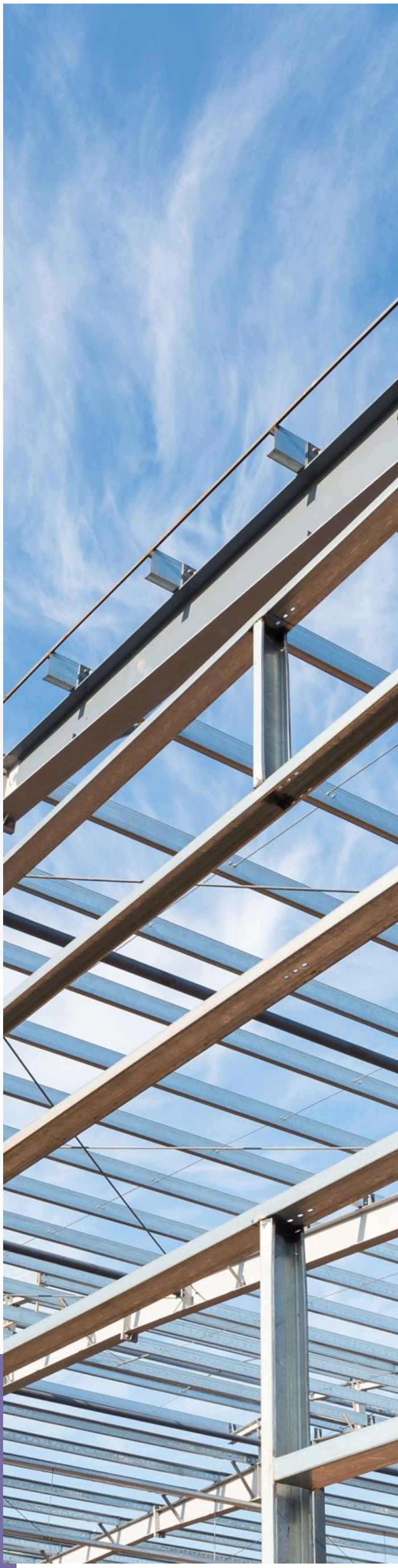
New Jersey & Nevada (US).

2,047 employees.

76,288 metric tons produced.

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

More information on VDM Metals at: https://www.vdm-metals.com/

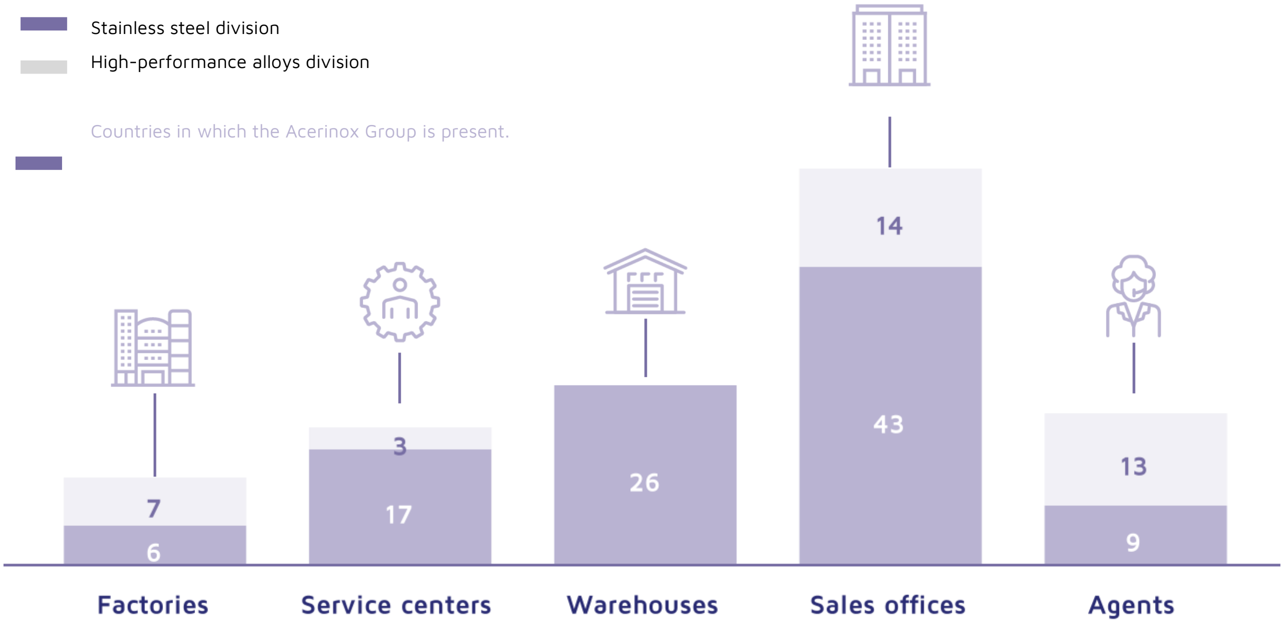


Eco-efficient products

Our products contribute to:

- Circular economy.
- Offering durable materials.
- 100% recyclable alternatives.
- Systems to reduce emissions.
- Improving quality of life with a lower environmental impact.

1.5 Sales subsidiaries



Countries in which the Acerinox Group is present.

1.6 Relevant events

A. Acerinox, a future of excellence with a renewed focus on added value

Acerinox's mission is to become a global supplier that addresses present and future needs by offering the widest selection of solutions.

To achieve this, the Group has designed a strategic plan based on four pillars. At its core, we have the production of higher-value-added solutions, orienting the sales mix towards special stainless steels and high-performance alloys. Alongside this pillar, excellence stands out; the Group offers the highest quality standards and maintains a spirit of perpetual improvement in both products and processes.

Both pillars are based on financial strength, guaranteeing stability and profitability for the various stakeholders. Finally, the three pillars described above are supported and built on the Company's firm commitment to be a leader in sustainability and circular economy.

As part of this strategy, which is aimed at developing and expanding higher-value-added solutions, Acerinox strengthened its commitment to VDM Metals in 2023 with a new EUR 67 million investment in the Group's world-leading high-performance alloys division, acquired in 2020.

This renewed focus on higher-value-added and faster-return products will increase production by 15% and boost efficiency with additional sales of more than 6,000 metric tons per year from 2026.

VDM Metals is a lever for the Group's transformation as a supplier of a wide variety of materials, modifying the sales mix with new high-value-added products. Thus, Acerinox will further leverage the competitive advantage conferred by the 'stainless steel-high-performance alloys platform' to expand its portfolio and offer differential end-to-end solutions, from commodities to special alloys.

In parallel to these new investments, the Group continues to drive forward operational excellence through Beyond Excellence, an ambitious new program that will kick off between 2024 and 2026. Its main goal is to enhance comprehensive competitiveness through continuous improvement ideas that will be implemented across all Acerinox factories through digital transformation, cross-functional collaboration and a commitment to innovation.

Both projects are part of Acerinox's Strategic Plan 2021-2025 and will strengthen two pillars: added value, thanks to new investments in VDM Metals, and excellence, through the Beyond Excellence program. Their impact on the Group's other two main pillars - sustainability and financial strength - will also be direct.

B. Beyond Excellence: a new plan to drive forward comprehensive competitiveness

The Beyond Excellence Plan is based on six pillars (decarbonization, efficiency, sales excellence, productivity and automation, quality and customer service, and purchasing), with specific objectives for each one.

The program is being launched to improve Acerinox's operational excellence and competitiveness. It will save EUR 100 million from 2024 to 2026 by combining costs/savings and revenue improvements while fostering a culture of continuous improvement and innovation across the organization.

C. New investment in NAS bolsters its leadership: wider range, higher output

North American Stainless (NAS), the Acerinox Group's main integrated stainless steel factory in the US, is strengthening its leading position in the American market with a new investment (its thirteenth since 1990) totaling US$244 million. This will increase its production capacity by 20% to 200,000 metric tons.

The new equipment will increase the volume of flat products, with a special focus on higher-value-added products such as Bright Annealing (BA) and steels with special compositions to keep up with expected growth in this area.

NAS, one of the most efficient and advanced factories in the world, leads the industry in the US. It produces nearly 50% of the nation's stainless steel, supporting American supply security while creating quality jobs. The plant will have, among other equipment, a new cold rolling mill and modernized annealing and pickling lines.

These investments will create 70 new jobs in addition to the factory's 1,600 employees and 500 local service providers.

D. Consolidated leadership in sustainability: second EcoVadis Platinum Medal

This highest-level rating places the Group among the top 1% of companies in the sector worldwide

For the second consecutive year, Acerinox has been awarded the Platinum Medal by EcoVadis, the highest global rating in corporate sustainability. This rating evaluates corporate social responsibility in global supply chains.

The Company has passed the qualification process, demonstrating its solid management system. The assessment includes 21 sustainability criteria divided into four main areas: environment, labor and human rights, ethics and sustainable procurement.

This year, Acerinox obtained an overall score of 82 points; this placed it in the 99th percentile, at the top of the sector, as well as exceeding the score it received last year (79 points).

This distinction validates and demonstrates the Group's commitment to sustainability, supporting Acerinox's goal of creating the most efficient materials for the future, minimizing environmental impacts and maximizing benefits to society.

2. Strategy

2.1 Global context

The year 2023 was again marked by geopolitical tensions and supply chain problems. The Russia-Ukraine conflict was joined by the Gaza-Israel conflict and, at the end of the fiscal year, incidents in the Red Sea disrupted trade routes, diverting Suez Canal cargo flows to longer, more costly alternative routes.

The stainless steel sector

The stainless steel division had a year of low activity following the inventory adjustment phase launched in the second half of 2022.

In this regard, there were significant adjustments in all producing countries except China and Indonesia, where generated surpluses resulted in greater market price pressure.

The latest available data point to a normalization of inventories in all markets, so a recovery in apparent consumption can be expected during 2024. However, the year will continue to be marked by geopolitical uncertainty and the constant threat of overcapacity in Asia.

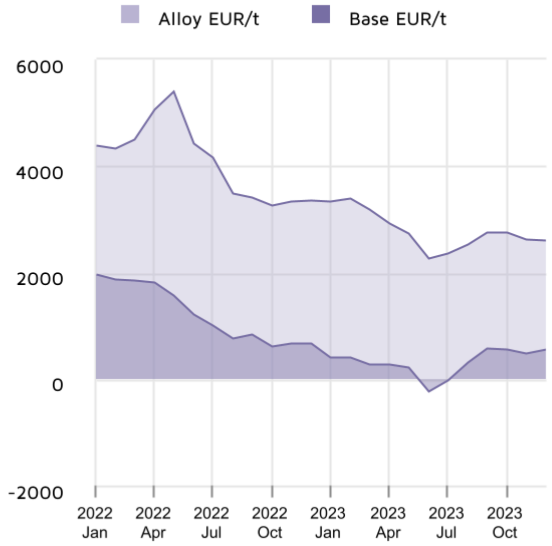
Europe

As a result of the inventory readjustment, apparent consumption in Europe fell by around 20%.

The main correction, with decreases of more than 50%, occurred in imports, most of which were destined for the distribution market. Demand from end users remained more stable.

Low prices, together with the safeguards and trade protection measures in place, as well as the positive impact of the launch of new anti-circumvention investigations regarding material of Indonesian origin re-rolled in Taiwan, Vietnam and Turkey, caused a notable reduction in imports from these origins.

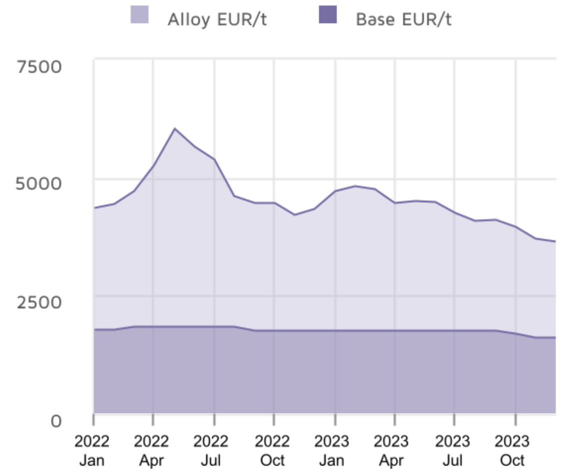
Evolution of base price + surcharge in Europe (euros/ton)



United States

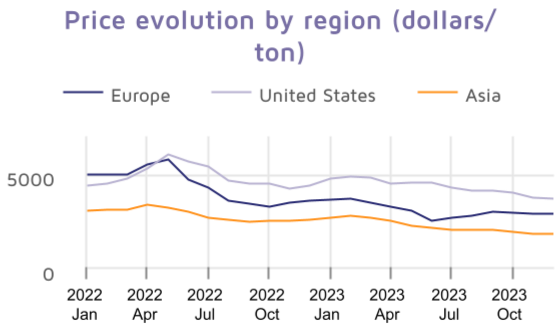
As in Europe, apparent consumption in the US declined by around 20% compared with the previous year due to the aforementioned inventory adjustment, affecting imports more sharply. The market, on the other hand, maintained a more stable activity level in terms of end users.

Evolution of base price + surcharge in United States (dollars/ton)



Asia

The Asian market continued to suffer from aggressive pricing and production policies by major Chinese and Indonesian competitors; given the drop in demand from China, this diverted a significant portion of exports to Russia and the Middle East.



The high-performance-alloys sector

The high-performance alloys market behaved positively in 2023, though with significant differences from sector to sector. The oil and gas (O&G) and chemical process industry (CPI) markets in particular remained up.

In the O&G market, bar demand exceeded expectations. During the second half of 2023, the confirmation of many pipeline projects generated a strong increase in demand, especially during the last four months of the year.

Chemical process industry, for its part, also saw strong demand throughout the year and was propelled by high demand for electrolyzer applications.

As expected, the automotive market experienced a slight decline while the aerospace market continued to improve, especially in long product.

The electronics sector was much weaker than in previous years, with recovery expected in the second half of 2024.

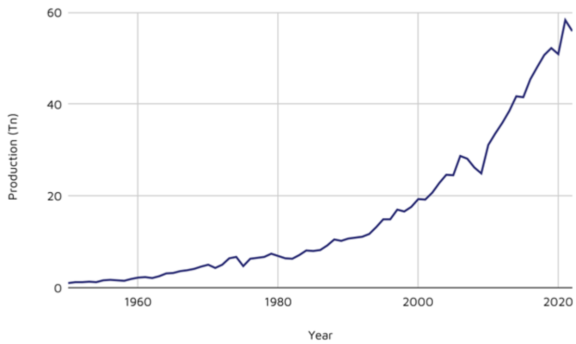
Acerinox's powder production business for additive manufacturing experienced its best year yet in 2023, and the forecast points to further growth in this product niche.

GDP growth (IMF - World Economic Outlook)

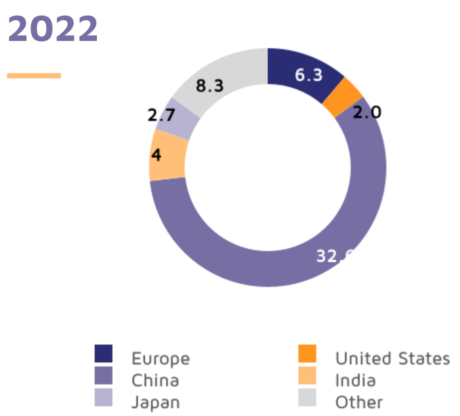
	2022	2023	2024
China	3.0	5	4.6
Germany	1.8	-0.3	0.5
India	7.2	6.7	6.5
South Africa	1.9	0.6	1.0
Spain	5.8	2.4	1.5
USA	1.9	3	2.1
ASEAN-5	5.5	4.2	4.7
Eurozone	3.4	0.5	0.9
World	4	3.1	3.1

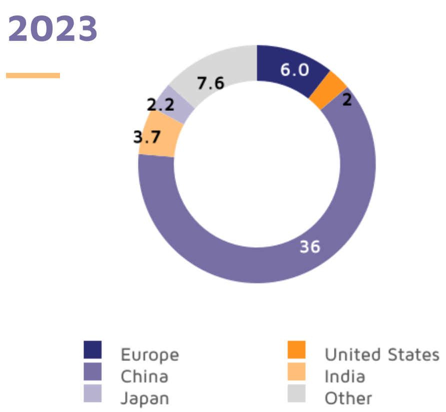
2.1.1 Global production

_Global stainless steel production 1950 - 2023



_Global stainless steel production (millions of metric tons)





_Global melting shop production (thousands of metric tons)

	Q1	Q2	Q3	Q4	Total
2022	14,536	14,695	12,768	13,856	**55,855**
2023	13,467	14,410	14,727	14,281	**56,885**

_Global melting shop production by region / country (thousands of metric tons)

	2022	2023	Variation
Europe	6,294	6,034	-4.1%
US	2,017	1,807	-10.4%
China	32,575	35,603	9.3%
India	3,943	3,704	-6.1%
Japan	2,686	2,158	-19.7%
Other	8,340	7,580	-9.1%
Total	**55,855**	**56,886**	**1.8%**

2.1.2 Raw materials

Nickel

_Official price on the LME 2022 – 2023

Average spot price / three months in US$/t.

The downward trend in nickel prices continued throughout the period, starting 2023 above US$31,000 and closing at around US$16,500.

One of the main reasons for this sharp drop was the increased availability of all nickel sources. The surplus also extended to pure nickel due to weak demand, higher supply and new production capacities in China and Indonesia.

The gradual increase in stocks on the London and Shanghai metal exchanges also contributed to maintaining this downward trend in price.

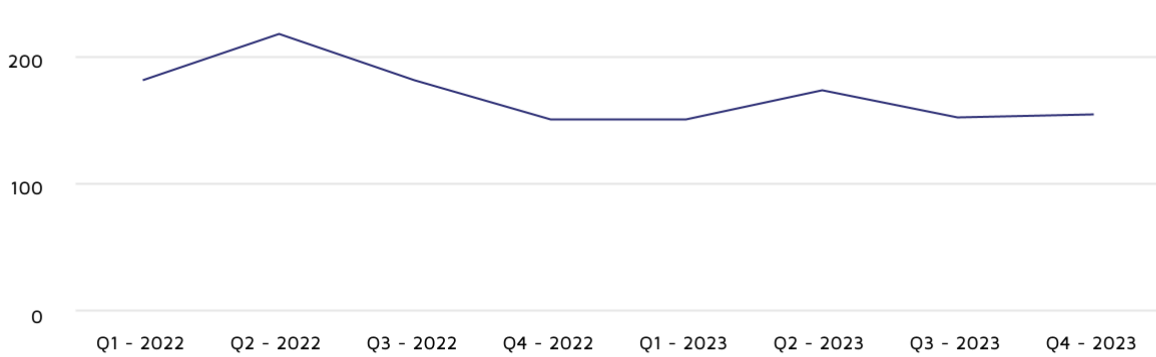
Ferrochrome

Robust chrome ore prices, announced ferrochrome production cuts and the price of energy in South Africa led to a price increase during the second quarter.

The second part of the year was marked by a price correction in the face of reduced global demand.

_Average quarterly ferrochrome price

US¢ / Lb. Cr



Molybdenum

The announcement of a larger-than-expected shortfall in molybdenum concentrate production maintained the upward price trend at the beginning of the year, with prices peaking above US$38/lb Mo in February.

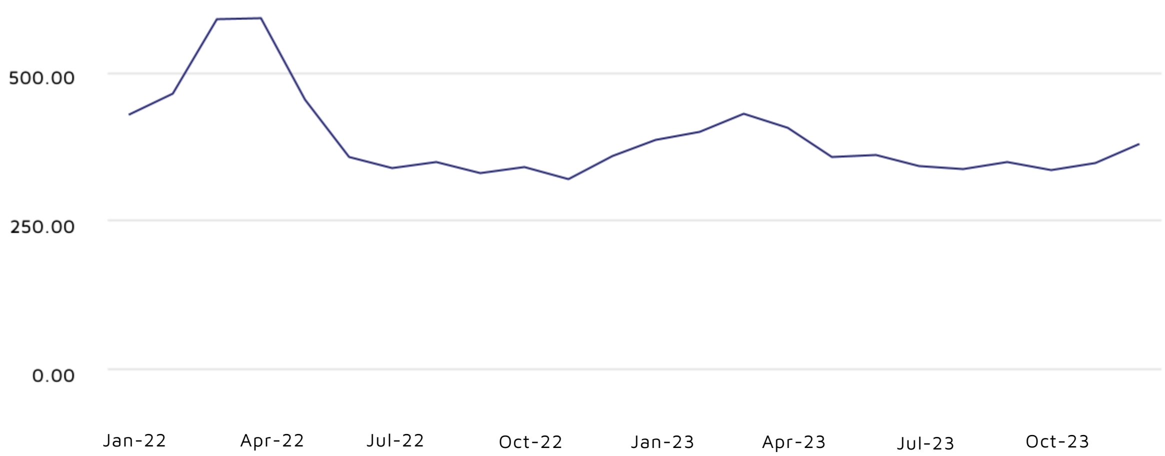
Readjusted demand caused a price correction, with the price reaching its lowest levels during the month of April. Slight movements in the flow of imports and exports from the Asian market set its course during the second half of the year.

Ferrous scrap

After a first quarter characterized by the replenishment of stocks and an improved economic outlook, the rest of the year presented a very even supply/demand balance, keeping scrap prices at a high but stable level.

_Price of ferrous scrap HMS 1&2 FOB Rotterdam (monthly averages)

US$/t



2.2 Strategic plan

Acerinox continues to successfully advance in the implementation of its strategic plan 2021-2025.

The deployment is based on the Group's vision: to become a global supplier that responds to present and future needs by offering the widest selection of materials, solutions and services. As a leader and driver in circular economy, Acerinox efficiently manufactures stainless steels and high-performance alloys with a focus on respect and committed to the environment.

The strategic plan is based on four pillars that support short-, medium- and long-term initiatives.

_Strategic pillars

- **Added value**

  In 2023, Acerinox strengthened its market presence by standing out from the competition through the evolution of its portfolio. The development and expansion of products and solutions towards high-performance alloys in the US, Europe and South Africa was particularly significant.

- **Excellence**

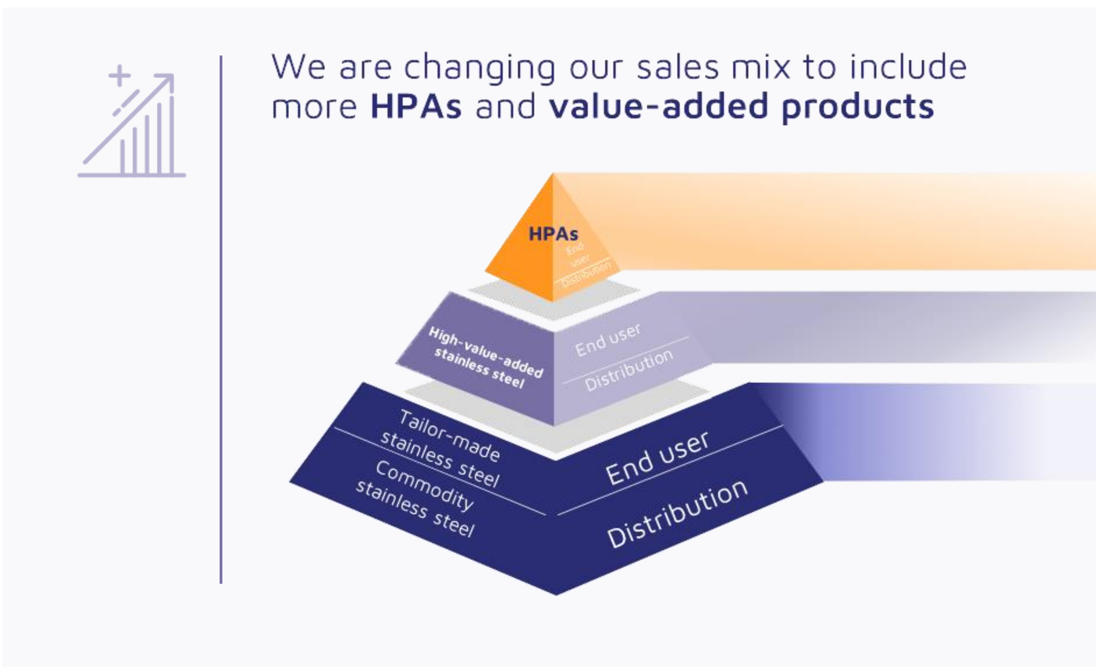
  This is one of the values that directs the rest of the pillars and acts as a lever for competitiveness. The Group always offers the highest standards of excellence, balanced with cost management and with an overall positive impact on operations.

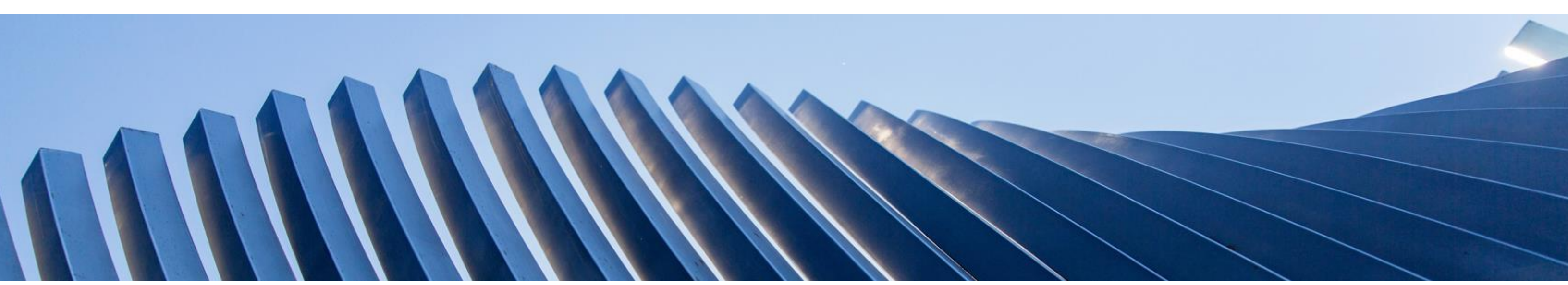
- **Sustainability**

  This is the fundamental axis underpinning the Group's business model, based on circular economy. Sustainability enables the integration and cohesion of the other pillars.

- **Financial soundness**

  Financial soundness guarantees shareholder remuneration and ensures our commitment to generate sustainable cash flow while maintaining a low level of indebtedness that allows us to face any cycle.





Key milestones 2023

_NAS expansion project

In line with Acerinox's commitment to high-value-added products and performance, the Group gave a boost to its US factory, North American Stainless (NAS), one of the most efficient in the world.

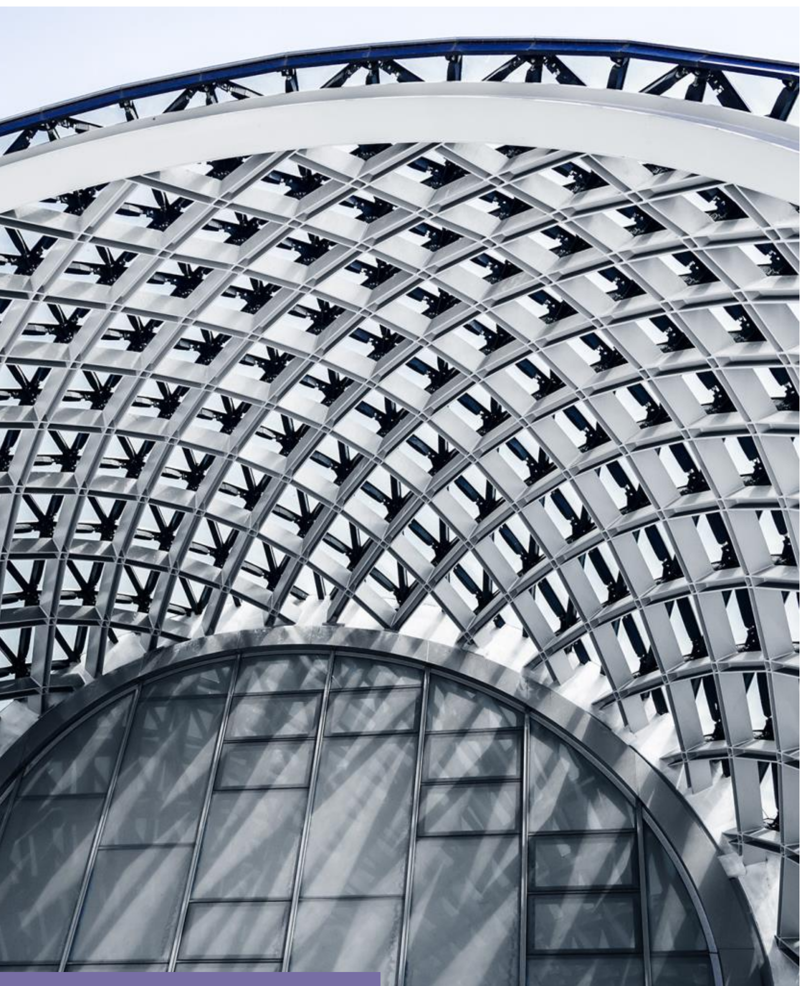
During 2023, the contracting process for equipment and construction work began; this will generate 70 new jobs as part of a US$244 million investment.

The expansion project includes the modernization of the annealing and pickling lines, the addition of a new cold rolling mill and the expansion of the melting shop, which will include a 400 metric ton crane, as well as the development of digital solutions that will increase production capacity by 20% to 200,000 metric tons.

_VDM expansion project

VDM Metals' leadership in the high-performance alloys industry has been strengthened by a EUR 67 million investment in its German plants in Unna, Altena and Werdohl, which will gradually increase its production capacity of precision strip, bars, and wires, as well as increasing sales by 15%.

Projects include the expansion of three remelting furnaces, the upgrade of an annealing and pickling line, and another defect detection line for bars.



_Second powder sprayer

Another focus of the project is the addition of a second powder sprayer plant, used for additive manufacturing (3D printing, used in many areas of high-demand industrial production). VDM Metals enjoys great recognition in this sophisticated format, where it will double its production capacity.

This investment is significant not only because it reflects the Group's strengthened R&D activity, but also because it underscores its innovative vision, given that the market in metal powders for additive manufacturing has double-digit growth potential.

_Exploiting synergies with the high-performance alloys division

The investment made in the VDM facilities at Werdohl and Acerinox Europa (Campo de Gibraltar) will enhance synergies in the production of high-performance alloys and increase the range of products available.

_Looking to the future: Beyond Excellence 24-26

The Acerinox Group continues to promote excellence through its Beyond Excellence program. The new Excellence Plan will be implemented at all Group factories, carrying out projects between 2024 and 2026 with the aim of reaching EUR 100 million in EBITDA by 2026.

The purpose of this plan is to improve all areas of the supply chain and to boost the Group's global competitiveness by implementing projects aimed at continuous improvement and adaptability centered on digital transformation, interdisciplinary collaboration, and a commitment to innovation using a holistic approach.

Beyond Excellence is based on six pillars: decarbonization, productivity, quality, efficiency, purchasing optimization, and new product development.

With specific targets for each, during 2024, we will work along the following lines:

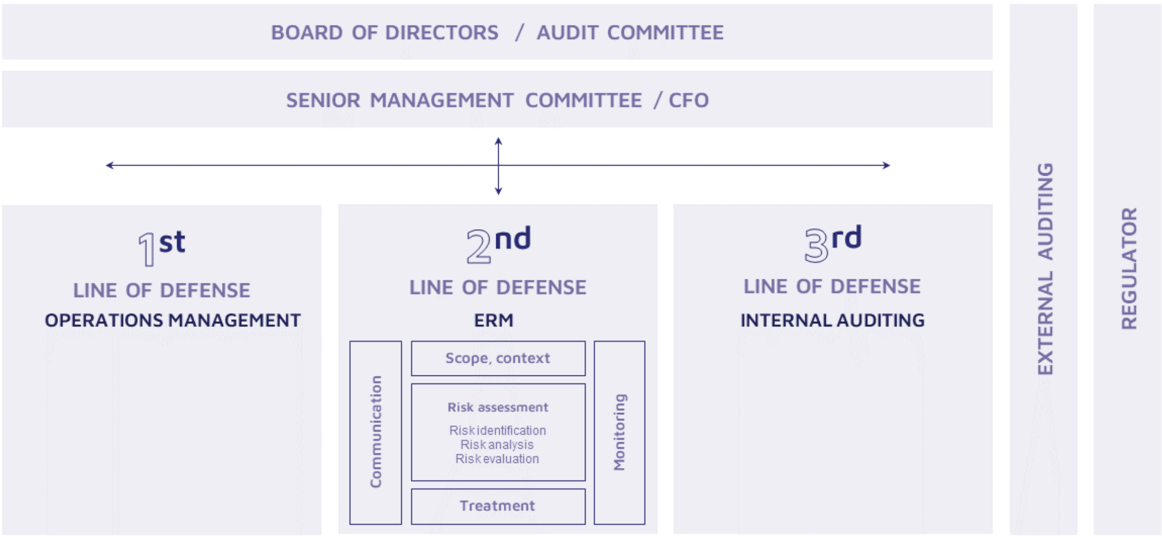
- Increasing quality and in the production of high-value-added steels.
- Optimize the use of scrap as the main raw material.
- Increasing equipment productivity through digitalization.
- Using predictive techniques to improve the quality and maintenance of equipment and processes.
- Refining energy efficiency resources and consumables, which will result in reduced CO2 emissions.

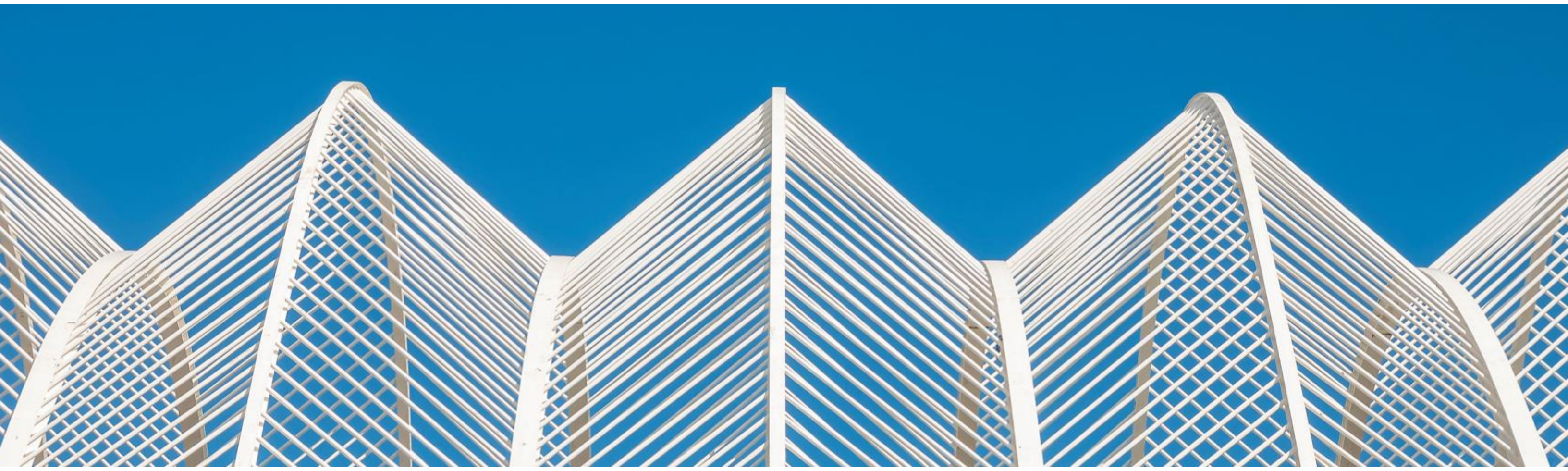
As an added value, Beyond Excellence aims - in line with the management by objectives philosophy - to deepen the culture of continuous improvement and innovation at all levels of the organization.

2.3 Risk Management

Acerinox has implemented a risk management model backed by the board of directors and senior management. It aims to identify, evaluate and mitigate the risks inherent to the sector in which it operates, as well as their impact on the Group's financial goals and strategic objectives to the continued benefit of its stakeholders.

Acerinox recognizes its exposure to risks of various types and natures, which may affect both its financial and non-financial results. The identification and effective management of these risks is key to business success. To this end, the Company has implemented an Enterprise Risk Management (ERM) program aligned with the COSO ERM framework, covering all of the Group's business areas and overseen by the Board of Directors:





Main risks

The Group's ERM model establishes a risk management methodology aimed at simplifying, unifying and homogenizing risk assessment across the Group's companies. The risk taxonomy is divided into six categories. The main risks within each category are detailed below, as well as the most important measures or plans designed to mitigate them:

Category	Main risks	Description and examples	Main responses
External	**Economic cycles**	The global economic and geopolitical environment may be affected by tensions and adverse changes affecting stainless steel and, therefore, the Acerinox Group's business in its main markets.	Strategic Plan and Beyond Excellence underway at the Acerinox Group
	Geopolitical	Geopolitical tensions arising from Russia's invasion of Ukraine, the Israel-Hamas conflict or the growing tension between China and Taiwan can hamper economic development and put stress on supply chains.	Constant global monitoring to mitigate and/or anticipate economic impacts and potential supply chain disruptions
	Trade barriers and competitiveness	Acerinox is a group that works across the globe; its activities span multiple countries and are exposed to different regulatory frameworks. Due to the global nature of the business, the Group is exposed to possible risks arising from the existence and/or elimination of trade restrictions such as anti-dumping/anti-subsidy tariffs, export restrictions, special control measures, etc.	Monitoring of global trade and geopolitical trends with an active presence in the main local and international organizations and institutions
ESG	**CO2 emissions**	In matters relating to environmental, social and corporate governance (ESG), the most significant risks are those related to the reduction of CO2 emissions, energy and occupational health and safety. Acerinox has targets for 2030 linked to these three areas; the specific action plans can be found in the corresponding sections of this report.	Concrete plans to reduce CO2 and improve efficiency
	Energy		Energy efficiency plans for each facility.
	Health and safety		Preventive maintenance programs, safety awareness campaigns, training plans
	Climate change (emerging risk)	In addition, climate change was identified as an emerging risk, so transition risks and physical were assessed following TCFD (more information in the Eco-efficiency and climate change mitigation chapter)	Decarbonization plan. Implementation of energy efficiency measures, increased use of renewable energies and greater use of sustainable fuels.
Financial	**Raw material price volatility**	The production of stainless steel and high-performance alloys requires raw materials, mainly nickel, ferrochromium, molybdenum, and scrap. For the most part, commodity prices are subject to significant volatility due to the aforementioned geopolitical tensions.	Alloy surcharge mechanisms and/or, if applicable, financial hedges to try to minimize the impact of the volatility of the main raw materials (nickel, chrome, etc.)
	Macroeconomic, market and third-party insolvency variables	This same context may put special stress on different macroeconomic and market variables, such as interest rates, exchange rates and commodity prices, and likewise the insolvency of third parties. These are risks that the Group faces in its daily operations in order to achieve its financial targets	Partially insure the risk through financial hedging mechanisms and commercial credit insurance policies. There is an internal commercial credit risk management instruction as well as a global Commercial Risk Committee

Technological	**Cybersecurity**	Increased cybercrime has led to greater risks for the company's operations. The development of AI puts the spotlight on the risks associated with new technologies. Cyberattacks can lead to business interruption and the loss of critical information, as well as loss of customer and supplier confidence and the imposition of governmental fines.	The company added a Global CISO in 2023. Reporting to the CEO, the CISO will lead the deployment of the cybersecurity strategy. The Cybersecurity Master Plan is underway; this will increase our protection capacity and improve our response to potential threats
Operational	**Supply chain. Availability of raw materials / basic supplies**	The availability of raw materials and, in general, of the supply chain is essential to maintain the continuity of the production process. Events such as the recent Israel-Hamas conflict, the first impact of which has caused transportation problems across the Red Sea, highlight the risks to which supply chains are exposed. Risks affecting transportation, access to raw materials, or availability of other basic supplies.	Reduction of specific consumption. The Group strives to maintain adequate stability in the supply chain, monitoring the quality and reliability of the main suppliers of raw materials, such as nickel and chrome, as well as the other basic supplies necessary to ensure the continuity of our production process
Strategic	**Strategic plans**	The execution and correctness of the strategic plans implemented by the company always comes with a risk of not achieving the targets set. Strategic investments, M&A processes, plans for improvement and target achievement, etc.	Regular review of climates and variables that may affect the achievement of strategic plans

Emerging risks

The Group is exposed to many complex, interconnected risks, conditioned by changes in the business context of a globalized, changing world in turmoil. In this context, in addition to the risk taxonomy, Acerinox pays attention to emerging risks, understood as new or unforeseen risks that have not yet been considered or whose potential damages or losses are not fully known.

Emerging risks, uncertain by nature, are a challenge to identify, assess, and mitigate. In this regard, Acerinox monitors global megatrends and the development of geopolitical tensions; likewise, it may review both the internal environment and specialized third-party publications that anticipate emerging risks which may affect the Group, either directly or indirectly.

Among the aforementioned emerging risks are those associated with climate change, new areas of transformation in the technological context, new regulation linked to sustainability, the transition towards a low-emissions economy, the effect of the evolution of artificial intelligence (AI) and their implications for cybersecurity and disinformation, as well as their repercussions in the geopolitical and economic sphere.

Review of the cybersecurity model

In an increasingly technological world, cyber-threats and security challenges are becoming ever more significant due to their impact on the organization. Their impacts could range from the loss of sensitive data to damage to physical assets or reduced product/service quality, even threatening business continuity itself.

Acerinox believes that it is essential to develop an effective way to manage risks associated with technology, in particular those related to cybersecurity.

This philosophy is based on the understanding that cybersecurity is one of the essential pillars for the protection of the Group's digital assets and sensitive information. A proactive approach is therefore crucial to safeguarding operational integrity and continuity, as well as to preserve stakeholder confidence, with a special focus on customers.

Acerinox's growing commitment to cybersecurity is reflected in robust governance structures staffed by information security experts, its constant strategy reviews and adherence to internationally-recognized standards such as the ISO/IEC 27001:2017 information security management systems standard, a certification Acerinox has held since 2022.

In this area, the company added a Global CISO (Chief Information Security Officer) in 2023. Reporting to the CEO, the CISO will lead the deployment of the cybersecurity strategy. Likewise, it has a robust cybersecurity governance structure consisting of a corporate information security committee, chaired by the group CEO and also including the CIO, the director of compliance, the chief legal officer, the chief risk officer and the Group's global CISO. Acerinox also has information security and cybersecurity committees in each business unit that ensure this function is applied consistently throughout the organization.

To ensure independent control and oversight, the cybersecurity function is subject to regular review by the Audit Committee. Since 2023, the Group has been busy implementing its three-year cybersecurity master plan, which is focused on strengthening the technological, organizational and procedural elements that guarantee that cybersecurity risks as managed properly. This plan is regularly reviewed and updated in order to respond to the shifting cyber-threat landscape.

Understanding this landscape means not only taking preventive measures, but also promoting an organizational culture that fosters awareness and shared responsibility in this area. Employee training and awareness is another indispensable pillar for proper cybersecurity management. With these premises in mind, the Group carries out constant training and awareness-raising actions for the entire workforce to promote best practices and mitigate possible risks.

To this end, Acerinox has a security operations center (SOC) supported by top-tier suppliers, whose purpose is to provide continuous surveillance and an effective response to potential incidents.

All these efforts reflect the Group's determination to continue managing cybersecurity challenges in a robust, proactive way, thus ensuring that information and assets are protected against potential threats and emerging risks.

3. Governance

GRI 3-3 / 2-19 / 2-20

In 2023, Acerinox's new dividend policy came into effect, establishing a stable dividend in its total amount and to the extent that the securities acquired through the share buyback programs are written off, increasing per share. The dividend is distributed in two annual payments, one in January and one in July.

The Group's Annual Shareholders' Meeting - held on May 23, 2023, as proposed by the board of directors at their April 12, 2023 meeting and following a report from the Appointments, Remuneration and Corporate Governance Committee - approved an amendment to the Directors' Remuneration Policy. This change implies the inclusion of a clawback clause relating to the total short-term variable remuneration referring therefore to the annual bonus and the Long-Term Incentive whereby the executive directors and senior management personnel of the Company may be required to repay in full the amounts unduly received

This amendment of the Board of Directors' Regulations was reported on at the 2023 general meeting of shareholders. Said amendment was agreed upon at the meeting of the board of directors held on February 27, 2023, in order to incorporate the regulation of the position of lead independent director. The aforementioned amendment to the regulations was registered with the Madrid Company Register.

In 2023, the Acerinox board of directors carried out an annual evaluation of its performance and that of its committees through an independent external consultant.

In terms of training, the members of the Sustainability Committee were trained in various subjects, such as the new corporate sustainability reporting directive (CSRD), and climate risks

The 2023 Acerinox Annual Corporate Governance Report, the Directors' Remuneration Report, the Financial Statements and the Management Report are available on the Spanish National Securities Market Commission and Acerinox websites.

The board of directors, in collaboration with its committees, approves the Group's policies. The board of directors and its committees, monitor the company's targets, including those related to sustainability.

3.1 Board of directors

GRI 3-3 / 2-9 / 2-11 / 2-12 / 2-13 / 2-14 / 2-17 / 2-18

In 2023, Acerinox's board of directors met fourteen (14) times and consisted of eleven (11) directors. At the Annual Shareholders' Meeting held on May 23, 2023, Mr. Ignacio Martín San Vicente stepped down as independent director, having completed the statutory term for which he had been appointed. In turn, Mr. Pedro Sainz de Baranda Riva was appointed independent director for a term of four (4) years. Mr. George Donald Johnston was also re-elected as independent director at the aforementioned general meeting of shareholders.

Skills matrix

At the behest of the Appointments, Remuneration and Corporate Governance Committee, the board of directors drew up and approved its own skills matrix. This document is made to serve as a mandatory guide for all board member selection processes and assignments to specific committees.

The board of directors brings together a huge range of skills, encompassing industry, sales, investment banking, and finance, as well as specialization in areas such as audit, sustainability, energy and new technologies. It is common for directors to have previous experience on the boards of other major international companies. Similar criteria, extensive experience and a wide variety of knowledge guide the decisions to assign professional profiles to each committee.

Board of directors

CARLOS ORTEGA ARIAS-PAZ

Chairman

Proprietary Director representing Corporación Financiera Alba, S.A. Member of the board of directors since May 2022.

Elected with the favorable vote of 91.99% of the subscribed voting capital attending the 2022 Annual Shareholders' Meeting.

Holder of 11,111 shares at December 31, 2023.

LAURA G. MOLERO

External independent

Member of the board of directors since 2017, re-elected in 2021.

She chairs the Appointments, Remuneration and Corporate Governance Committee and is a member of the Audit Committee.

Re-elected with the favorable vote of 97.24% of the subscribed voting capital attending the 2021 Annual Shareholders' Meeting.

BERNARDO VELÁZQUEZ HERREROS

Chief Executive Officer

Executive

Member of the board of directors since 2010, re-elected in 2014, 2018 and 2022.

Chief Executive Officer since July 2010. He is a member of the Executive Committee.

Re-elected with the favorable vote of 92.55% of the subscribed voting capital attending the 2022 Annual Shareholders' Meeting.

Holder of 82,690 shares at December 31, 2023.

GEORGE DONALD JOHNSTON

Lead independent director

Member of the board of directors since 2014,
re-elected in 2019 and 2023.

He is a member of the Audit Committee and the Executive Committee.

Holder of 6 shares at December 31, 2023.

Re-elected with the favorable vote of 87.76% of the subscribed voting capital attending the 2019 Annual Shareholders' Meeting.

ROSA MARÍA GARCÍA PIÑEIRO

External independent

Member of the board of directors since 2017,
re-elected in 2021.

She chairs the Sustainability Committee and is a member of the Executive Committee.

Re-elected with the favorable vote of 97.32% of the subscribed voting capital attending the 2021 Annual Shareholders' Meeting.

FRANCISCO JAVIER GARCÍA SANZ

External independent

Member of the board of directors since 2020.

He is a member of the Executive Committee and the Appointments, Remuneration and Corporate Governance Committee.

Elected with the favorable vote of 92.78% of the subscribed voting capital attending the 2020 Annual Shareholders' Meeting.

TOMÁS HEVIA ARMENGOL

External proprietary, representing Corporación Financiera Alba, S.A.

Member of the board of directors since 2016, re-elected in 2021.

He is a member of the Audit and Sustainability Committees.

Re-elected with the favorable vote of 99.13% of the subscribed voting capital attending the 2021 Annual Shareholders' Meeting.

MARTA MARTÍNEZ ALONSO

External independent

Member of the board of directors since 2017,
re-elected in 2021.

She is a member of the Sustainability Committee.

Re-elected with the favorable vote of 98.05% of the subscribed voting capital attending the 2021 Annual Shareholders' Meeting.

LETICIA IGLESIAS HERRAIZ

External independent

Member of the board of directors since 2020.

She chairs the Audit Committee. and sits on the Sustainability Committee.

Elected with the favorable vote of 92.59% of the subscribed voting capital attending the 2020 Annual Shareholders' Meeting.

SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

External proprietary, representing Corporación Financiera Alba, S.A.

Member of the board of directors since 2002, re-elected in 2006, 2010, 2014, 2018 and 2022.

He is a member of the Executive Committee and of the Appointments, Remuneration and Corporate Governance Committee

Re-elected with the favorable vote of 91.57% of the subscribed voting capital attending the 2022 Annual Shareholders' Meeting.

Holder of 9,997 shares at December 31, 2023.

PEDRO SAINZ DE BARANDA RIVA

External independent

Member of the board of directors since 2023.

He is a member of the Appointments, Remuneration and Corporate Governance Committee, as well as the Sustainability Committee.

Elected with the favorable vote of 92.05% of the subscribed voting capital attending the 2023 Annual Shareholders' Meeting.

LUIS GIMENO VALLEDOR

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

Holder of 23,579 shares at December 31, 2023.

The articles of association establish that the board may have between five (5) and fifteen (15) directors. Although the maximum number has been reached in the past, there are currently eleven (11) members after the former chairman stepped down in 2022. This number is considered adequate to understand the current needs of the company, although it is subject to change in the future if the circumstances so require.

			Director			Committee				Other
Name	**Charge**	**Gender**	Executive	Proprietary	Independent	Executive	Audit	Appointments and Remuneration	Sustainability	First appointment
Carlos Ortega Arias-Paz	Chairman			☑		☑**C**				2022
Bernardo Velázquez Herreros	Chief Executive Officer		☑			☑				2010
Laura G. Molero	Director				☑		☑	☑**C**		2017
Rosa María Garcia Piñeiro	Director				☑	☑			☑**C**	2017
George Donald Johnston	Lead independent director				☑	☑	☑			2014
Francisco Javier García	Director				☑	☑		☑		2020
Tomás Hevia Armengol	Director			☑			☑		☑	2016
Leticia Iglesias Herraiz	Director				☑		☑**C**		☑	2020
Pedro Sainz de Baranda	Director				☑			☑	☑	2023
Marta Martínez Alonso	Director				☑				☑	2017
Santos Martínez-Conde	Director			☑		☑		☑		2002
Luis Gimeno Valledor	Secretary					**SEC**	**SEC**	**SEC**	**SEC**	-

Man | **Woma**

*C: Chairman

At the end of 2023, 36% of board members were women, with a target of reaching 40%

Board: 7 4

Executive Committee: 5 1

Audit Committee: 2 2

Appointments Committee: 3 1

Sustainability Committee: 2 3

Changes in the board of directors

GRI 2-10 / 2-11

At the Annual Shareholders' Meeting, Mr. Ignacio Martín San Vicente stepped down from his position as director, having completed the statutory term for which he had been appointed, and Mr. Pedro Sainz de Baranda Riva was appointed independent director for a term of four (4) years.

Board committees

_Executive Committee

Composed of six (6) members, it held two (2) meetings.

_Audit Committee

Composed of four (4) members, it held fourteen (14) meetings.

_Appointments, Remuneration and Corporate Governance Committee

Composed of four (4) members, it held twelve (12) meetings.

_Sustainability Committee

Constituted in December 2020, it is composed of five (5) members and held six (6) meetings.

See the powers of the committees at:

URL: https://www.acerinox.com/export/sites/acerinox/.content/galerias/galeria-descargas/Reglamento-Consejo-Administracin.pdf

_Management Committee

At December 31, 2023, the following members sat on the Acerinox Management Committee:

Ms. Lucía Alonso de Noriega	**Internal Audit**
Mr. Daniel Azpitarte	**Chief Integration Officer**
Ms. Esther Camós	**Consolidation, Budgeting and Taxation**
Mr. José Campuzano	**Health, safety and environment**
Mr. Carlos Castillo	**Legal Advice**
Ms. Marisa Dafauce	**Human Resources**
Mr. Mark Davis	**CEO of Bahru Stainless**
Mr. Antonio Fernández de Mesa	**Treasury**
Mr. Miguel Ferrandis	**Chief Financial Officer**
Mr. Cristóbal Fuentes	**CEO of North American Stainless**
Mr. Juan García	**Risks**
Mr. Rodrigo García-Vega	**Compliance**
Mr. Antonio Gayo	**Strategy**
Mr. Luis Gimeno	**Secretary General and Secretary of the Board**
Mr. Fernando Gutiérrez	**CEO of Acerinox Europa**
Mr. Hans Helmrich	**Chief Operating Officer**
Mr. Carlos Lora-Tamayo	**Investor Relations and Communication**
Mr. Carlos Marqués	**Raw material purchases**
Mr. Niclas Müller	**CEO of VDM Metals**
Ms. Deniza Puce	**Indirect Purchases**
Mr. Alberto Ruiz	**Cybersecurity**
Mr. Carlos Ruiz	**Sustainability**
Mr. Johan Strydom	**CEO of Columbus Stainless**
Ms. Isabel Vaca	**Information Systems**
Mr. Bernardo Velázquez	**Chief Executive Officer**

The variable remuneration of senior management, and therefore of executive directors (only the CEO at present), was determined on the basis of a series of metrics:

- The first set is related to the financial performance of the Acerinox Group, such as EBITDA, profit after tax and non-controlling interests, and net debt.
- The second set are specific indicators of the companies for which the pertinent member of management is directly and particularly responsible.
- The last set of metrics reflect sustainability performance.

Further details regarding the process of accrediting the CEO's bonus can be found in the Directors' Annual Remuneration Report, which is published at the same time as this report and is available on the website of the Company and the Spanish National Securities Market Commission. The total remuneration of Senior Management can also be consulted in the Annual Corporate Governance Report in the places mentioned above.

A portion of Senior Management remuneration, like the chief executive officer and other ensembles within Group Management, is linked to the profit obtained by shareholders over a three-year period. This is measured based on the TSR and ROE during these cycles. This component of remuneration is paid in Company shares.

For 2023, the effects of the clawback clause for the CEO and Senior Management contracts have been extended to all variable compensation.

Specifically, to the annual variable remuneration and the long-term incentive, following the recommendations of the Good Governance Code.

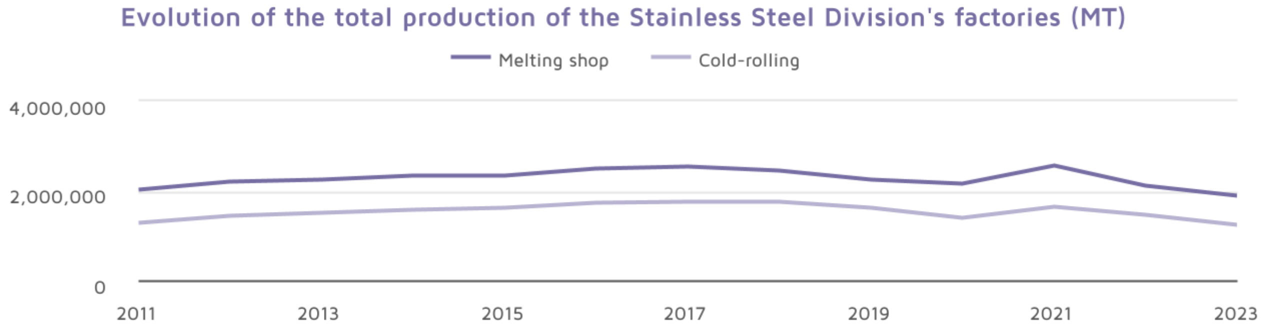
3.2 Annual shareholders' meeting

The annual general meeting of Acerinox was held on May 23, 2023 in Madrid with the physical presence of the Company's shareholders. A total of 1,754 shareholders, either in person or by proxy, were in attendance, representing 54.54% of the subscribed voting capital. All items on the agenda were approved with the sufficient majorities required by the Corporate Enterprises Act and the Company's articles of association.

4. Economic performance

4.1 Production

The Acerinox Group produced 1.9 million metric tons in 2023, of which 96 % corresponded to the stainless steels division and 4 % to the high-performance alloys division.



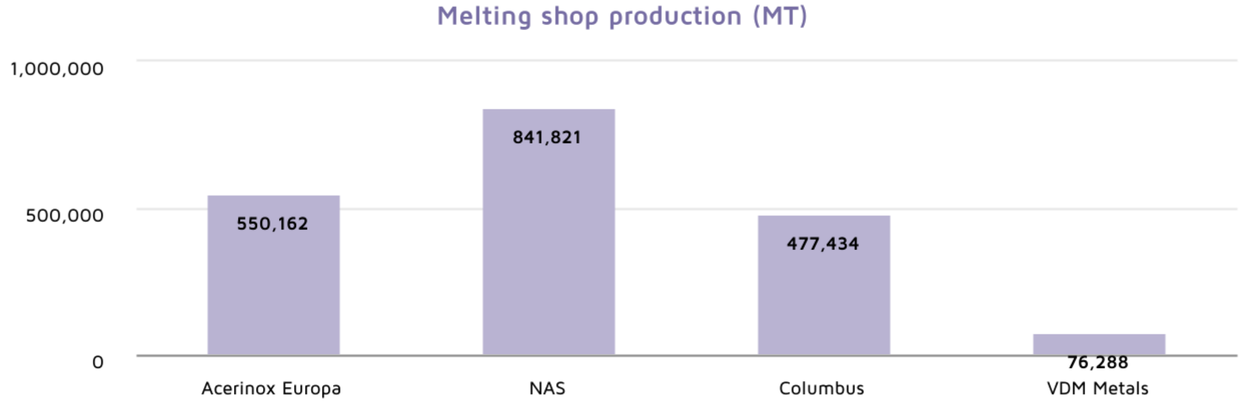
_Quarterly performance of stainless steel division production (thousands of metric tons)

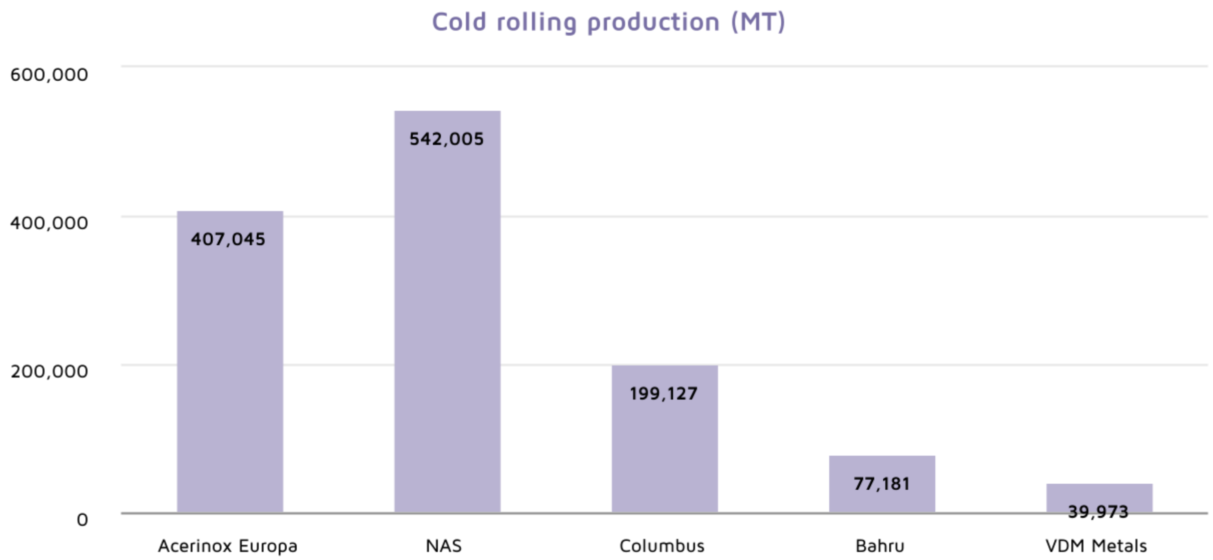
	2023					2022	Variation 2023 - 2022
	Q1	Q2	Q3	Q4	Accumulated	Jan-Dec	
Melting shop	515	465	423	468	1,869	2,108	-11.3%
Cold rolling	311	304	283	328	1,225	1,441	-15.0%
Long products (hot rolling)	42	36	32	28	139	233	-40.6%

_Quarterly performance of high-performance alloys division production (thousands of metric tons)

	2023					2022	Variation 2023 - 2022
	Q1	Q2	Q3	Q4	Accumulated	Jan-Dec	
Melting shop	19	21	17	18	76	82	-7.0%
Finishing shop	8	12	11	10	40	44	-9.2%

_Group production





In 2023, production in the stainless steel division maintained the downward trend that appeared during the fourth quarter of 2022.

The low level of demand throughout the year, along with the inventory reduction process, meant that all the factories in the stainless steel division had to adjust their production to market conditions.

In the case of the high-performance alloys division, demand remained stable throughout the year, while production activity was slightly lower than in the record year of 2022 (-7% melting shop production).

4.2 Financial results

_Key indicators - EUR million

703	6,608	228	341	13.34%
EBITDA	REVENUE	NET INCOME	NET FINANCIAL DEBT	ROCE

Group's consolidated results

In a complex environment, Acerinox's results reflect the Group's resilience even at the lowest points in the cycle. 2023 was marked by macroeconomic and geopolitical tensions, supply chain challenges and incidents affecting trade routes. In these circumstances, the Group's flexibility in adapting to market conditions, cost controls, working capital reduction and debt reduction was evident.

The remarkable results given this market context demonstrate the foresight of the strategic decisions made in recent years, as well as the increased efficiency achieved in the last decade. Acerinox is managing to flatten and mitigate industry's cyclical nature while consolidating a new profitability threshold and consistently generating value across different economic cycles.

The stainless steel industry was affected by the inventory reduction process launched during the second half of 2022. Uncertainties in different markets pushed back new purchases, causing a sharp drop in apparent demand, which affected the Group's operations during 2023.

On the other hand, the high-performance alloys market - the focus of part of Acerinox's strategy, renewing its commitment to higher-value-added products - performed satisfactorily, maintaining its strength, solid demand and good prospects.

Diversification and added value

In recent years, Acerinox has focused its strategy on a process of geographic and product diversification, with a special focus on higher-value-added solutions.

In 2023, the Group's main markets faced similar challenges: downward trends in demand and consumption, high inventory levels and the uncertainties generated by the geopolitical situation. While Europe suffered from falling prices and rising costs, prices remained stable in the North American market.

In addition, the high-performance alloys industry boosted Acerinox's presence in strategic industries with high profitability and long-term growth. It also strengthened the Group's position as a supplier of a wide variety of materials and modified the sales mix with new high-value-added solutions. Thanks to its production and distribution network, the Company was close to suppliers and customers, supporting the regionalization process and improving supply chains.

Despite the unfavorable environment, Acerinox's strong cash generation and ability to make efficient use of capital allowed it to reduce its net financial debt and continue to generate value for shareholders. In 2023, the Group's shareholders benefited from a total dividend of EUR 150 million, consolidating the ongoing commitment to increasing the dividend per share that characterized previous years.

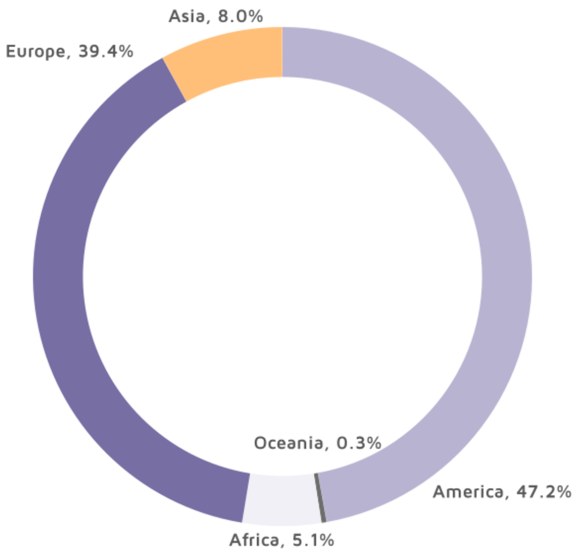
The most important figures for the year and the change with respect to the previous one are summarized in the following table:

EUR million	12M 2023	12M 2022	% 12M 23 / 12M 22
Melting shop production (thousands of metric tons)	1,946	2,190	-11%
Net sales	6,608	8,688	-24%
EBITDA	**703**	**1,276**	**-45%**
EBITDA margin	**11%**	**15%**	
Adjusted EBIT (1)	530	1,080	-51%
Adjusted EBIT margin	8%	12%	
EBIT	374	876	-57%
EBIT margin	6%	10%	
Pre-tax income	355	831	-57%
Profit after tax and non-controlling interests	**228**	**556**	**-59%**
Operating cash flow	481	544	-12%
Net financial debt	341	440	-23%

(1) Adjusted EBIT: excluding an impairment of the assets of Bahru Stainless amounting to EUR 204 million in 2022 and EUR 156 million in 2023.

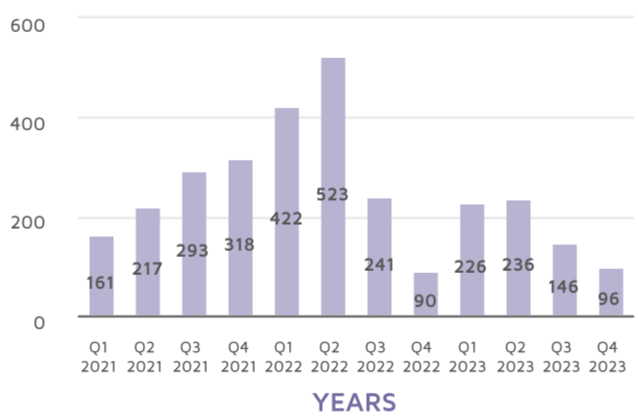
Revenue for the year totaled EUR 6,608 million, 24% lower than the previous year, marked by sharp declines in apparent demand and prices in the main markets in which the Group operates.

_Geographic distribution of sales



The Group made a substantial effort to adapt to market conditions and ended the year with the lowest inventory levels in its history, allowing for a significant reduction in working capital

_Quarterly EBITDA 2021, 2022 and 2023 - EUR million



Despite the drop in demand, the Group managed to obtain a commendable EBITDA of EUR 703 million, 45% lower than 2022, an all-time record for the Company in its more than 50-year history.

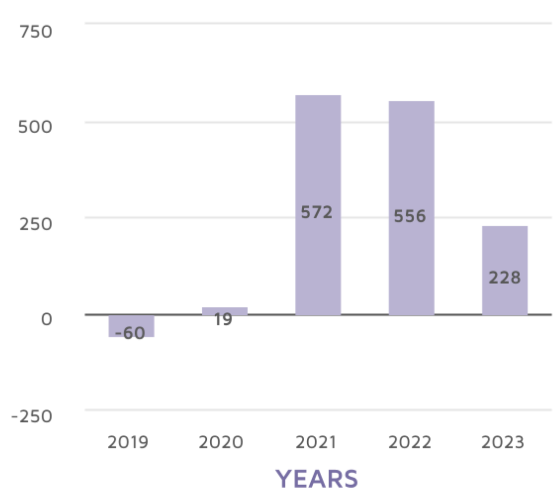
The EBITDA margin rose to 10.6%. This figure includes an inventory adjustment to net realizable value of EUR 65 million.

Depreciation and amortization, at EUR 171 million, decreased by 11% compared to the previous year.

Operating profit (EBIT) amounted to EUR 374 million. Excluding the impairment of Bahru Stainless (EUR 156 million), adjusted EBIT would be EUR 530 million.

Profit after tax and non-controlling interests for 2023 amounted to EUR 228 million, 59% down on 2022.

_Profit after tax and non-controlling interests - EUR million



Impairment of Bahru Stainless

Existing overcapacity in Asia, as well as the difficulty of turning a profit at the Group's factory in Malaysia, have led management to reflect strategically on the future of this plant, not ruling out the possibility of ceasing operations.

As a result, the maximum possible impairment of assets in Bahru Stainless was conducted, amounting to EUR 156 million. This did not result in a cash outflow.

Cash generation

One of the Acerinox's strategic pillars is to maintain its financial strength, defined as sustainable cash generation over time to make efficient use of capital and generate value for the shareholder.

Cash generation continues to be one of the Group's priority objectives. In 2023, despite the lower result obtained, management to reduce Acerinox's working capital, mainly inventories, resulted in an operating cash flow of EUR 481 million (EUR 544 million in 2022).

_Cash flow - EUR million

	12M 2023	12M 2022
EBITDA	703	1,276
Changes in working capital	79	-479
Corporate income tax	-233	-238
Finance costs	-4	-25
Other adjustments	-65	10
OPERATING CASH FLOW	481	544
Payments due to investment	-175	-126
FREE CASH FLOW	307	419
Dividends and treasury shares	-152	-336
CASH FLOW AFTER DIVIDENDS	155	83
Translation differences	-56	55
Changes in net financial debt	**99**	**138**

In a year of falling apparent consumption, with the price of nickel falling throughout the year and industry prices in Europe at historic lows, working capital was reduced by EUR 79 million.

Income tax payments amounted to EUR 233 million, due to the good result obtained by the Company in the previous year.

After investment payments of EUR 175 million, the free cash flow generated amounted to EUR 307 million.

Shareholder remuneration for the year amounted to EUR 150 million in ordinary dividends, as a cash payment of EUR 0.60 per share was made, representing a payout of 66%.

On the other hand, the depreciation of the US dollar (-4% in the year) generated negative translation differences of EUR 56 million.

_Statement of financial position and financing

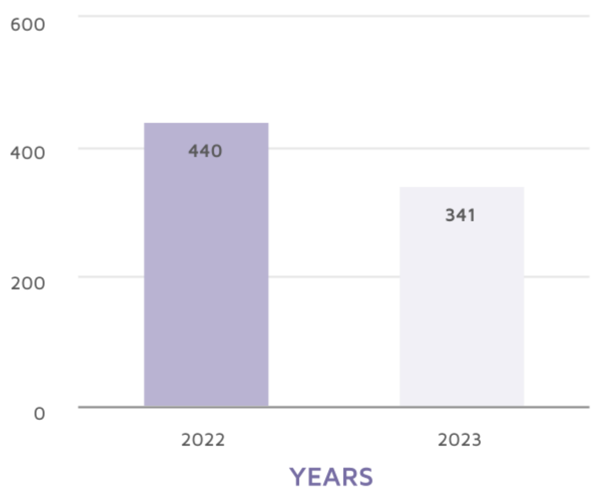
ASSETS

EUR million	2023	2022	Variation
Non-current assets	1,777	1,902	-7%
Current assets	4,322	4,416	-2%
Inventories	1,861	2,156	-14%
Receivables	618	646	-4%
Customers	560	575	-3%
Other receivables	58	71	-18%
Cash	1,794	1,548	16%
Other current financial assets	50	67	-25%
Total assets	**6,099**	**6,318**	**-3%**

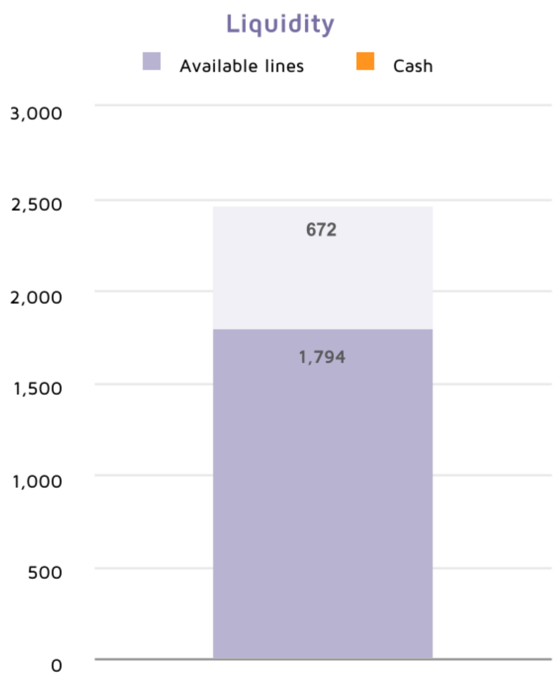
LIABILITIES

EUR million	2023	2022	Variation
Equity	2,463	2,548	-3%
Non-current liabilities	1,733	1,823	-5%
Bank borrowings	1,291	1,394	-7%
Other non-current liabilities	442	429	3%
Current liabilities	1,902	1,947	-2%
Bank borrowings	844	594	42%
Trade payables	787	1,017	-23%
Other current liabilities	272	335	-19%
Total Liabilities	**6,099**	**6,318**	**-3%**

_Net financial debt - EUR million

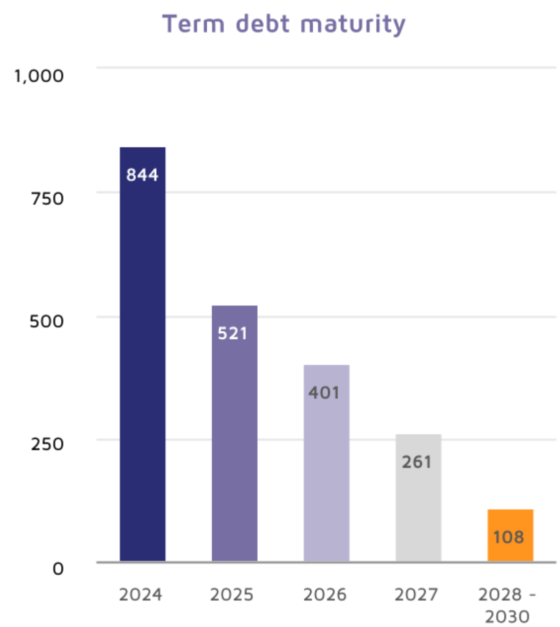


_Liquidity - EUR million



_Maturities of term debt - EUR million

EUR 2,135 million



Net financial debt at December 31, 2023 of EUR 341 million had fallen by EUR 99 million (EUR 440 million at December 31, 2022).

As in 2022, during 2023, the Group continued to actively manage its long-term loans and renew its credit lines to maintain the Group's liquidity. In this regard, the most relevant financial operations in 2023 were as follows:

- Renewal of the syndicated factoring agreement in Spain until 2026, increasing the maximum amount to EUR 380 million and including a new assignor (VDM Metals International)
- Renewal of the Columbus Borrowing Base Facility in South Africa until 2027 for a total maximum amount of ZAR 3.5 billion
- Renewal and extension of credit facilities up to a total amount of EUR 301 million and US$135 million.
- Signing of five new long-term loans in Spain with various financial institutions for a total amount of EUR 155 million.
- 1.5 year extension of the loan signed by VDM for EUR 30 million.
- Extension for an additional year (until 2025) of the bilateral financing lines signed with VDM with five financial institutions for a total amount of EUR 210 million.
- Increase in Bahru Stainless' short-term financing facilities (credit lines and revolving credit facilities) to a maximum of US$145 million.

At year-end, the Group had sustainable outstanding debt totaling EUR 647.4 million, linking the cost of the credit to the evolution of the established indicators to be reviewed annually. At December 31, 2023, the majority of the Group's financing corresponded to term loans, of which almost 80% were due to mature in over a year. Overall, 70% of the loans and private placements were at fixed interest rates (these figures include loans closed at floating interest rates but hedged with an interest rate derivative).

As of December 31, 2023, the Acerinox Group had liquidity amounting to EUR 2,465 million. Of this amount, EUR 1,794 million corresponded to cash and short-term deposits and EUR 672 million to available financing at various Group subsidiaries.

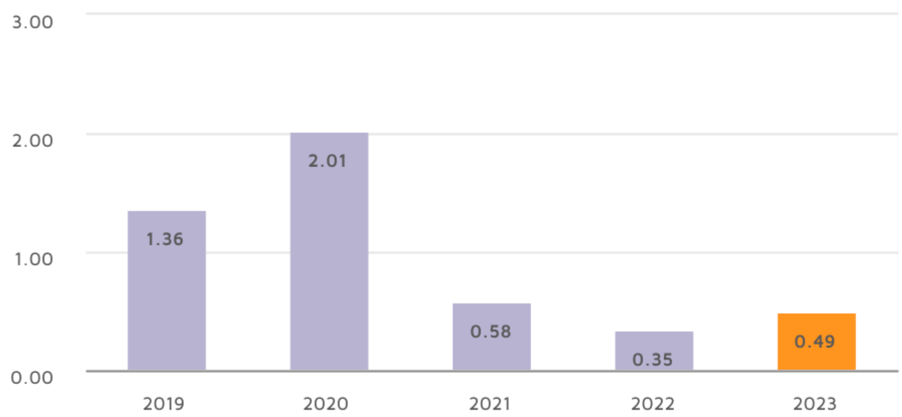
Financial ratios

The net financial debt/EBITDA ratio was 0.49x (0.35x in 2022), demonstrating our good financial situation.

The gearing ratio stood at 14%, a 25-year low.

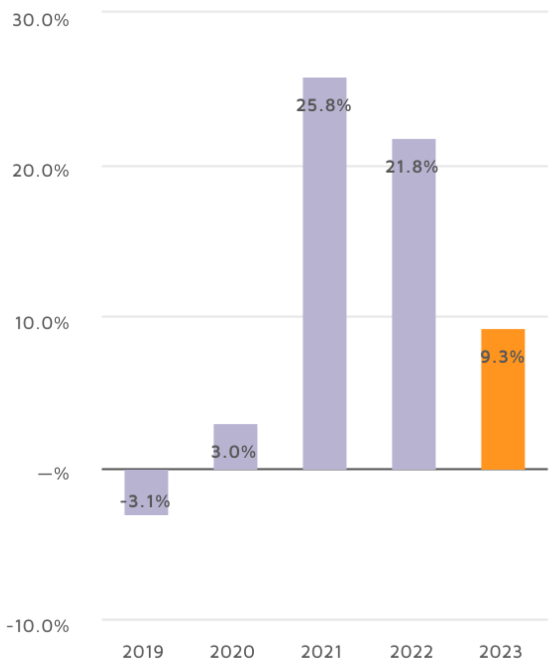
Return on capital employed (ROCE) was 13.34% in 2023 (29.31% in 2022). Adjusted ROCE (excluding the impairment of Bahru Stainless) was 17.9%, exceeding the Group's target of 15%.

_Net financial debt to EBITDA - No. of times

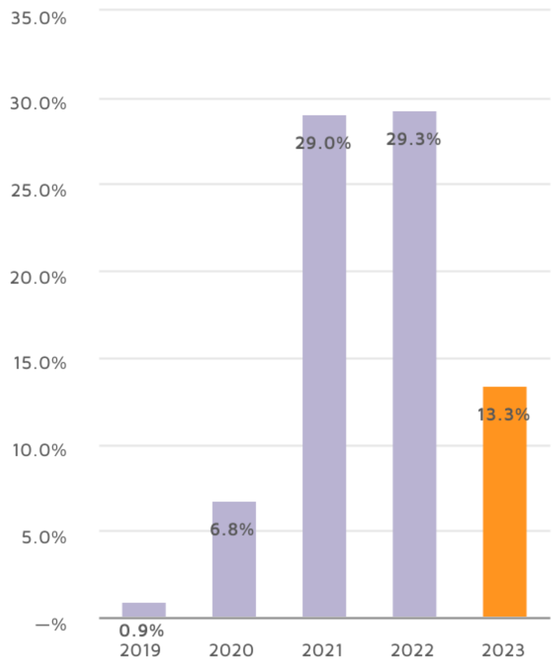


ROE in 2023 stood at 9.3% while ROCE was 13.3%

_ROE - %



_ROCE - %



Average period of payment to suppliers

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

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

	2023	2022
	Days	Days
Average period of payment to suppliers	64 days	63 days
Ratio of operations settled	62 days	62 days
Ratio of transactions pending payment	81 days	80 days
	Amount	Amount
Total payments made	2,363,976	2,384,319
Total outstanding payments	189,493	189,759

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

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

	2023	2022
a) Monetary volume of invoices paid within a period equal to or less than the maximum established in the regulations on late payment	1,114,046	1,129,490
Percentage share of total number of invoices of payments to its suppliers	47%	47%
b) Number of invoices paid within a period equal to or less than the maximum period established in the late payment regulations	23,427	22,172
Percentage share of total monetary payments to its suppliers	41%	40%

_Stainless steel division results

EUR million	12M 2023	12M 2022	% 12M 23 / 12M 22
Melting shop production (thousands of metric tons)	1,869	2,108	-11%
Net sales	5,195	7,426	-30%
EBITDA	**533**	**1,151**	**-54%**
EBITDA margin	**10%**	**16%**	
Depreciation and amortization	-138	-161	-14%
Adjusted EBIT*	393	**987**	**-60%**
Adjusted EBIT margin	8%	**13%**	
EBIT	237	783	-70%
EBIT margin	5%	11%	
Operating cash flow (before investments)	**475**	**648**	**-27%**

*Includes the impairment of assets at Bahru Stainless amounting to EUR 204 million in 2022 and EUR 160 million in 2023

Revenue was down 30% compared to 2022 due to lower sales and price drops in all markets.

EBITDA amounted to EUR 533 million, 54% down on 2022. This figure includes an adjustment of inventories to net realizable value of EUR 49 million.

Operating cash flow totaling EUR 475 million was generated owing to the EUR 206 million decrease in working capital.

_Cash flow - EUR million

EUR million	12M 2023	12M 2022
EBITDA	**533**	**1,151**
Changes in working capital	206	-247
Corporate income tax	-230	-233
Finance costs	17	-14
Other adjustments	-50	-8
OPERATING CASH FLOW	**475**	**648**

_High-performance alloys division results

The alloys division exploited the favorable market momentum with a sound management of raw material purchases, the backlog and product mix, which led VDM to achieve the best results in its history, surpassing the record achieved in 2022.

EUR million	12M 2023	12M 2022	% 12M 23 / 12M 22
Melting shop production (thousands of metric tons)	76	82	-7%
Net sales	1,437	1,262	14%
EBITDA	**175**	**125**	**40%**
EBITDA margin	**12%**	**10%**	
Depreciation and amortization	-24	-24	1%
EBIT	**151**	**102**	**49%**
EBIT margin	**11%**	**8%**	
Operating cash flow (before investments)	**7**	**-104**	

High-performance alloys revenue reflected the favorable market momentum with 14% growth compared to 2022.

EBITDA generated—EUR 175 million—was 40% higher than in the previous year, setting a new record. At year-end, an inventory adjustment to net realizable value of EUR 16 million was carried out.

Meanwhile, operating cash flow was EUR 6.5 million, due to an increase in working capital of EUR 126 million as a result of good activity.

_Cash flow - EUR million

EUR million	12M 2023	12M 2022
EBITDA	**175**	**125**
Changes in working capital	-126	-232
Corporate income tax	-3	-5
Finance costs	-25	-11
Other adjustments	-14	18
OPERATING CASH FLOW	**7**	**-104**

4.3 Excellence 360° Plan

In 2023, the Group advanced in the deployment of the Excellence 360° Plan, featuring digital transformation as the driving force to gather and direct the Group's strategies until they are aligned with its production requirements, thus maximizing business opportunities.

The Excellence 360° Plan made it possible to successfully tackle the uncertain environment that characterized the steel industry in 2023, as well as the weakness of the industrial market in the face of constantly rising energy prices and supply failures. These factors were compounded by the unstable geopolitical situation and the resurgence of armed conflicts. Production cuts resulting from this global scenario prevented value chain optimization, as in other periods of stability, with an average savings during the life of the plan of close to 40%.

In this area, achievements in areas such as the optimization of raw material purchases and the improvement in melting shop yields stand out, with final results above the targets set, as does progress in the reduction of material sent to landfill, and the increase in line processing capacity.

The success of the excellence plans implemented over the last 15 years and the know-how acquired by Acerinox during their execution planted the seed for the design of the new Beyond Excellence Plan.

Digital Transformation Plan

The Digital Transformation Plan, one of the main enablers for pushing forward Excellence, has turned Acerinox into one of the major companies in Industry 4.0.

Its three core programs of recent years - automation and robotization, integrated planning, and data analytics - have been complemented by the addition of a fourth: traceability. The combination of their advances makes the Group not only a Smart Factory, but a Smart Company, building a process improvement strategy with the help of the most innovative technologies, such as AI and digital twins.

During 2023, the Group launched nearly 40 initiatives along the value chain, implementing them at its main facilities.

Specifically, this activity was focused on improvements to the advanced analytics program, with promising projects such as the following:

- Predictive maintenance to ensure constant monitoring of critical assets.
- Predictive quality, which allows surface defects in cold rolling production to be reduced. A global project launched at all the stainless steel division's factories.
- Real-time statistical monitoring of the hot rolling process to reduce its variability. A pilot project deployed in Google Cloud that, in 2024, will be extended to other production areas.
- Melting shop digital twin technology to help optimize slab costs.
- Scrap metal characterization using AI for image recognition.
- Progress in the project to promote product traceability.
- At flat product factories, progress was made in the deployment of sequencers to optimize production campaigns.

Acerinox has joined the Association to Promote the Data Economy and Artificial Intelligence in Spanish Industry, IndesIA, as it works to modernize and digitalize Spanish companies. Acerinox will be an active part of the IndesIA ecosystem, enriching its teams, learning, and benchmarking, using the different working groups to develop products and projects while contributing its experience in these fields.

INDESIA

Consorcio Nacional Industrial para el Impulso de la Economía del Dato y de la Inteligencia Artificial

Digitalization and innovation

EUR 17.6 million

digitalization and innovation investments and expenses

4.4 Acerinox shares

Acerinox's share capital on December 31, 2023, after the redemption of 10,388,974 shares approved at the Annual Shareholders' Meeting on May 23, 2023, was set at EUR 62,333,842.75. It is represented by 249,335,371 shares, with a par value of EUR 0.25 per share.

All shares are admitted to official trading on the Madrid and Barcelona stock exchanges and are traded on the continuous market.

At December 31, 2023, Acerinox had a total of 44 thousand shareholders:

	No. of shares	% capital
Corporación Financiera Alba SA	48,101,807	19.29%
Danimar 1990 SL	14,224,988	5.71%
Industrial Development Corporation of South Africa LTDA	8,809,294	3.53%
Other investors	178,199,282	71.47%

Domestic investors represent 58% of share capital; foreign investors represent 42%

Analyst and investor relations

Acerinox guarantees the market equal access to information through all communication channels. Our website (acerinox.com) plays a very important role in applying this transparent communication policy and serves as a guarantee of access to information.

Any minority shareholder may contact the shareholder's office to make any request for information on Acerinox's performance.

Acerinox must maintain fluid and efficient communication with the financial markets, shareholders and investors, which is why the investor relations team provides intensive, proactive service to the financial community. In 2023 Acerinox attended 25 events organized by brokers (conferences and roadshows), and held more than 223 direct meetings (62% individual meetings and the rest in groups), in which more than 130 entities were assisted. In addition to these figures, a hundred or so individualized calls with analysts and investors were requested throughout the year. Acerinox also complements market information with quarterly open-access conference calls that can be joined by phone and/or online. During 2023, an average of 147 participants were recorded at the results presentations.

Among the most significant issues discussed were interest in the evolution of markets by region, possible corporate operations (mergers and acquisitions), the decarbonization plan, and capital allocation policies.

Capital Markets Day

On November 29 and 30, Acerinox celebrated Capital Markets Day in Germany.

This provided a unique opportunity to showcase the high-performance alloys business and see first-hand the foresight of the acquisition of this division, VDM Metals.

Acerinox executives updated the Company's situation and explained its future mission: to be a world leader in the manufacture of stainless steel and high-performance alloys by creating the most efficient materials for the future, maximizing the benefits for society and creating value for stakeholders.

Among the topics discussed, Acerinox's CEO introduced a new path for a new world and presented the Group as a creator of solutions for each application, thus contributing to the progress and quality of life of a sustainable society. In addition, the following presentations were given:

- "Facing tomorrow's challenges," by our strategy director, Antonio Gayo.
- "Deep dive into high-performance alloys," by VDM Metals CEO Niclas Müller.
- "Stainless steel and HPAs: Materials of the future," by Senior VP R&D VDM Metals International Helena Alves.
- "Achieving excellence in all plants," by Acerinox COO Hans Helmrich.
- "Sustainability: It's our nature," by our indirect purchasing director Deniza Puce and our sustainability director Carlos Ruiz.
- "From global to local," by the head of Business Intelligence, Manuel Landeta
- "Acerinox: A sustainable investment," by the Group's CFO, Miguel Ferrandis.

Capital Markets Day included a guided tour of the Unna (Germany) factory facilities.

This successful event enabled 90 attendees to meet in person and more than 500 participants to tune in virtually.

Share price performance

Evolution in the stock markets in 2023 was marked by different milestones in each of the regions where episodes of high volatility took place:

- The uncertainty generated throughout the year by the complexity of the geopolitical environment and the conflict in Ukraine has been compounded by the situation in the Middle East.
- The banking crisis in March (Silicon Valley Bank) shook the US financial system and had repercussions in Europe, with the collapse of internationally recognized institutions (Credit Suisse).
- The rate hikes that began in 2022 came to an end in the middle of the year. The last Fed rate increase took place in July, reaching its highest level in 22 years (5.25%-5.5%). In Europe, increases slowed in September, reaching their highest level since 2001 (4.5%).

Despite geopolitical uncertainty and adverse circumstances, most stock exchanges ended the year with gains.

Performance of the world's main indexes in 2023:

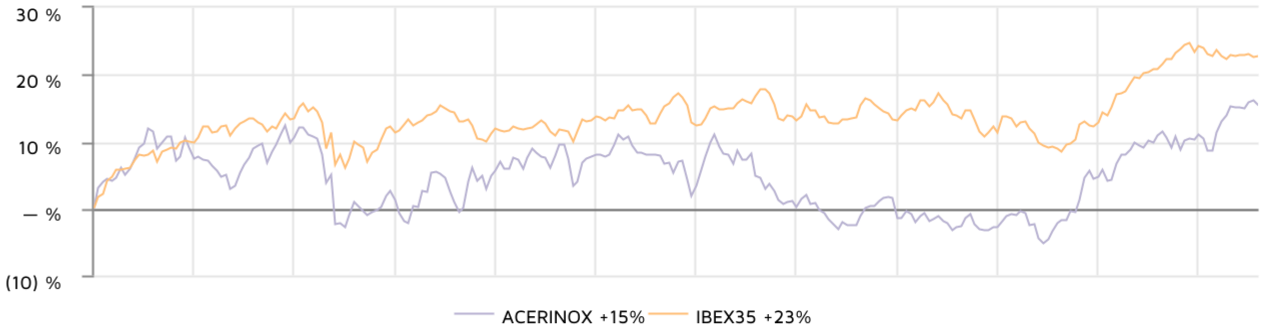
	2023
IBEX 35	22.8%
Industrial DJ	14.0%
Nikkei	28.2%
France CAC 40	17.0%
Euro STOXX 50	19.2%
Germany DAX	20.3%
Ftse MIB	28.0%
CSI 300	-11.4%
S&P 100	31.0%
NASDAQ-100 Index	54.0%

Source: Bloomberg

The Acerinox share reached a high of EUR 10.7/share on December 28 and a low of EUR 8.8/share on October 23.

Stock market evolution of Acerinox and the IBEX 35

Daily percentage data, 2023. Source: Bloomberg

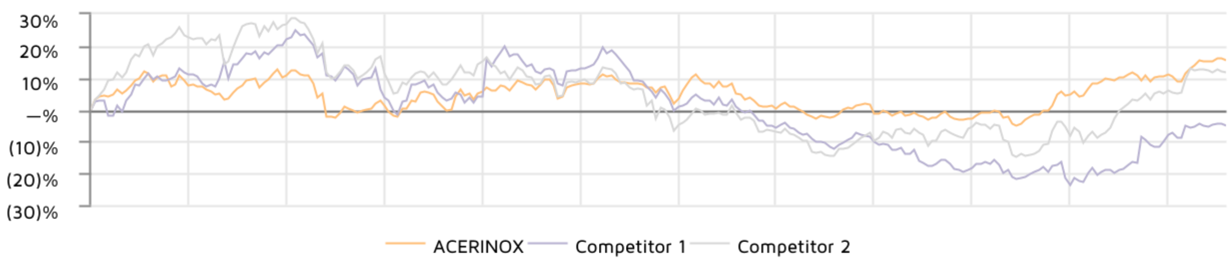


Acerinox rose +15% in 2023, while the IBEX35 went up +23%

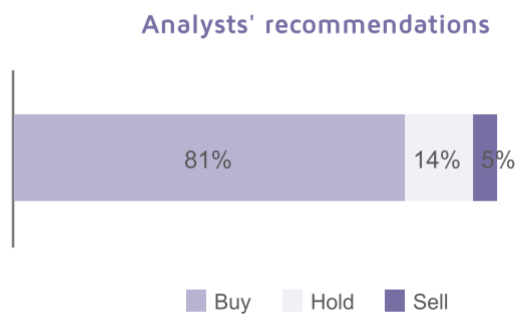
Acerinox's share price performance in 2023, although below the IBEX 35, outstripped its competitors. In a complex year, with a decline in apparent consumption in the US and Europe, the Group was able to generate very positive results thanks to its strategy of offering higher-value-added solutions and the strength of the US plant.

Stock market evolution of Acerinox and its European competitors

Daily percentage data, 2023. Source: Bloomberg



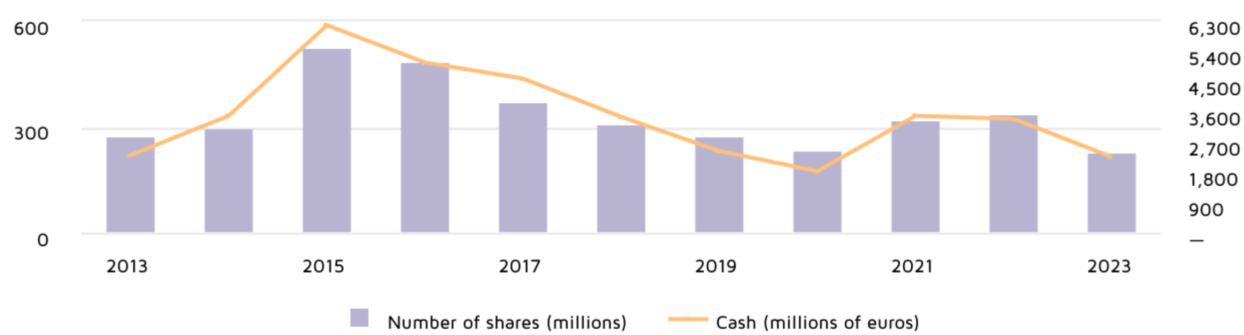
Analysts' recommendations regarding Acerinox did not change significantly during the year. 85% issued a "buy" recommendation at the beginning of the year, as did 81% at the close; 14% of analysts covering the company advised holding and 5% selling.



The average target price of analysts following Acerinox was EUR 13.3/share, a potential increase of 25% from EUR 10.7/share at year-end 2023.

In 2023, Acerinox shares traded on the 255 days the continuous market was in operation. The total number of shares traded amounted to 229,197,103, with average daily trading of 898,812 shares.

In 2023, trading totaled EUR 2,229,325,733, entailing a daily average of EUR 8,742,454.

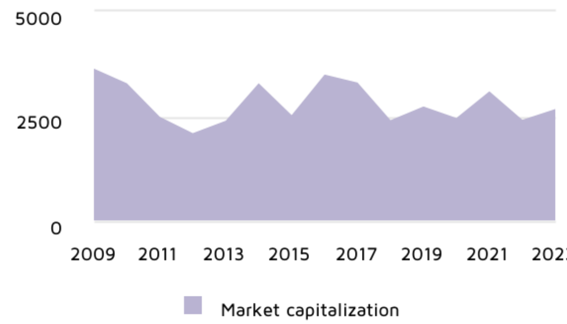


At year-end 2023, the Spanish stock market reported a 26% drop in trading volume compared to 2022 and a 15% drop in average daily cash traded (Source: BME Market Report 2023).

At December 31, 2023, Acerinox's market capitalization was EUR 2,657 million (EUR 2,400 million in 2022).

Market capitalization of Acerinox, S.A.

EUR million



4.5 Shareholder remuneration

In 2023, Acerinox shareholders received EUR 150 million in dividends. The Annual Shareholders' Meeting also approved the redemption of 10,388,974 treasury shares held as part of the buyback program approved by the board of directors on July 27, 2022 (carried out from August 1 to October 26, 2022).

Dividend payment

As established in the dividend policy approved by the board of directors in December 2022, an interim dividend of EUR 0.30 gross per share was paid for 2022 to shareholders on January 27, 2023.

In addition, following approval by the 2023 Annual Shareholders' Meeting, a supplementary dividend of EUR 0.30 gross per share for 2022 was paid on July 17. The total paid to shareholders in 2023 was consequently EUR 0.60 gross per share, 20% higher than the 2022 dividend.

The board meeting of December 20, 2023, resolved to propose to the next Annual Shareholders' Meeting a total remuneration for 2024 of EUR 0.62 gross per share, 3.3% more than the previous year:

- Interim dividend for 2023 of EUR 0.31 gross per share, paid in January 26, 2024.
- Supplementary dividend of EUR 0.31 gross per share to be paid in July.

Shareholder remuneration policy

The purpose of the dividend policy, approved by the board of directors in December 2022, is to establish the essential principles that will govern the shareholder compensation agreements submitted by the board of directors to the Acerinox Annual Shareholders' Meeting for approval, connecting shareholder compensation to the Group's financial results.

Proposals for shareholder compensation must be sustainable and compatible with the maintenance of financial soundness.

Provided that market conditions, the Group's earnings performance, and net debt does not exceed 1.2x the average EBITDA for the cycle permit, the board of directors may resolve to provide extraordinary shareholder remuneration through share buyback plans or the payment of extraordinary dividends pursuant to authorization at the Annual Shareholders' Meeting.

As a general rule, the dividend will be paid in two tranches:

- A payment on account in January.
- A supplementary payment in July.

This policy may be revised when there are significant and tangible organic and/or inorganic investments in the short term or when conditions so advise.

4.6 European taxonomy on sustainable finance

The European taxonomy is part of the European Commission's action plan for financing sustainable growth, which aims to redirect capital flows to sustainable activities. To achieve this, a common language and a clear definition of "sustainable" are needed. To this end, the European taxonomy was created, and a common classification system for sustainable economic activities was established.

In June 2020, European Union Regulation 2020/852 was approved, establishing the criteria for determining whether or not an investment can be classified as sustainable. The aforementioned European taxonomy regulation established six environmental objectives:

1. Climate change mitigation;
2. Climate change adaptation;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control;
6. Protection and restoration of biodiversity and ecosystems.

Subsequently, the European Union adopted delegated acts supplementing Regulation 2020/852. In December 2021, the delegated act related to climate change mitigation and adaptation objectives was approved, with the delegated act related to the rest of the objectives following in December 2023. The delegated acts set out the technical criteria for substantial contributions to each objective, determine whether an economic activity causes significant harm to the other environmental objectives and establish minimum social safeguards.

In accordance with Regulation 2020/852, non-financial companies must report on the proportion of their revenue, Capex and Opex associated with sustainable activities to determine whether they comply with the taxonomy regulation.

Acerinox is a specialist in the manufacture and distribution of stainless steel and high-performance alloys with a presence on five continents.

Its production network comprises 13 factories. The Group has six stainless steel factories: four flat product plants (three of which are integral: Acerinox Europa, North American Stainless and Columbus Stainless; and one with cold-rolling: Bahru Stainless) and two long product plants. The other seven (split between the US and Germany) produce high-performance alloys.

The integrated production process consists of three stages: melting, hot rolling and cold rolling.

During the melting process, raw materials (scrap, ferro-alloys and other elements) are melted down to make stainless steel. First, the product is melted in electric arc furnaces, reaching temperatures of 1,600 degrees Celsius. Once melted, it is transferred to the AOD converter, where the alloy is refined. The resulting material is transferred using a ladle to the continuous casting machine, where the slag is removed and the product is refined.

Subsequently, in the hot rolling stage, the thickness or diameter is reduced, taking advantage of the higher ductility of the material at high temperatures.

In the hot rolling mill, the slabs are heated in a walking beam furnace, then pass successively through a roughing mill and a finishing mill, with entry and exit furnaces. Later, steam jets are used to descale and clean the surface. The resulting range of products is finally passed to a coiler that winds them, creating coils.

In the last stage, cold rolling, the material is subjected to heat treatment, then undergoes a mechanical and chemical process to remove surface oxidation. Acerinox has conducted a comprehensive analysis to assess which of its activities may be eligible under the six objectives of the taxonomy. These potential eligible activities are then cross-referenced with the definitions in the taxonomy to identify the Group's eligible activities.

The company's activity	Eligible activity	Eligible and potentially aligned activity	
The activity is identified in Annex I of the Delegated Regulation	Does it contribute substantially to the 6 environmental objectives?	Does it adhere to the "Do no significant harm" principle?	Does it comply with the minimum social safeguards?
ELIGIBILITY	ALIGNMENT		

Acerinox has an analysis tool that records the data used and the results thereof, serving as a document manager and guaranteeing the traceability of the information.

Eligibility

The Group has identified potentially eligible economic activities for these environmental objectives.

- **Climate change mitigation:** manufacture of basic iron and steel and ferro-alloys.
- **Climate change adaptation:** manufacture of basic iron and steel and ferro-alloys; flood risk prevention and protection infrastructure.
- **Transition to a circular economy:** valorization of hazardous and non-hazardous waste materials, renovation of existing buildings and preparation to reuse products and product components at the ends of their useful lives.

Acerinox also carries out other cross-cutting activities related to its core business that also fall under the objective of climate change mitigation.

Once potentially eligible activities have been identified, the activities included on the taxonomy list are reviewed. Specifically, this involves those included in the Climate Delegated Act (mitigation and adaptation) and in the Delegated Act for the other objectives (water and marine resources, circular economy, pollution prevention, and biodiversity).

For this purpose, the precise definition of the activities carried out is reviewed, as well as their correspondence with the statistical classification of economic activities as set out in Regulation (EC) No 1893/2006 (NACE codes*). The activities carried out by Acerinox are included in Group C. Manufacturing industry, subgroup 24. Metallurgy: manufacture of iron and steel and of ferro-alloys.

Activities falling under NACE subgroups C24.10, C24.20, C24.31, C24.32, C24.33, C24.34, C24.51 and C24.52 qualify as transitional (eligible) activities under article 10(2) of Regulation (EU) 2020/852 when they meet the technical eligibility criteria.

For each Group company, the applicable NACE code has been identified and compared with the previous codes. Likewise, an exhaustive analysis of the activities carried out by each Group company is carried out, verifying that these activities comply with the definition provided by the European taxonomy.

According to this analysis, the infrastructure activities of prevention and protection against related flood risks, valorization of hazardous and non-hazardous waste materials, renovation of existing buildings and preparation to reuse products and product components at the ends of their useful lives that may be considered eligible. However, given the nature of the stainless steel production, which includes both upstream and downstream processes, these activities fall within the production process and are therefore grouped under the climate change mitigation objective.

In this regard, the company is working on improving the information's granularity level in order to assess whether there are significant adaptation measures to be calculated as part of economic activities linked to the adaptation target.

In conclusion, the manufacture of basic iron and steel and ferro-alloys (NACE 24.20) linked to the climate change mitigation objective is considered eligible.

Code	Name of the activity	Description	Taxonomic target	Alignment
3.9	Iron and steel manufacturing	Manufacture of basic iron and steel and ferro-alloys.	Climate change mitigation	YES

This eligible activity does not include the production of high-performance alloys, nor the production of stainless steel long products.

Alignment

The activity, in addition to being eligible, must demonstrate that it meets the requirements set out in article 3 of the regulation, summarized as follows:

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

Substantial contribution

In relation to the climate change mitigation objective, appendices I and II of the Delegated Climate Regulation establish the technical criteria for substantial contribution.

Specifically, paragraph 3.9 states the following: the activity consists of the manufacture of one of the following products: Steel in electric arc furnaces (EAF) producing EAF carbon steel or EAF high alloy steel as defined in Commission Delegated Regulation (EU) 2019/331 and where the steel scrap input relative to production output is:

- 70% for the production of high alloy steel;
- 90% for the production of carbon steel.

In the case of Acerinox, some Group companies were not aligned in this analysis as they are part of the production chain but do not have EAFs in their facilities; therefore, the significant contribution criterion could not be measured. The companies at which the substantial contribution criterion can be measured are Acerinox Europa, NAS and Columbus.

Therefore, in order for these companies' activity to be considered aligned in accordance with activity 3.9, 70% of stainless steel production must come from scrap. The percentage of scrap used at each of the identified companies has been calculated; all three companies exceed the established threshold, reaching scrap usage ratios above 90%.

Following the analysis of the substantial contribution criteria for the different eligible activities, the compliance of these activities with the do no significant harm (DNSH) principle, explained below, has been assessed.

Compliance with the principle of do no significant harm (DNSH)

Compliance with the conditions set out to do no significant harm to the other environmental objectives for each of the companies identified was then verified.

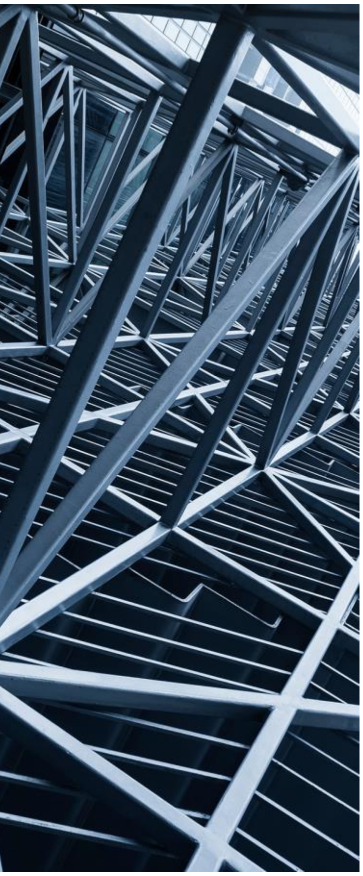
Climate change adaptation

The Group conducted an analysis of physical and transitional climate risks in the medium and long term (2030 and 2050) with the help of an external consultant. Physical risks were assessed using IPCC climate projections, namely the SSP 1-2.6 (RCP2.6) and SSP 5-8.5 (RCP8.5) scenarios, for each of the company facilities identified.

The assessment showed significant risks related to water stress and flooding at some facilities; the Group quantified the financial impacts of the relevant risks there and established climate change adaptation plans. As a result of this analysis, in 2023, the Company implemented adaptation measures to mitigate the impact of the Group's most significant risks. In relation to the risk of flooding, the main equipment was raised to protect it, and the necessary containment and drainage measures were established to channel the water. In relation to the risk of water stress and drought, water consumption efficiency measures have been implemented, and investments have been made in treatment and recovery plants. For the stainless steel division, which includes the companies under analysis, a water withdrawal reduction target was set.

Regarding the risk associated with the development of mechanisms and taxes on carbon emissions, energy efficiency and emissions reduction measures were implemented. Actions were also taken to increase the consumption of renewable electricity. In addition, studies were carried out on the replacement of natural gas consumption with low-carbon fuels (hydrogen and biomethane); and carbon capture, storage and use projects were analyzed. For the stainless steel division, a carbon intensity reduction target was set.

A global climate change adaptation plan will also be implemented by 2024.



Sustainable use and protection of water and marine resources

Acerinox Europa, Columbus, and NAS have an integrated environmental authorization and all other legally required permits regarding water pollution prevention, and groundwater and surface water extraction and use. At facilities located in water-stressed areas, improvement actions were set out within the framework of the environmental management objectives.

Section 5.2 Eco-efficiency and climate change mitigation provides further information on this area, specifically in the "Water stewardship" section. This includes a case study of the Palmones factory (Acerinox Europa). Appendix 6.2 Supplementary information includes detailed information on water withdrawal, consumption and discharge in areas with and without scarcity.

Environmental impact assessments were also carried out at the facilities without identifying any risk of environmental degradation to the bodies of water. In 2023, the water footprint of each Group company was analyzed. For facilities that discharge water into rivers, such as NAS, the gray water footprint has been calculated to estimate the degree of pollution associated with a process step. It was concluded that the concentration of contaminants at the NAS facilities was less than 1,000 mg/l.

In addition, it was evaluated whether the activity of aligned companies has a negative or hindering impact on seawater. The only company that discharges water into the sea is Acerinox Europa. Water is discharged into the Bay of Algeciras through a general collector managed by the Major Industries Association of Campo de Gibraltar. This discharge is subject to regular analysis in accordance with the Plan for the Monitoring and Control of the Receiving Environment for Discharges into the Bay of Algeciras.

In the case of Columbus, given that it is located in a water-stressed area, a zero-effluent discharge operation is used.

Finally, NAS has strict measures in place to prevent, avoid and act in the event of spills or discharges resulting from the storage of other substances. The facility has neutralization plants to treat acidic and basic waters, as well as emergency berms to prevent spills into the outside environment and other safety apparatus to eliminate possible spills. The tanks are equipped with a permanent secondary containment mechanism, as well as cleaning and emergency shutdown services. The final effluent water is discharged back into the Ohio River in equal or better condition than it was withdrawn, thus avoiding any possible environmental impact.

Transition to a circular economy

In accordance with the specifications established in the European Taxonomy, the iron and steel manufacturing activity has no impact on this objective. Therefore, no additional disclosure is required.

Pollution prevention and control

Acerinox's activity complies with the emission and discharge limits established in the Best Available Techniques (BAT), as well as with the applicable regulations regarding the presence of hazardous substances in equipment and products.

Each year, the facilities of Acerinox Europa, Columbus, and NAS conduct an assessment of their compliance with environmental legal requirements under the ISO 14001 standard. This standard establishes a specific management procedure through which the organization can monitor the environmental aspects of its activities that may affect the environment in one way or another, either positively or negatively.

Likewise, internal and external ISO14001 certification audits regularly include compliance evaluations for the aforementioned requirements.

At Acerinox Europa, the Regional Government of Andalusia's technical services team carries out regular legal compliance evaluations as part of their monitoring program for certain facilities.

Likewise, an exhaustive analysis was performed on the products used by Acerinox Europa, Columbus and NAS in their manufacturing and sale processes, in accordance with the specifications established in the taxonomy regulations.

It concluded that none of the Acerinox Europa, Columbus or NAS facilities manufacture or market organic compounds, substances, or mixtures contained them. The same is the case for substances listed in Article 57 of the REACH Regulation and mercury-added products. Companies take measures to avoid the use of metallic material containing mercury, using the applicable industry BAT. Purchase contracts with suppliers also specify the requirements that the scrap must meet.

The facilities only use authorized substances with ozone-depleting potential in auxiliary operations, as part of the refrigeration equipment, and in accordance with the operating, maintenance and waste management requirements established in national standards.

The stainless steel product does not contain elements or substances covered by Directive 2011/65 in quantities exceeding the values indicated in Appendix II, as attested by the Acerinox Europa, Columbus, and NAS Declaration of Restriction of certain Hazardous Substances (RoHS) in electrical and electronic equipment.

Protection and restoration of biodiversity and ecosystems

Acerinox carries out environmental impact assessments in accordance with applicable regulations.

Acerinox Europa's nearest protected area, the Palmones River Marshes Nature Park, is less than 500 meters away on the northwest side. The protected area's governmental charter (ES6120006) states that in there are several uses in the immediate surroundings of this natural area, among which industrial use stands out, with major industries such as Acerinox, the Los Barrios power plant, and the Palmones I and II industrial estates located nearby. In 2018, the Company conducted an environmental assessment study that took into account Directives 2009/147/EC and 92/43/EEC, among others. The study concluded that Acerinox Europa's activity does not generate any type of impact on any protected area.

On the other hand, Columbus is located within 50 km of a protected area. Although its activity does not affect said protected area, the company has a biodiversity plan that protects native flora and fauna. In partnership with a local landscaping contractor, it also actively monitors native plant species to avoid possibly altering the local ecosystem.

The NAS facility is located near a wetland, a protected area administered by the US Army Corps of Engineers. The scope of protection of this agency is not equivalent to the protected areas established in the European Natura 2000 network regulations.

However, NAS cannot directly or indirectly affect the wetland without a permit from the US Army Corps of Engineers. Any potential expansion or change in the operating conditions of its activities that may affect the area must include an environmental impact study and permit application.

Preventive measures have been put in place at NAS. For example, we assessed the presence of endangered species in the immediate vicinity to ensure that expanding our activities in the future would not affect protected species. In addition, training activities were carried out for factory personnel so that they are aware of the applicable prohibitions and limits, as was the placement of signs around the borders of the protected area, and access was banned.

Compliance with minimum social safeguards

Acerinox complies with minimum social safeguards in terms of human rights, corruption and bribery, fair competition, and taxation.

The Group's global human rights policy is available on the company website and sets out Acerinox's commitments regarding the management of human rights, in accordance with the principles established in the United Nations Universal Declaration of Human Rights, the declaration on fundamental principles and rights at work and its follow-up by the ILO (International Labor Organization), and the Guiding Principles on Business and Human Rights of the United Nations.

Acerinox continues to work on developing a human rights due diligence process by identifying, preventing and mitigating current and potential negative impacts on human rights arising from own, Group, and value-chain activities. No human rights violation reports were received in 2023. For more information, see chapter 5.1 Ethical, responsible and transparent corporate governance, in the section on the human rights due diligence model.

The Group extends its commitment to sustainability to the entire value chain. Acerinox has a responsible procurement policy, available on the company website, that outlines general principles for purchasing goods and services (including economic, competitive, social, and environmental aspects), and simultaneously defines the Group's objectives and core action framework rolled out in all its companies.

Additionally, a code of conduct for business partners was established, which defines Acerinox's principles and requirements with respect to its suppliers of goods and services, and vis-à-vis intermediaries, advisors and other Group business partners. The aforementioned code is an essential requirement for the establishment of any contractual relationship with Acerinox. The principles and requirements included are based on the Group's code of conduct and good practices, general contracting conditions, general purchasing policy, and other Company corporate policies. In addition, they are aligned with the 10 principles of the Global Compact, ILO, etc.

The new Group purchasing strategy 2023-2027 is based on three pillars, one of which is specifically related to compliance with ESG standards and the management of risks inherent in the supply chain. This detailed information is available in this section of chapter 5.5 Supply chain and community impact.

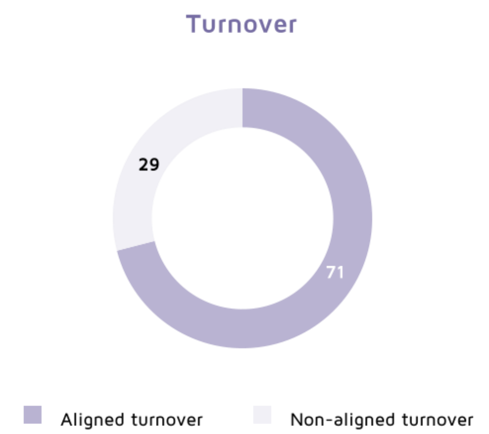
Relatedly, the Group's crime prevention program is aimed at eliminating the risk of committing criminal acts, especially those that entail criminal liability for the legal entity, including risks related to corruption and bribery, competition, and so on. This program includes several phases: updating of protocols and monitoring, self-assessment of monitoring, evaluation and certification, and the action and training plan.

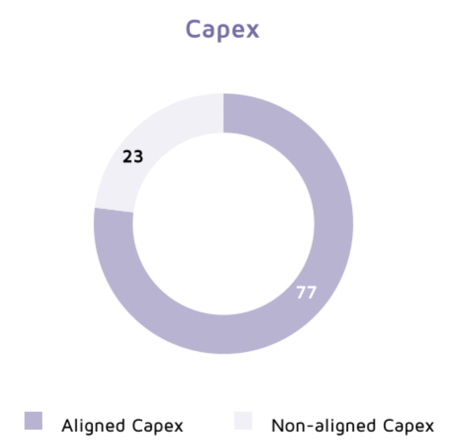
In 2023, AENOR conducted an external audit of the crime prevention program as part of the certification process under UNE 19601: Management system for criminal compliance. For more information, see chapter 5.1 Ethical, responsible and transparent corporate governance, specifically the section on the crime prevention program.

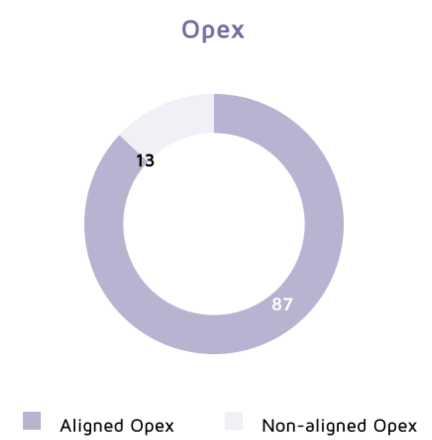
In addition, as a sign of its commitment to best practices in tax matters, Acerinox is a signatory to the Code of Good Tax Practices, actively participates in the Tax Forum of Large Companies and has voluntarily submitted, for the second consecutive year, a tax transparency report to the Spanish tax agency.

As a result of this commitment, the Company was awarded the "T for Transparent 2022" seal for responsible taxation and good governance by the Haz Foundation.

The Group publishes its integrated annual report on the company website. The report includes details of its tax contribution in the countries where it operates, as well as the general tax policy. For more information, see chapter 5.1 Ethical, responsible and transparent corporate governance, specifically the responsible taxation section.







In appendix 6.3. Taxonomy-related information includes details on the calculation of financial indicators and ratios related to revenue, Capex and Opex.

5. Sustainable management model

GRI 3-3

Acerinox is committed to best practices in governance and sustainability to contribute to economic and social development. To this end, it has a responsible management model that structures, coordinates and strengthens the activities necessary to make this a reality.

In order to guide targets and ensure the sustainability of our business, a sustainability committee was created in 2020 within the board of directors. The Sustainability Director, a direct report of the CEO, reports to the Sustainability Committee. Their purpose is to supervise and promote actions related to the Group's commitment to sustainability.

Acerinox has a regulatory framework with a sustainability policy and a suite of complementary policies laying out the commitments and procedures in a slew of areas, such as risk management, climate change mitigation, defense of human rights, equality, diversity, inclusion, and responsible procurement. These are all available on the company website.

For the deployment and implementation of our commitment to sustainability, the company has a sustainability plan, Positive Impact 360°, which responds to the ESG risks and materiality analysis, identifies the levers of value generation, and establishes long-term objectives to make this a reality.

Positive Impact 360° sets out the Group's main environmental, social and corporate governance initiatives. This multi-year plan is implemented through annual sustainability programs defined and agreed with the Group's different areas and factories. These programs are a legitimate tool for achieving continuous improvement in responsible execution.

In 2023, Acerinox worked hard to make progress in the systematization of sustainability management, through procedures that implement the policies and enable better performance of duties, such as the assessment of ESG criteria in the supply chain, management of climate change risks, and transparent reporting of related information. The sections below expound upon the most relevant activities in these areas.

Materiality analysis

GRI 2-29 / 3-1 / 3-2 / 3-3

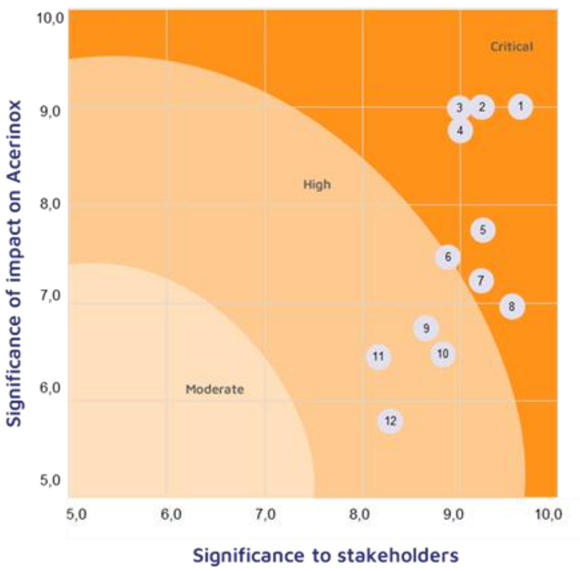
In 2022 the Acerinox Group reviewed and updated the material issues. This analysis process made it possible to identify risks and opportunities, and to better understand the needs and expectations of key stakeholders. To this end, Acerinox consulted customers, shareholders, employees, financial backers, and suppliers, among others, in order to prioritize the most important issues and learn more about these stakeholders' level of satisfaction with the Group's performance. The consultation process included online questionnaires and one-on-one interviews with over 500 professionals, with a response rate of 50%.

The most relevant issues for stakeholders were health and safety, product safety and sustainability, supply chain, ethics and compliance, and circular economy. The Group was well rated across all aspects, particularly in product safety and sustainability, circular economy, financial management, and supply chain.

Acerinox also performed specific analysis to review ESG risks, i.e. those associated to environmental, social and corporate governance matters, following the same methodology as that applied in the corporate risk management model. This analysis revealed the most relevant risks to be those related to health and safety and the Company's decarbonization.

Physical risks and transition risks related to climate change were identified as emerging or long-term risks (see detailed information in chapter 5.2 Eco-efficiency and climate change mitigation).

Based on this information and other external sources, material issues were prioritized. Shown below is the materiality matrix approved by the board of directors' Sustainability Committee.



1. Health and safety
2. Circular economy and waste management
3. Efficient financial management
4. Decarbonization strategy
5. Leadership, transparency and ethical behavior
6. Supply chain management
7. Environmental risk management
8. Sustainable and safe products
9. Talent management: diversity, equality, and inclusion
10. Digitalization and new technologies
11. Positive working environment Training and professional development
12. Social contribution

Acerinox is conducting a double materiality analysis in order to identify what is relevant to the company, as well as the Group's material impact on people and the planet. The study is preceded by an analysis of the global context and industry trends.

Stakeholder management

GRI 2-29

The Acerinox Group is aware of the importance of maintaining responsible relationships with stakeholders in order to create shared value. Therefore, in 2022, the company approved the stakeholder management model; its main objective is to prioritize the aforementioned groups, as well as to identify their needs and expectations around the company's performance.

Acerinox considers the following six stakeholders to be priorities:

- Employees
- Shareholders and investors
- Suppliers
- Local communities
- Customers
- Public agencies
- Civil society

Communication and continuous dialogue are the basis of the relationship Acerinox maintains with its stakeholders. The Company offers opportunities for constant dialogue to build trusting, stable, and lasting relationships. It also regularly evaluates stakeholder satisfaction, making any necessary improvements to its commitments in order to meet their needs.

Positive Impact 360° plan

The Group reviewed its sustainability management model in order to foster continuous improvement in all material issues. To this end, the **Positive Impact 360° Sustainability Plan** is implemented through annual programs, the most relevant actions of which are explained in the following sections of this report.

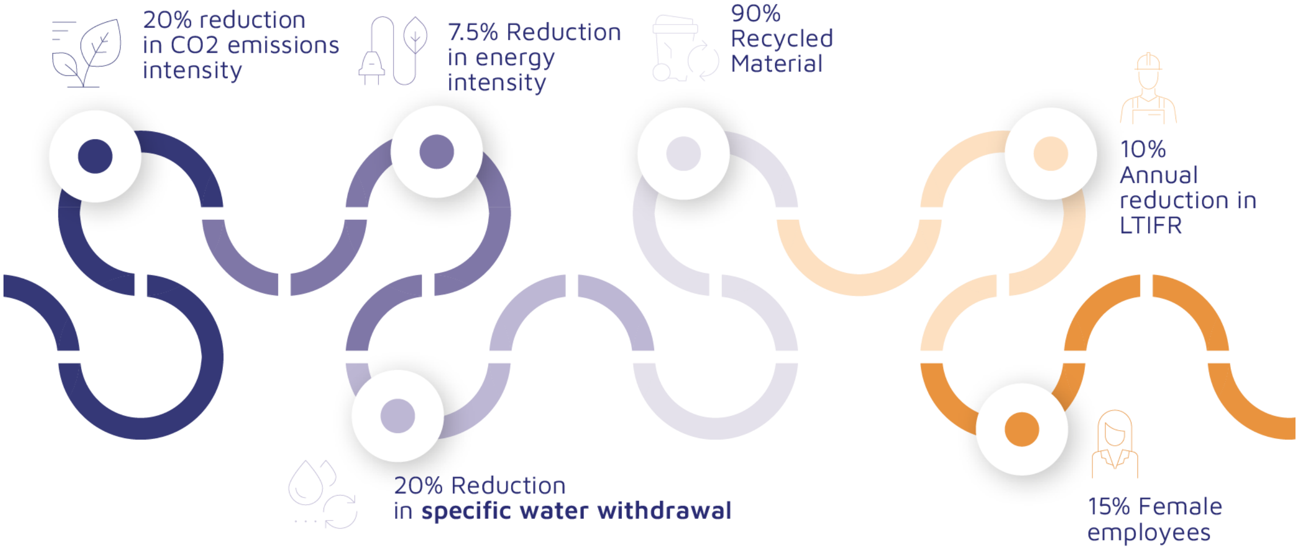
The Sustainability Plan is structured around five strategic pillars:

Ethical, accountable and transparent	Eco-efficiency and climate change mitigation	Circular economy and sustainable products	Committed team, culture, diversity, and safety	Supply chain and community impact
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	Establish commitments and objectives in climate change mitigation and develop an action plan to achieve them that includes energy efficiency measures, which are the bedrock of the climate change model.	Integrate circular economy processes into all operations by driving the development of sustainable and low-emission products.	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,	Manage the supply chain responsibly and be a company recognized for its commitment to local society and creating positive community impact.

Sustainability objectives

GRI 305-5

In 2020 Acerinox set sustainable goals linked to its environmental, social and corporate governance performance, aligned with Positive Impact 360°, its Sustainability Master Plan, and the main international standards (Paris Agreement, Sustainable Development Goals, etc.).



Progress in these objectives is as follows:

Pillar	2030 targets**	Degree of progress	2023 vs 2022
	20% reduction in CO_2 emissions intensity (Scopes 1 and 2) compared to 2015.	-11% vs 2015	-3%
	7.5% reduction in energy intensity compared to 2015	8% vs 2015	6%
	20% reduction in water withdrawal intensity compared to 2015	-18% vs 2015	-3%
	90% waste recycled	80%	1%
	10% annual reduction in LTIFR	–	-24%
	15% women at the organization	13.28%	0.37%*

*Increase in the percentage of women on staff compared to the previous year.

**Carbon intensity, energy intensity, water withdrawal intensity and % waste recycled targets were set for the stainless steel division only. In 2024, they will be extended to the Group level.

The targets are monitored monthly by the sustainability managers at each plant and reviewed by the corporate sustainability team. The evolution of the targets is also reviewed quarterly by the Sustainability Committee, and the necessary measures are taken in each case

The company has met the targets set for 2023 in accordance with the path set out for the year 2030. It is worth highlighting the effort made in terms of emissions thanks to our commitment to renewable energies, as well as the LTIFR reduction target, which has fallen by 24% in just one year. On the other hand, the energy intensity target was not met due to the drop in production, which had a significant impact on plant efficiency. Acerinox has also decided to extend the 2030 targets established at the stainless division level to the entire Group in 2024, applying similar annual reduction levels to the high-performance-alloys division.

Achievement of some of these sustainability objectives is linked to the variable remuneration of employees, forming part of the short- and long-term incentives of the Group's c-suite and being rolled out across the organization's different areas. The specific objectives linked to variable remuneration for 2024, in line with the 2030 Group roadmap, are as follows:

Pillar	2024 targets	2024 vs 2023
	Reduction in CO_2 emissions intensity (Scopes 1 and 2)	-1.54%
	Increase in recycled waste	4.03%
	TIR reduction	-26%
	Increase in the percentage of women in the organization	0.25%*

*Increase in the percentage of women on staff compared to the previous year

Contribution to the 2030 Agenda

The 2030 Agenda is a universal call for action by governments, institutions and businesses to end poverty, protect the planet, and improve the lives and future of people through the achievement of 17 Sustainable Development Goals by 2030.

The private sector plays a key role in this roadmap, making it an opportunity to align business objectives with sustainability. In this respect, Acerinox is firmly committed to helping achieve these global objectives through the manufacture of infinitely recyclable products, such as stainless steel, and through a responsible management model that contributes to protecting the planet, reducing inequality and developing a more prosperous and sustainable world.

The Group identified the Sustainable Development Goals to which it can make the biggest contribution.

On September 25, we raised the SDG flag for a more sustainable future to mark the 8th anniversary of the 2030 Agenda. This initiative of the UN Global Compact aims to unite companies, individuals and institutions under the symbolism of a single flag.

_Contribution to the SDGs

SDGs	Contribution of stainless steel	Acerinox's 2030 objectives
3 GOOD HEALTH AND WELL-BEING	Stainless steel is a hygienic and clean material that is fundamental to development of the food industry and other sectors, such as pharma, medicine, and transport.	Objective of reducing accidents, setting out specific initiatives to achieve this goal. (For more information, see the Health and safety section in 5.4 Committed team, culture, diversity, and safety.)
5 GENDER EQUALITY	The stainless steel industry traditionally has a low representation of women but is working hard to reduce this gender gap.	Objective of having 15% women by 2030, setting out specific initiatives to achieve this goal. (For more information, see the Equality, diversity, and inclusion section in 5.4: Engaged team, culture, diversity, and safety.)
6 CLEAN WATER AND SANITATION	Stainless steel is a hygienic and clean material that is fundamental to development of water pipes and treatment.	Objective of reducing specific water withdrawal by 2030, setting out specific initiatives to achieve this goal. (For more information, see the Water stewardship section in 5.2 Eco-efficiency and climate change mitigation.)
8 DECENT WORK AND ECONOMIC GROWTH	The stainless steel industry has a significant impact on jobs and the economy, and is fundamental to development of other sectors.	Acerinox employs over 8,000 people and generates an economic value of EUR 6,766 million in the form of salaries, taxes, payments to suppliers, etc. (See 1.1 Value creation for further information).
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Stainless steel is a material used in the development of other industries, such as transport, energy, petrochemicals, etc., and in infrastructure, construction, etc.	Acerinox fosters innovation by making investments that improve efficiency through automation, new equipment, new methods, etc., and/or the development of new products, incorporating sustainability criteria into the investment decisions. (See 2.2 Strategic plan for further information.)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Stainless steel is a very long-lasting and infinitely recyclable material. Its use in different sectors increases circularity, and contributes to a more sustainable economic model.	Acerinox champions the efficient use of available resources and has set 2030 targets for reducing CO2 emission intensity, energy intensity, and specific water withdrawal, putting in place initiatives designed to achieve these goals. To increase circularity, it has also set a waste valorization objective. (See 5.2 Eco-efficiency and climate change mitigation and 5.3 Circular economy and sustainable products for further information.)
13 CLIMATE ACTION	Stainless steel contributes to the development of basic sectors in the economy, such as transport, infrastructure, industry, etc., and other sectors that foster renewable energy, batteries, fuel cells, etc.	Acerinox has set specific 2030 objectives to reduce its greenhouse gas emissions, such as carbon intensity, putting in place initiatives designed to achieve these goals. Moreover, to improve its adaptation to climate change, it has analyzed the physical and transition risks related to climate change. (See 5.2 Eco-efficiency and climate change mitigation for further information.)

The Group signed up to the 10 Principles of the United Nations Global Compact and incorporated them into its strategy. This is the framework for the 2030 Agenda that ensures the Company fulfills its basic responsibilities vis-à-vis people and the planet, paving the way for long-term success. This report lays out the most relevant aspects that generate sustainable development, in compliance with the commitment to release an annual Progress Report.

Participation in ESG ratings

Memberships

5.1. Ethical, responsible and transparent corporate governance

Corporate governance

Good governance practices

GRI 2-18

Acerinox adopts best corporate practices in its operations, keeping it ahead of international standards.

Creation and appointment of a lead independent director: George Donald Johnston was elected to this position following the retirement of the previous Chair and the appointment of Carlos Ortega Arias-Paz as new non-executive chairman of Acerinox. Although the chair is a non-executive position, it was decided to create this position because of the benefits it brings.

When the Company increased the dividend per share to EUR 0.60, compared to EUR 0.50 in prior years, it also approved a new dividend policy. This explicit policy states the commitments undertaken vis-à-vis shareholders and provides much-needed predictability regarding expected returns in future years.

The board of directors carries out an annual evaluation of the board and its various committees in order to identify areas for improvement and to approve the measures needed to boost their performance. The resulting improvement plans are periodically monitored and analyzed halfway through and at the end of the year in question. Its usefulness is evidenced by the fact that the ratings improve year after year The 2023 assessment was conducted through external services.

At the request of the board of directors, the Company has strengthened the area of sustainability in recent years. First, the Sustainability Directorate was created and, subsequently, a specialized committee was set up under the board itself.

Significant events after the reporting period

Acerinox, S.A. closes an agreement to acquire the US company Haynes International

The boards of directors of Acerinox, S.A. and Haynes International have agreed that Acerinox Group shall acquire 100% of Haynes International (Haynes), a company listed on the NYSE and headquartered in Indiana (United States) specializing in the special alloys industry.

Interim dividend

The board of directors of Acerinox, S.A. held on December 20, 2023, decided to propose to the Annual Shareholders' Meeting a dividend of EUR 0.62 per share charged to 2023 results, of which EUR 0.31 were paid as an interim dividend on January 26, 2024. This dividend will be submitted for approval at the Annual Shareholders' Meeting to be held in 2024.

Acerinox Europa, S.A.U collective bargaining agreement

Acerinox Europa began the process of renewing the 4th Collective Bargaining Agreement in January 2023. The company is committed to changing its model at this plant in order to stop producing losses and to be able to tackle the strong competition in this market. This transformation will mean regaining productivity through greater staff flexibility and versatility.

Given this situation, after months of negotiations, a strike began on February 5 at the Campo de Gibraltar facility. The strike is ongoing as of the publication of these results, despite the fact that the company has always expressed its willingness to negotiate.

Ethics and compliance

GRI 3-3 / 2-15 / 2-16 / 2-25 / 2-26 / 2-27 / 205-2

Ethics and compliance are key to the proper operation of Acerinox Group's business activity.

_Relevant activities

Milestones 2023	Challenges 2024
Favorable audit report for the Group's nine companies in Spain to obtain UNE 19601 certification for criminal compliance management systems.	Complete the implementation process for the Crime Prevention Program at all group companies.
Specific training on money laundering, terrorism, criminal groups, fraud, and punishable insolvency.	Implement the Crime Prevention Program at VDM companies.
Modified the Group's whistleblowing channel per Law 2/2003, which transposes the Whistleblowing Directive into Spanish law.	Complete the corporate regulation integration process at all the Group's subsidiaries.
Created a repository of all Group regulations, called ACERINORM, available to all Group employees.	Provide training in the prevention of harassment and crimes related to the use of digital services and resources.
Reviewed and re-evaluated risks related to the following crimes: harassment, hate speech, discovery and disclosure of secrets, digital sabotage and damage, intellectual and industrial property right infringements, and tax offenses.	Progress in the implementation of the Human Rights due diligence model.
	Implement smuggling prevention measures, social security, foreign citizens' rights, investment fraud, and land and urban planning at non-Spanish companies.

Code of Conduct and Best Practices

The current edition of the Group's Code of Conduct and Best Practices, approved by the board of directors in 2016 and accessible on the company website, provides a rule-based guide for professionals across Acerinox's various companies to determine the ethical commitments and responsibilities that should govern their activity at the company.

The basic principles of the Code of Conduct are implemented through internal policies and instructions. The Code of Conduct Monitoring Committee, which reports to the board of directors through the Audit Committee, supervises compliance with and internal dissemination of the code among employees, interprets it, provides a whistleblowing channel to gather information on compliance, and also controls and supervises the processing of each case and its resolution, in accordance with the internal regulations that regulate it.

Violation of the Code of Conduct could result in disciplinary action, without prejudice to the administrative or criminal sanctions that may apply in accordance with applicable law.

The Group also has a specific code of conduct for business partners, likewise accessible on the company website, which establishes the duties and commitments of the Group's suppliers. Non-compliance may entail a range of consequences in the contractual relationship with Acerinox.

Whistleblowing channel

GRI 2-16

To encourage the application of the Code of Conduct, the company has a whistleblowing channel, a communication tool accessible to all Acerinox employees and stakeholders. Its purpose is to report behavior that breaches the Code of Conduct and Best Practices as well as to request advice on the application of the organization's policies and practices for responsible business conduct.

In 2023, the Group's whistleblowing channel was modified per Law 2/2003 of February 20, 2003, on the protection of persons who report regulatory violations and the fight against corruption. The aforementioned legislation incorporates the Whistleblower Directive into Spanish law.

This modification to the Acerinox whistleblowing channel required the acquisition of an external whistleblowing hotline (EQS) while keeping its management internal. In addition, the various whistleblowing channels of the Group's companies were unified, and the new rules governing them were approved.

During 2023, 27 complaints were received. In 9 cases, breaches of internal regulations or applicable law were found; in the others, no breaches were found. These breaches were committed by third parties (7) and/or by employees or executives of the Group (2). For each complaint substantiated by a breach, mandatory corrective measures and/or sanctions were applied.

Communication mechanisms of the whistleblowing channel:

Company websites:

- https://www.acerinox.com/en/accionistas-e-inversores/gobierno-corporativo/etica-y-transparencia/canal-denuncias/index.html
- https://www.northamericanstainless.com/governance/
- https://www.columbus.co.za/
- https://www.bahrustainless.com/en/Corporate-Responsibility/ethics-and-transparency/
- https://www.vdm-metals.com/en/company/about-vdm-metals/corporate-responsibility

Telephone numbers

Post:

- Calle Santiago de Compostela, 100 (28035) Madrid, Spain.

Email:

- canaldedenuncias@acerinox.com
- whistleblowing@acerinox.com

Through these channels, the complainant may request a face-to-face meeting to present their complaint. In this case, it will be recorded and they will be informed of the processing of their personal data in accordance with the applicable legislation.

If the complaint is received by any other means (e.g. a report to an immediate supervisor), the information shall be forwarded immediately to the whistleblowing channel manager so that it can be processed in accordance with the applicable regulations.

Compliance function

The compliance function is made up of the set of actions and entities that prevent and detect the regulatory non-compliance risks that may arise in any business process, promoting a culture of compliance at the Acerinox Group and avoiding, or at least reducing, the risk of sanctions, fines, or reputational damage loss as a result of non-compliance with applicable legislation.

The Group's companies, management team, and employees act within the framework established by the laws of the countries where they are located, internal rules and the Acerinox Code of Conduct and Good Practices.

The Group promotes a culture of prevention and zero tolerance for illegal acts, carrying out and implementing monitoring, prevention and compliance activities across all its companies.

The Compliance Department, which reports directly to the Audit Committee, coordinates the roll-out of the compliance model in all Group companies. This model includes the Crime Prevention Program, aimed at averting the risk of crimes being perpetrated, particularly those entailing criminal liability for the legal entity.

In 2023, Acerinox took another step down the path of continuous improvement to prevent and mitigate risks by subjecting the Crime Prevention Program to an external audit carried out by AENOR. This was part of the process for obtaining certification under UNE 19601: Management system for criminal compliance, a standard aimed at reducing criminal risk exposure and promoting a culture of crime prevention.

_Key indicators

27
Inquiries received via the ethical channel

82%
Inquiries resolved

1,971
Employees trained in compliance

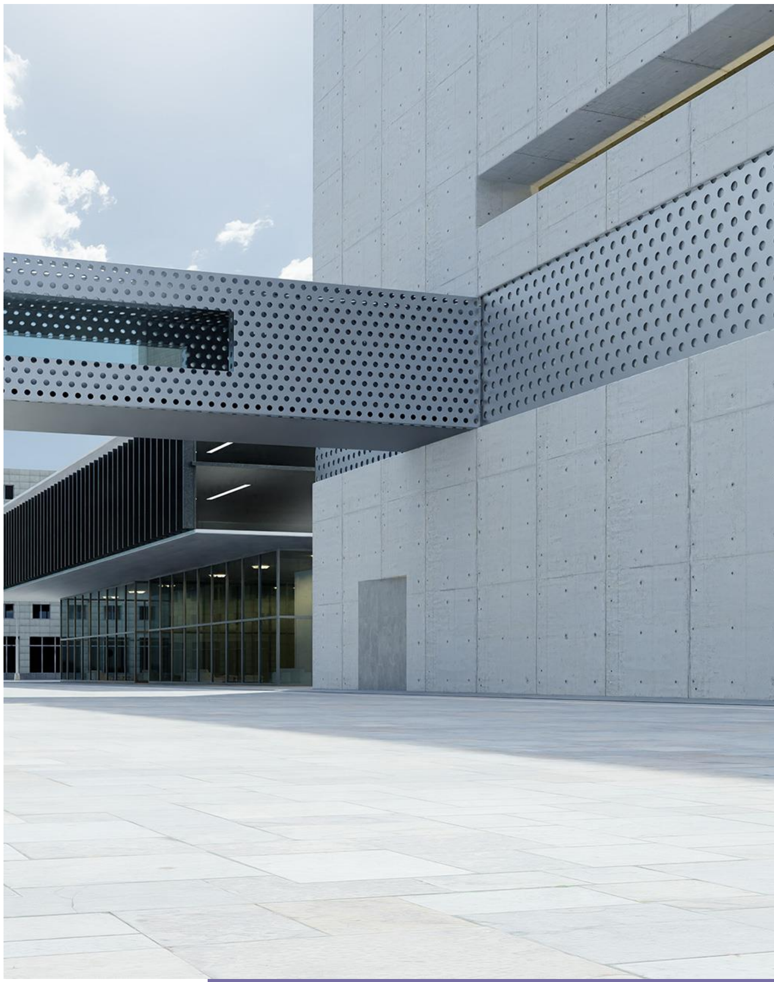
Crime prevention program

GRI 2-15 / 205-2

The Acerinox Group's criminal compliance management system is called the "Crime Prevention Program."

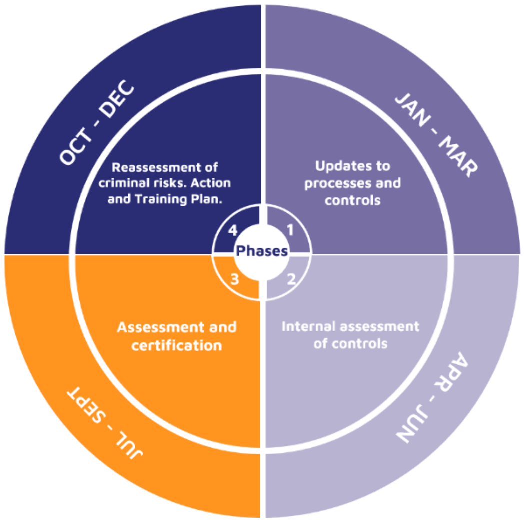
It includes measures designed to identify, evaluate and avoid the commission of crimes in the Group's activities, and is made up of the necessary policies, processes and procedures, in accordance with best practices in this area.

The program follows the risk management methodology adopted by the Acerinox Group, which has three phases: identification, assessment, and mitigation.



The program is monitored, measured, analyzed, and evaluated in accordance with the "crime prevention wheel":

_Annual crime prevention wheel



The crime prevention wheel includes the following phases:

A. Processes and monitoring update:

confirmation of the program's modification to suit the Group's organizational and functional changes.

B. Monitoring self-assessment:

dispatch of monitoring confirmation surveys to the people both involved in and responsible for monitoring.

C. Evaluation and certification:

evaluation of criminal risks in light of the survey results; certificates of compliance are prepared and signed.

D. Action and training plan:

documentation of the monitoring, measurement, analysis, and evaluation work, specifying the action plans found and completed/pending training measures.

In 2023, risks related to the following crimes were reviewed and re-evaluated: harassment, discovery and disclosure of secrets, digital sabotage and damage, intellectual and industrial property right infringements, hate speech, and tax offenses.

New crime prevention program management software from Diligent has also been put in place.

Training

The following training activities took place in 2023:

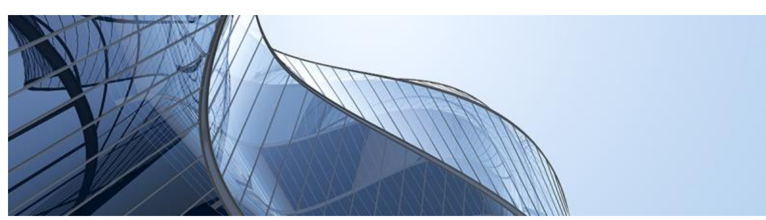
- General training on the Crime Prevention Program for managers and persons in charge of the various departments of non-Spanish subsidiaries affected by the established crimes, as well as for people both involved in and responsible for monitoring.
- Online training on money laundering, terrorism, and criminal groups for the 302 Group employees most exposed to this type of crime due to their jobs.
- Online training on fraud and punishable insolvency for the 290 Group employees most exposed to this type of crime due to their jobs.

Basic training on the Crime Prevention Program and Code of Conduct takes place continually and is provided to new Group hires in Spain.

Internal regulations

Built around the Code of Conduct as a backbone, Acerinox has approved various development rules in the area of compliance:

- Crime prevention model
- Internal instructions on gifts and invitations
- Internal instruction on conflicts of interest
- Internal instruction on bribery prevention
- Internal instruction on competition
- Internal instruction on good financial practices
- Internal instruction on confidentiality
- Internal instruction on third-party risks
- Internal instruction on the commission of crimes.



The following standards were approved and distributed during 2023:

A. Policy approving the basis of the whistleblowing system of the Acerinox Group, its organic management and the rights and guarantees of the persons concerned.

B. Procedure for the reporting, handling, and resolution of complaints.

C. Acerinox Group internal regulations on the purchase of goods and services.

In addition, a repository of all the Group's regulations, called ACERINORM, has been created and is available to all employees.

Data protection

The Group has a data protection model that is adapted to local legal requirements where it is present and guarantees good data governance. The Group periodically assesses compliance in order to design the necessary actions for continuous improvement.

In 2018, the Group appointed a single Data Protection Officer (hereinafter DPO) for all its companies, supported and advised by the rest of the organization in the performance of their duties. The DPO performs their duties with due regard to the risks associated with processing operations, taking into account the nature, scope, context and purposes of the processing. In accordance with the requirements of German regulations regarding data protection, VDM companies have their own DPO.

At Acerinox, we are aware of the importance of identifying organizations' responsibilities regarding respect for human rights and awareness of their current impact on the same. To help benefit and support human rights, we joined the Business & Human Rights Accelerator program of the Global Compact, the leading UN initiative in global sustainability.

BUSINESS & HUMAN RIGHTS ACCELERATOR

Commitment to human rights

At Acerinox, we firmly respect human rights. In 2021, the board of directors approved the Human Rights Policy, available on the company website, which sets out the Group's commitments in this respect, in accordance with the principles established in the United Nations Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work and its Follow-up Procedure of the ILO (International Labor Organization), and the Guiding Principles on Business and Human Rights of the United Nations.

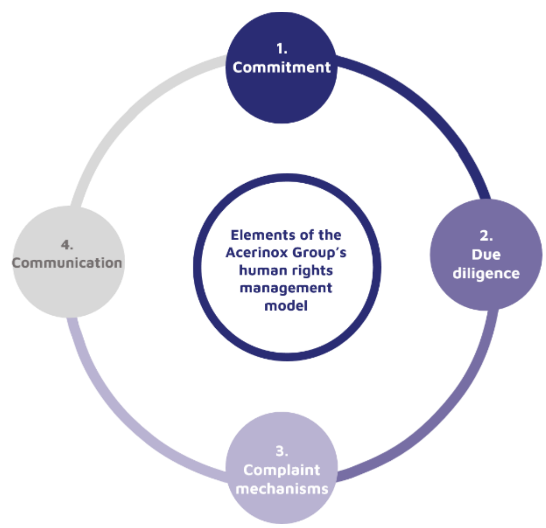
Acerinox also maintains a firm commitment to the Principles of the Global Compact and the Sustainable Development Goals, the United Nations' frames of reference that are underpinned by various human rights declarations.

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

Human rights due diligence model

Acerinox is making progress in the development of its human rights due diligence model, supported by preexisting procedures and systems. The model follows the methodology established by the United Nations Guiding Principles on Business and Human Rights. Its goal is to provide the necessary tools to guarantee that human rights are properly protected and respected.

The due diligence process focuses on identifying, preventing, and mitigating current and potential negative impacts on human rights arising from own and value-chain activities.



The Company takes a continuous-improvement approach to human rights, keeping an up-to-date vision amid major economic and social transformations, including addressing emerging human rights.

No human rights violation reports were received in 2023.

Responsible tax policy

GRI 3-3 / 201-4 / 203-1 / 203-2 / 207-1 / 207-2 / 207-3 / 207-4

In line with our plan to advance with the development of ethical and transparent corporate governance, our firm commitment to sustainability also extends to taxation. Taxes are a fundamental tool for creating long-term sustainable value and now, more than ever, society needs a commitment from enterprises in all tax-related areas.

Acerinox firmly believes in strict adherence to tax legislation in all the countries where we operate, in cooperating with the tax authorities and in tax transparency.

Since its approval in 2011, Acerinox has adhered to the Code of Good Tax Practices and is an active participant in the Tax Forum for Large Companies.

As a sign of our commitment to best practices in tax matters, collaboration with the tax authorities and transparency, the Group has voluntarily submitted (for the second consecutive year, a tax transparency report to the Spanish tax authorities; it plans to submit it on a recurring basis every year. The purpose of this report is to provide information on certain aspects of the companies' economic activities, ranging from an explanation of the Group's tax strategy approved by the management bodies, its tax contribution, the transfer pricing policies applied by the Group, the degree of consistency with the OECD BEPS principles, an explanation of the most substantial corporate transactions, and the cooperative programs in which the Company participates, among other matters.

As a result of this commitment, Acerinox was awarded the "T for Transparent 2022" seal by the Haz Foundation for its responsible taxation and good governance. This award demonstrates compliance with transparency indicators; Acerinox is one of the only 13 companies to have been awarded this seal, and it is perceived as one of the most transparent companies in the industry.

In recent years, in its integrated annual report on the website, the Group has published details of its tax contribution in the countries where it operates, as well as the General Tax Policy.

Likewise, Acerinox has been an active party in various procedures in the cooperative field, including its participation in the OECD-backed ICAP program, which began in mid-2019 and concluded in March 2022 with the receipt of letters from the various participating tax administrations; these categorized the transactions examined, in general, as low tax risk. Acerinox also has a bilateral advance pricing agreement (APA) with the Spanish and German tax authorities; signed in 2017, it is now in the renewal process. In addition, it has collaborated with the tax authorities in the resolution of various mutual agreement procedures.

_Key indicators

GRI 201-1

150	233	637	6,766	6,141	625
Shareholder remuneration (EUR M)	Taxes paid (EUR M)	Staff remuneration (EUR M)	Direct economic value generated (EUR M)	Economic value distributed (EUR M)	Economic value retained (EUR M)

The direct economic value generated includes the Group's revenue, other operating income (excluding extraordinary income), subsidy income, interest income, and proceeds from the sale of fixed assets.

The economic value distributed includes purchases of commodities and consumables, operating expenses (excluding extraordinary expenses), taxes, personnel expenses, financial interest expenses, payments, dividend payments, purchases of treasury shares, and corporate income tax payments

Internal monitoring and oversight framework

GRI 207-1 / 207-2 / 207-3

The Acerinox Group's General Tax Policy forms part of the Group's corporate governance system. It is available on the company website and sets out the principles and good practices for tax management in the Group, with a view to ensuring compliance with applicable tax legislation, adequately coordinating the management of all Group companies, and preventing tax risks and inefficiencies when making business decisions. The tax risk management and internal control framework also falls under the Risk Control and Management Policy, available on the company website. See 3.3 Risk management in this report for details of the management principles.

The Acerinox Group is aware of this importance of Base Erosion and Profit Shifting(BEPS) principles within its activity, and has therefore developed different internal mechanisms to comply with them. It has put into place various internal mechanisms to ensure compliance with these principles, which include an annual self-assessment of BEPS risks, in accordance with the 19 tax risk indicators established by the OECD. Acerinox considers that its tax policy is compliant with the BEPS principles and actions approved by the OECD and does not carry out any aggressive tax planning for the purpose of: i) shifting profits to entities in countries with low or no taxation, or ii) using complex mechanisms that would erode taxable income.

Under 'Contribution to the welfare state', the Acerinox Group's Code of Conduct and Good Practices expressly prohibits the incorporation or holding of entities in territories classified as tax havens for the sole purpose of reducing the corporate income tax base. For these purposes, Acerinox considers as tax havens those places listed in Ministry of Finance Order 115/2023 of February 9 or its subsequent amendments.

Acerinox also complies with the legislation in each country where it operates and pays the corresponding taxes as per the regulations in force.

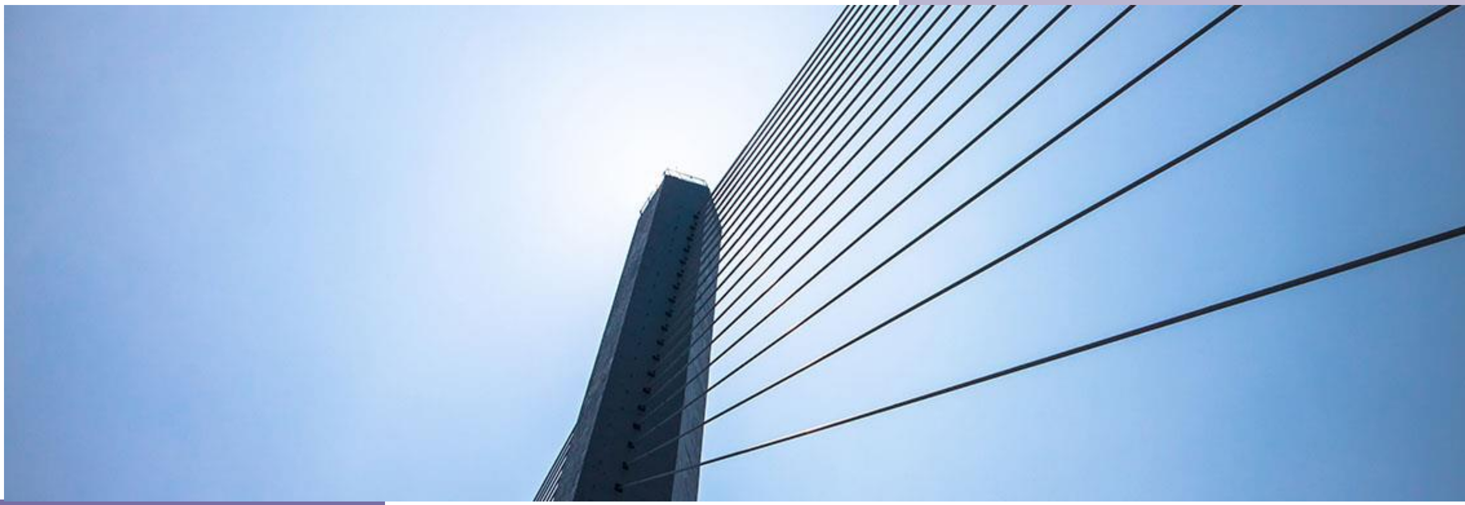
Tax contribution

GRI 201-1

The Acerinox Group endeavors to maximize its financial and corporate profits without affecting the fulfillment of its tax obligations.

The value generated by Group companies is distributed to the tax authorities through the payment of taxes, to employees through the payment of salaries, to creditors through the payment of interest, and to shareholders through the payment of dividends.

As a sign of the Group's commitment to comply with its tax obligations in all the countries in which it operates. The following is a breakdown by country of profits earned and corporate income tax paid. All the taxes paid and received by the Acerinox Group in 2023 are also disclosed.



GRI 207-4

Country	Pre-tax income by country	Payment of taxes
Spain	-157,424	-12,157
USA	766,756	231,791
South Africa	-49,799	1,901
Malaysia	-208,184	29
Canada	5,423	-82
Mexico	6,057	326
Portugal	385	335
France	1,779	405
Germany	201,810	-1,544
Italy	2,675	7,890
UK	3,057	615
Sweden	720	0
Switzerland	-31	0
Austria	1,669	372
Poland	604	694
Chile	-1,092	-80
Argentina	-402	38
Belgium	1,060	213
Russia	-20	0
Turkey	954	125
Brazil	-4	-11
Colombia	-196	0
Peru	-156	0
Australia	389	137
China	3,221	1,240
Hong Kong	668	6
Japan	2,361	974
Korea	543	-17
Singapore	-71	34
India	208	17
United Arab Emirates	-4	0
Luxembourg	2	0
Total	**582,955**	**233,251**

The results that appear in the table are the aggregate results in each of the jurisdictions and correspond to those recorded under local regulations.

Taxes paid include all payments of income tax to the tax authorities during the year, whether payments on account, settlements of prior years, payments in respect of assessments, or mutual agreements.

The Group presents detailed information on tax litigation and open inspections in its financial statements (Note 19.5)

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

As can be seen in the table, the country with the highest corporate income tax contribution is the country in which the Group makes the highest profits (United States).

The following jurisdictions are likewise notable in this fiscal year due to the difference between reported results and taxes:

- **Spain:** pre-tax income reflects dividends received by the Group's parent. An exemption of 95% is applicable to these as said parent files taxes in the home country. This fiscal year, the excess payments on account made in 2021 and 2022 were also collected.
- **Germany:** pre-tax income also includes dividends received by entities of the VDM subgroup, which hold stakes in other entities. On the other hand, tax legislation allows different measurement criteria to be used for certain assets and liabilities, such as inventories or pension plans, which gives rise to temporary differences between accounting profit and taxable income.
- **Italy:** this fiscal year, agreements with the tax authorities for certain pending litigations relating to the years 2007 to 2013 have been met. In addition, the payments on account are determined based on the tax results from the previous year.
- **Canada:** outstanding sums from previous years have been received from mutual agreement procedures with other countries.

In the remaining countries the profit obtained in each jurisdiction is in line with the amount of income tax paid.

The methodology used to determine the total tax contribution (TTC) measures the Group's payments to the different tax authorities.

This methodology generally allocates taxes paid and taxes received to each fiscal year on a cash basis.

- **Taxes paid** are those that entail a cost for the Group companies, such as income tax, social security payable by the Company, and certain environmental taxes, property taxes, and other local taxes.
- **Taxes received** are those generated as a result of the Company's economic activity, with no cost to companies other than in their management, such as withholding tax on salaries owing to personal income tax (PIT), other withholdings on dividends or interest, and VAT.

Taxes paid	Amount (EUR thousands)	%
Corporate income tax	233,251	71%
Social security	66,860	20%
Other indirect taxes (*)	17,191	5%
Local taxes	9,697	3%
Total taxes paid	**326,999**	**51%**

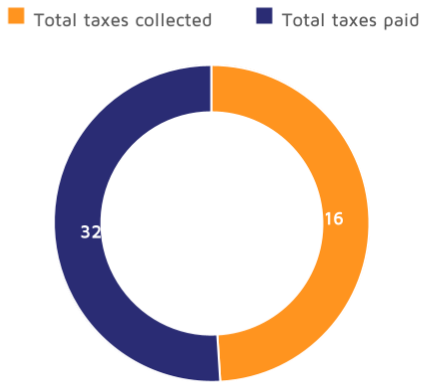
(*) Other indirect taxes include the taxes on electricity, imports, etc.

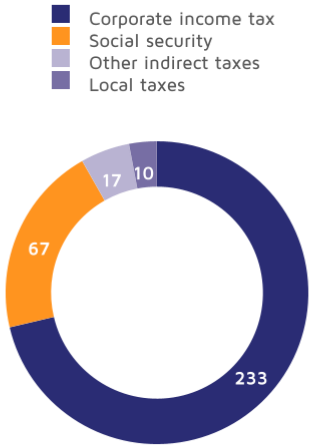
In keeping with the OECD's thinking, the analysis of the tax burden took into account the contributions made to social security or similar bodies in other jurisdictions, given that they are mandatory payments that generally account for a significant portion of a state's income and, in light of them being more tax-like than contribution-like, the Group considers them as taxes.

Taxes received	Amount (EUR thousands)	%
Employee personal income tax and social security	135,663	43%
VAT (*)	153,742	49%
Withholdings	26,978	9%
Total taxes received	**316,382**	49%

(*) The VAT shown is the net amount of taxes received and paid.

Total tax contribution: EUR 643 M **Taxes paid: EUR 327 M**





The amount of taxes paid represents 51% of the Group's total tax contribution, as shown in the chart above.

The Group's pre-tax consolidated profit amounted to EUR 355 million in 2022. Total taxes paid and received amounted to EUR 643 million. This means that global tax contribution was higher than total pre-tax profit.

Companies do key work as tax collection agents in the framework of their business operations; likewise, they play an essential role as qualified employers, assuming the risk and compliance costs associated with their proper liquidation and timely payment. Although the taxes collected do not represent a cost for the company, they are generated and paid into the public treasury thanks to the economic activity of the business groups. They are significant, both as employment taxes and taxes on products and services

_Public subsidies received in 2023

Public subsidies received (EUR thousands)	2023
R&D	1,889
Environment	24,612
Allocation of CO2 allowances	19,113
Aid related to COVID-19	29
Training	273
Other	63
Total	**45,979**

RESPONSABILIDAD FISCAL **2022**

Financial Transparency Seal

Acerinox has been awarded a tax transparency seal by the Haz Foundation, which evaluates the governance system and transparency practices of companies to prevent tax hazards.

5.2 Eco-efficiency and climate change mitigation

Climate change mitigation

GRI 3-3

_Relevant activities

Milestones 2023	Challenges 2024
Verification of product carbon footprint per ISO 14067, including scope 1, 2 and 3 for each steel family	Launch of the ECO ACERINOX range of sustainable products
Economic quantification of physical and transition climate change risks, in line with the TCFD recommendations	Review of decarbonization targets, taking SBTI into account
Increase in the use of renewable energy and contracting of new renewable PPAs	Review of the plan to install photovoltaic renewable energy panels at the various plants
Completion of the CDP Climate questionnaire, obtaining a B score	Review of decarbonization plan and associated investment plan

Stainless steel is a very sustainable, long-lasting, and infinitely recyclable material. Despite these positive qualities, the steel industry accounts for a considerable proportion of global industrial emissions. This is due to the intensive use of energy to melt scrap and ferro-alloys in electric arc furnaces to obtain molten material, as well as the use of fossil fuels, such as natural gas, in the heating and melting processes. Reducing emissions in the steel industry is essential to mitigate climate change and meet global targets.

In this sense, Acerinox committed to decarbonizing its activity by implementing the Positive Impact 360° Sustainability Master Plan. One of its pillars is eco-efficiency and climate change mitigation; it sets the target of a 20% reduction in GHG emissions intensity (Scope 1 and 2) by 2030, using 2015 as the base year.

The Group has also established a sustainability and climate change policy supported by complementary policies that set out its commitments regarding climate change mitigation.

The Acerinox climate change management model follows the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and provides information on governance, strategy, risk, and opportunity management, as well as metrics and targets to mitigate climate change.

_Key indicators

GRI 305-1 / 305-2 / 305-3 / 305-4

1,092 t CO2e/t steel	778,994 tCO2e	1,483,902 tCO2e	3,521,612 tCO2e
SCOPE 1+2 / PRODUCTION	SCOPE 1	SCOPE 2	SCOPE 3

Climate change governance

GRI 3-3

The board of directors is ultimately responsible for the oversight of the Group's climate change management, to which the sustainability and audit committees report within their spheres of influence.

The head of sustainability reports to the Sustainability Committee on at least a quarterly basis regarding the primary sustainability initiatives, including climate change mitigation, as well as the metrics and monitoring of the associated goals. The Group has a team dedicated to managing sustainability-related themes at each plant and a corporate sustainability team that works together to coordinate the geographical roll-out of this management model.

The chief risk officer reports to the Audit Committee at least twice a year on the Group's main risks, including those associated with climate change.

Climate change strategy

GRI 3-3 / 302-4 / 305-5

Acerinox established its commitment to climate change mitigation around four pillars:

- **Improving energy efficiency:** through initiatives such as heat recovery boilers and the use of autonomous guided vehicles (AGVs), etc.
- **Increasing the use of renewable energy:** by entering into PPAs and obtaining renewable energy certifications, as well as through the installation of solar panels for self-supply at the Group's facilities.
- **Using sustainable fuels:** analysis of the feasibility of replacing natural gas consumption with other carbon-neutral fuels, such as biomethane and green hydrogen.
- **Carbon capture, utilization and storage:** studies into the technical and economic feasibility of capturing a portion of the CO_2 produced at the plants.

Management of climate change risks and opportunities

GRI 201-2

The Group's climate risk management is integrated into its corporate risk management.

Climate risks are overseen by the board of directors' Audit Committee, as part of its role to supervise the integrated risk monitoring system. Climate risks are also examined by the board's Sustainability Committee.

To strengthen their management, in 2023 the Group also analyzed the physical and transition climate change risks using TCFD methodology. The study considered the impact that climate change would have on each of the Group's facilities over two time horizons - 2030 and 2050 - under two climate scenarios. For physical risks, IPCC RCP 2.6 (aligned with the Paris Agreement) and RCP 8.5 (business as usual (BAU)) were taken into account. In the case of transition risks, the International Energy Agency's Stated Policies Scenario (STEPS) and Sustainable Development Scenario (SDS) (aligned with the Paris Agreement) were considered.

The impact of climate risk on the Group's financial statements is structured into three main areas: analysis of the recoverability of non-financial assets, determination of the useful lives of plants and equipment and credit ratings. Due to the nature of the business, we feel that there is no material impact from climate change risk that would indicate impairment.

The company has joined the Climate Ambition Accelerator initiative of the Spanish chapter of the UN Global Compact. This program helps companies set quantifiable, science-based emissions reduction targets and develop concrete plans to achieve them. Through this initiative, Spanish companies like Acerinox are expected to become leaders in climate change mitigation.

CLIMATE AMBITION ACCELERATOR

The analysis carried out enabled the Group to identify the following most salient risks and opportunities:

_Risks and opportunities

GRI 201-2

Risk	Type of risk	Classification	Time horizon	Scenarios	Potential business impact	Mitigation and control measures
Risk of flooding due to very heavy rain and/or rivers bursting their banks	Physical - acute	Very high*	2030 and 2050	RCP 2.6 and 8.5	Interruption of production during flooding due to limited access to the plant	Placing primary equipment at height to avoid it being affected in the event of flooding.
						Putting in place containment and drainage measures to channel flood water.
Risk of water stress and drought	Physical - chronic	High and very high*	2030 and 2050	RCP 2.6 and 8.5	Limited water supply or interruption of water supply for extended periods of time	Setting objectives to reduce water consumption
					Increased water treatment costs due to the low quality of the resource.	Implementing water consumption efficiency measures
						Investing in water treatment and recovery plants
Risk associated with the introduction of mechanisms or levies that tax carbon emissions	Transition - political or legal	Moderate and high	2030 and 2050	STEPS and SDS	Direct impact on operations	Setting targets aimed at improving carbon intensity
					Indirect impact on supply chains, involving potential additional operating costs in inputs and energy prices.	Adopting energy efficiency and emissions reduction measures
						Increasing the consumption of renewable electricity
						Looking into replacing natural gas with low-carbon fuels (hydrogen and biomethane)
						Analyzing carbon capture, utilization and storage projects
Changes in customer preferences	Transition - market	Low and moderate	2030 and 2050	STEPS and SDS	Decrease in demand	Setting of 2030 sustainability targets
						Sustainability Master Plan - Positive Impact 360°
						Developing premium products that meet more stringent sustainability criteria

*Physical risks include the highest level identified at any of our facilities.

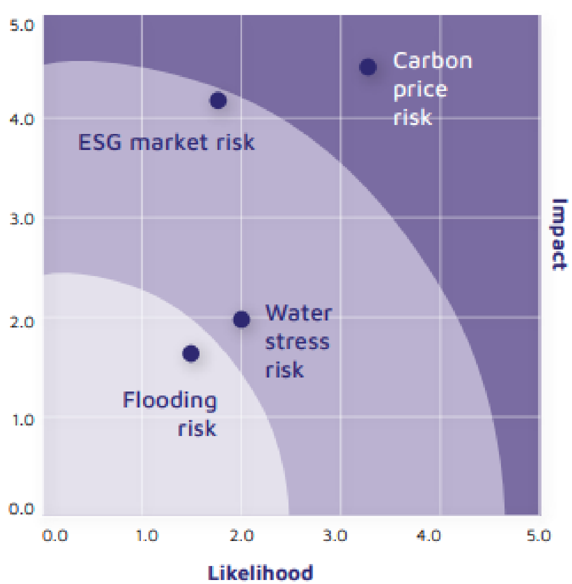
*The costs of measures associated with climate risks are quantified and reported in the Capex and Opex related to the climate change mitigation objective established in the European Taxonomy.

_Risks and opportunities

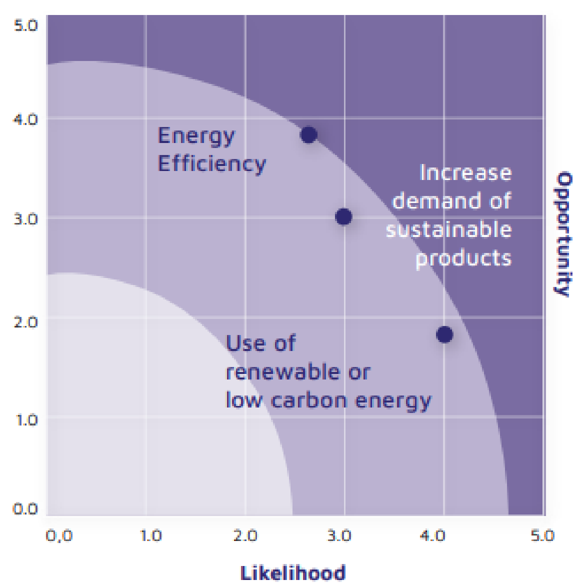
GRI 201-2

Opportunity	Type of opportunity	Classification	Time horizon	Scenarios	Potential business impact	Stimulus measures
Increasing demand for more sustainable products	Products and services	High	2030 and 2050	STEPS and SDS	Increased steel demand due to the development of new technologies and products for the energy transition	Setting of 2030 sustainability targets
						Sustainability Master Plan. Positive Impact 360°
						Developing premium products that meet more stringent sustainability criteria
Improving energy efficiency	Resource efficiency	Moderate	2030 and 2050	STEPS and SDS	Reduction of environmental impact	Setting targets aimed at improving carbon and energy intensity
					Reduction of operating costs	Adopting energy efficiency and emissions reduction measures
Use of renewable or low-carbon energy	Energy sources	Moderate	2030 and 2050	STEPS and SDS	Reduced exposure to the future price of fossil fuels	Setting targets aimed at increasing the consumption of renewable energy
					Improving business sustainability	

_Risks



_Opportunities



Decarbonization roadmap

The Company's goal is to advance in the decarbonization of its business model. Acerinox is working to reduce the amount of CO_2 released into the atmosphere and to reduce other polluting gases associated with the steelmaking process in order to achieve a considerable improvement in air quality, reducing its impact on human health and adjacent ecosystems.

To this end, the Acerinox Group has short- and medium-term initiatives grouped around the following pillars:

- Improving energy efficiency through best available techniques.
- Promotion of heat recovery systems from process sources.
- Electrification of systems and vehicle fleet.
- Increased use of renewable energies, especially renewable electricity.
- Use of alternative low-carbon fuels (e.g., green hydrogen).
- Increased use of scrap metal.
- Increased use of low-carbon raw materials.
- CO_2 capture, storage, and use.
- Boosting digitalization to improve energy monitoring and management.

These measures are aligned with the sustainability plan climate change targets for 2030, with 2015 as a baseline. The sustainability managers at each factory monitor them every month together with the corporate sustainability team. The evolution of the targets is reviewed quarterly by the Sustainability Committee, and the necessary measures are taken in each case.

FEATURED CASES

Heat recovery boiler. Palmones

The aim of this project is to recover the excess heat generated by electric arc furnaces to generate process steam. Heat recovery is carried out on the hot air (fumes) that pass through the furnace fume exhaust ducts to the filters using air-steam heat exchangers.

Unna (VDM) forklift fleet electrification

The VDM factory in Unna (Germany) undertook an ambitious project to electrify its forklift and heavy transport fleet.

These electric vehicles replaced internal combustion vehicles that used fossil fuels.

Climate change mitigation metrics and targets

GRI 3-3 / 302-1 / 302-3 / 302-4 / 305-1 / 305-2 / 305-3 / 305-4 / 305-5

The targets set by Acerinox demonstrate its commitment to reducing its environmental impact.

The Company measures progress towards these targets and reports them to the board's Sustainability Committee on a regular basis.

The Acerinox carbon footprint is certified using ISO 14064 Standard / GHG protocol. In 2021 a significance analysis was carried out regarding the new Scope 3 categories under the ISO 14064-1:2019 standard, the most salient of which were incorporated into the certified footprint.

In 2023, the Company went a step further and calculated the product carbon footprint of the four stainless steel families used by Acerinox Europa (austenitic, ferritic, martensitic and duplex steel). The product footprint was verified by an external third party. Currently, work is underway to calculate the product carbon footprint for a specific steel.

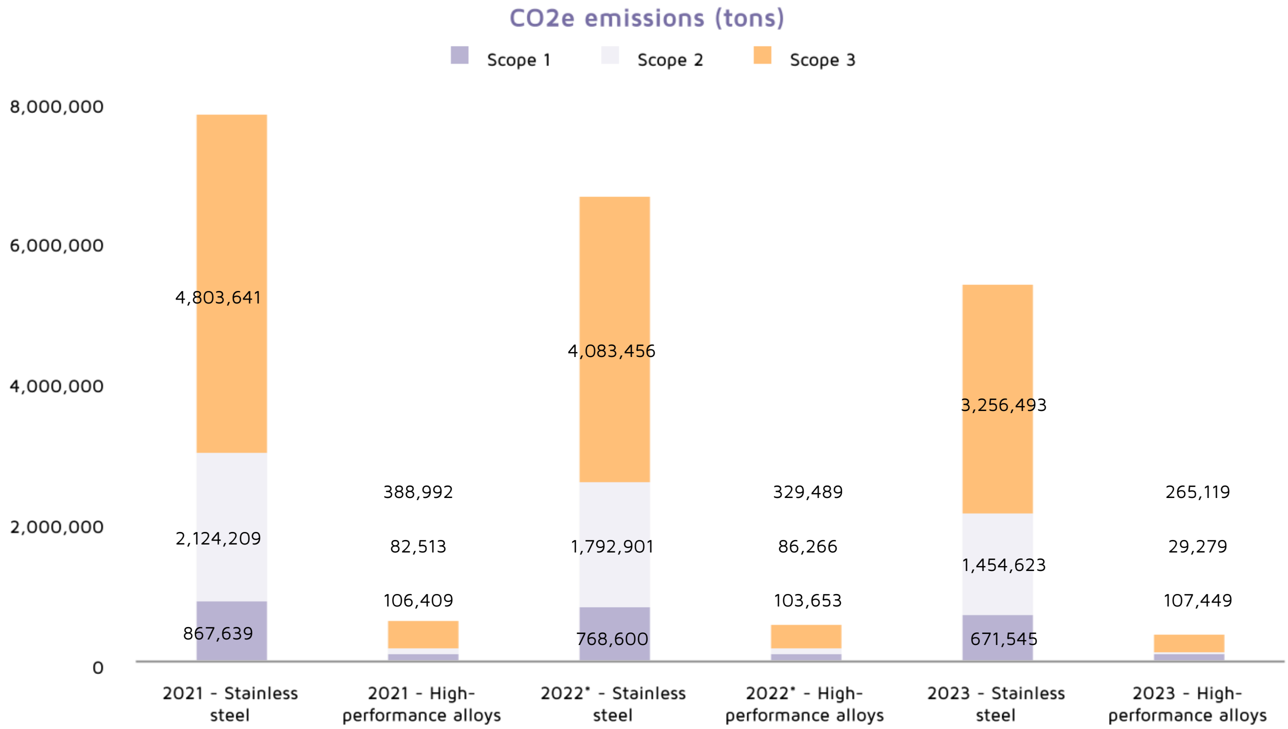
_Table scope 1, 2 and 3 emissions (tCO2e)

GRI 305-1 / 305-2 / 305-3

Emissions	GHG categories	Stainless	High-performance alloys
Direct	1.1. Fixed	535,105	105,712
	1.2. Mobile	6,200	596
	1.3. Process	125,211	1,046
	1.4. Fugitive emissions	5,029	95
Total direct		**671,545**	**107,449**
Indirect	2.1. Energy	1,454,623	29,279
	3.1. Goods and services purchased	2,384,151	247,079
	3.2. Capital assets	0	0
	3.3. Fuel and energy activities not included in Scope 1 or Scope 2	209,256	10,126
	3.4. Upstream transport and distribution	53,809	1,073
	3.5. Waste generated in operations	284,134	0
	3.6. Business travel	1,001	0
	3.7. Transport used on the way to and from work	6,594	0
	3.8. Upstream leased assets	0	0
	3.9. Downstream transport and distribution	316,509	6,814
	3.10. Processing of sold products	0	0
	3.11. Use of sold products	0	0
	3.12. End of useful life treatment of sold products	1,039	27
	3.13 Downstream leased assets	0	0
	3.15. Investments	0	0
Total indirect		**4,711,116**	**294,398**
Total sum		**5,382,661**	**401,847**

_Scopes 1, 2 and 3 group emissions (tCO2e)

GRI 305-1 / 305-2 / 305-3

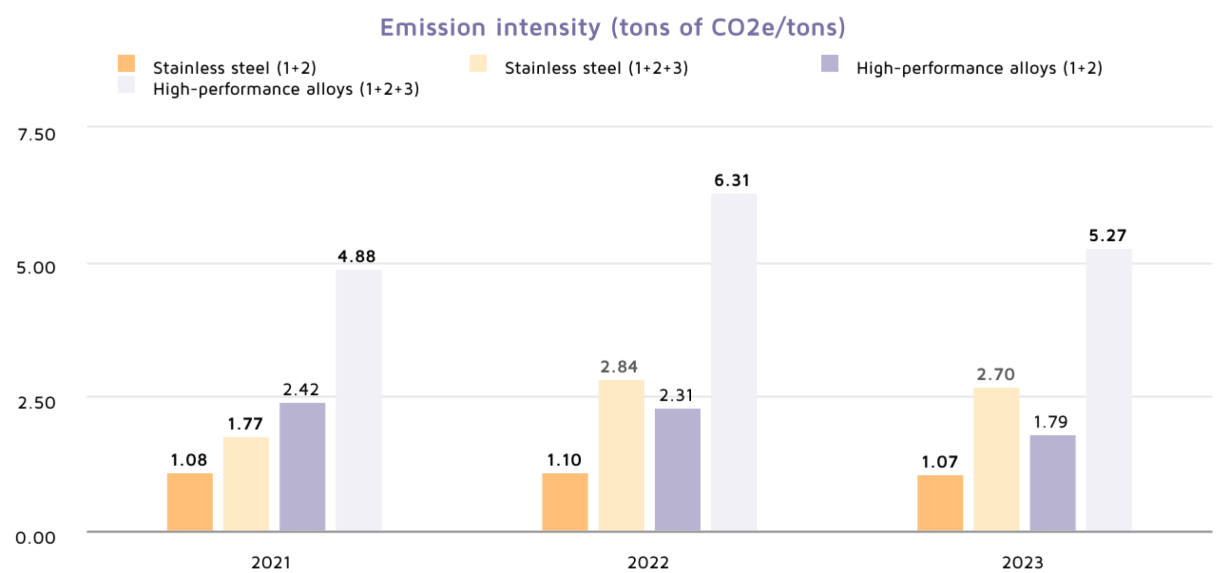


*Scope 3 emissions data for the high-performance-alloys division for 2022 have been recalculated due to the increased availability of the data used for the calculation. Additionally, the data for Scope 1 and 2 of the high-performance alloys division and Scope 3 of both divisions in 2023 have been estimated based on information available at the date of publication of the report.

In 2023, Acerinox's CO2 emissions decreased by almost 20% including scopes 1, 2 and 3. This reduction was similar in the stainless steel division and in the high-performance alloys division. It was mainly based on the increase of the use of renewable energy and the reduction of scope 3 by a lower carbon footprint of raw materials due to better scrap management.

_Scopes 1+2+3 group emissions intensity (tCO2e/t steel)

GRI 305-4



In line with the previous graph showing the Group's emissions, emissions intensity decreased for Scopes 1, 2 and 3 of both the stainless steel and the high-performance alloys division. The Acerinox Group is committed to reducing its carbon footprint. To this end, the Sustainability Master Plan set a target for the stainless steel division of reducing by 20% the intensity of its direct and indirect carbon emissions (Scopes 1 and 2) by 2030 with respect to 2015 levels. This target is linked to the variable compensation of senior management and other management bodies, as well as that of the Company's employees.

As discussed earlier, the drop in steel production in the latter part of the year had a major bearing on this indicator. Despite this, Acerinox almost achieved the stainless steel division's proposed target for 2023 (1,062), achieving an intensity ratio of 1,065 tCO2e/t steel produced. This improvement is due to the increased use of renewable energy and the optimization of plant operations. The stainless steel division also has sustainable loans linked to the reduction of its carbon footprint; these are tied to a 1% annual reduction in emissions intensity (scope 1+2). The 2023 target was met as the ratio was 1.07, below the target of 1.09 tCO2e/metric ton of production.

_CO2 emission intensity target and sustainable loans - Stainless steel division scopes 1+2 (tCO2e/t steel produced)

GRI 305-4

In 2022, Acerinox committed to the Science-Based Targets Initiative (SBTi). The Group is reviewing its CO2 emission reduction targets in light of this initiative and the recently published steel industry guidance.

Responsible energy management

The iron and steel sector requires intensive energy use to melt scrap and ferro-alloys in electric arc furnaces to obtain molten material, as well as the use of fossil fuels such as natural gas in the heating processes. For this reason, Acerinox works to continually improve its production processes, promoting innovation and the development of more efficient, cleaner technologies in steel production, fostering advances in less polluting and more sustainable processes.

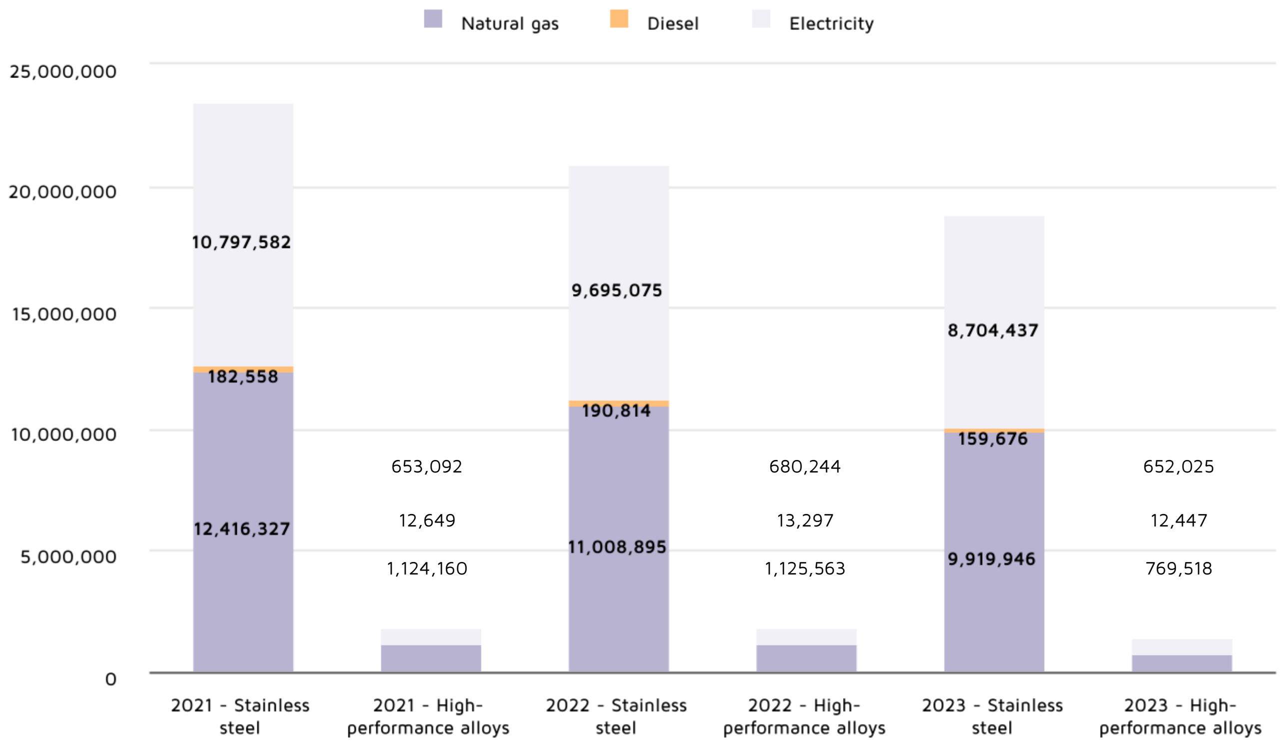
Other measures include replacing components in existing equipment, increasing the purchase of energy with guarantees of renewable origin (PPAs and GoOs), switching to LED lighting, replacing fossil fuels with hydrogen, and improving furnaces, burners, and recovery boilers.

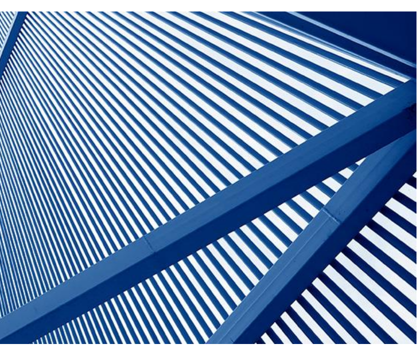
In addition, during 2023, the company worked on the preparation of the new "Beyond Excellence" efficiency plan for the next three years (2024-2026). The plan was approved by the board of directors in late 2023.

The plan consists of six pillars, notably including productivity and automation; efficiency; and decarbonization and the environment. This Plan reinforces the company's commitment to the search for solutions that reduce the environmental impact of its factories.

_Group energy consumption (GJ)

GRI 302-1





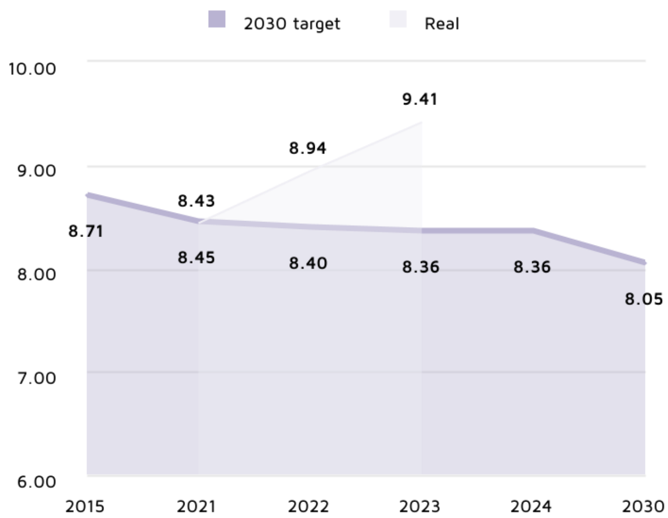
Reducing energy consumption is a key issue for Acerinox. Acerinox has therefore set a target of reducing the stainless steel division's energy intensity by 7.5% by 2030 compared to 2015.

The achievement of this target has been affected by the drop in production caused by the macroeconomic and political environment.

During the last two years, the energy crisis, accentuated by the invasion of Ukraine and the subsequent impact on economies around the world, as well as distributors' high inventory volumes in the wake of strong imports, led to a drop in stainless steel production in the last half of the year. This drop in production had a significant impact on the factories' efficiency, worsening the indicator regarding energy intensity per metric ton of steel produced, although the total volume of emissions decreased due to the increased use of renewable energies.

_Stainless steel division energy intensity target (GJ/t steel produced)

GRI 302-3



Renewable Energy Certificates

GRI 302-1

616,880 MWh

+ 117% increase on the previous year

One of the most important initiatives in the decarbonization process consists of increasing the consumption of renewable electricity through renewable PPA contracts at our factories, according to the features and opportunities available in the different countries where Acerinox operates. In 2023, renewable electricity accounts for 37% of the Group's electricity consumption, up almost 50%.

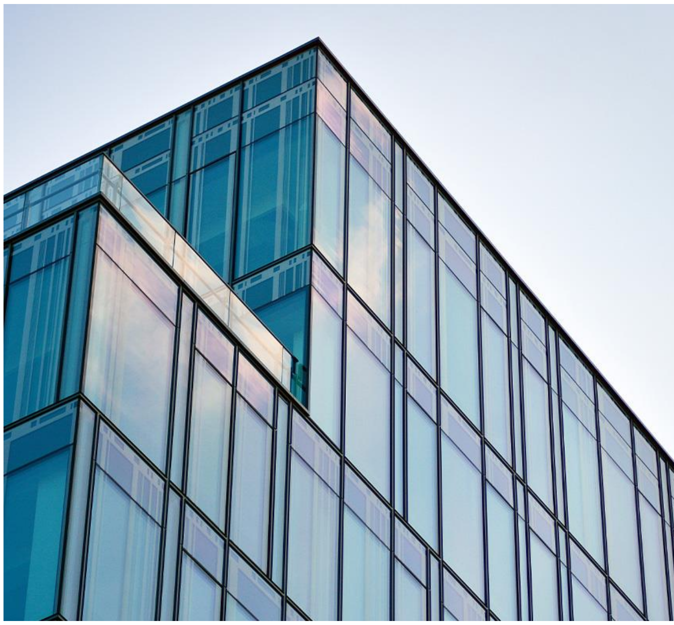
These measures will drive the transformation of the value chain by increasing our plants' resilience, strategic autonomy and energy security.

Increasing renewable energy sources is one of the targets linked to sustainable financing. Specifically, the Company has committed to improving the renewable electricity intensity ratio of the entire Acerinox Group (stainless steel and high-performance alloys divisions) by 4% per year from 2020.

_Group's renewable energy intensity (renewable kWh/t steel produced)

GRI 302-1

*Renewable energy consumption (PPAs + GOs), remaining energy from national energy mix (location-based)



Water stewardship

GRI 3-3 / 303-1 / 303-2 / 303-3 / 303-4 / 303-5

Water, in addition to being a vital resource for life on this planet, plays a fundamental role in the steel industry.

The production of stainless steel and high-performance alloys requires a considerable volume of this natural resource, making its availability a key factor for Acerinox. The Company works to achieve efficient and responsible water management through initiatives such as measuring the water footprint and identifying the level of water stress at each facility.

The Group ensures water quality through internal and external laboratory analyses that provide information and parameters regarding matters like suspended solids, pH, alkalinity, iron, calcium, phosphorus, and aluminum content, among others.

Acerinox identifies SDG 6 "Clean water and sanitation" to be one of the main Sustainable Development Goals and recognizes access to water as a human right. In line with this commitment to sustainability, the Company works in partnership with various stakeholders.

Acerinox's commitment in water catchment areas will enable it to devise water sustainability strategies together with local players, such as launching projects involving water replenishment in natural ecosystems, improving water quality, and reusing waste water within catchment areas.

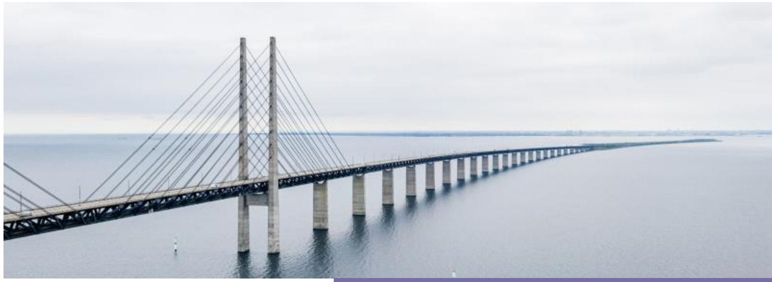
The Group provides all its employees with fully operational and safely managed WASH (Water Sanitation Hygiene) services at all sites. It also guarantees access to clean water for drinking, washing, and sanitation systems, ensuring staff health and safety.

During the last four years, there have been no incidents related to water management.

_Key indicators

GRI 303-3 / 303-4 / 303-5

7,422	4,876	2,547
WITHDRAWAL ML	DISCHARGE ML	CONSUMPTION ML



_Relevant activities

Milestones 2023	Challenges 2024
Development of the water footprint model for the stainless steel division	Development of water footprint model for the special alloy division
Completion of CDP Water questionnaire, obtaining a B score	Implementation of the water management policy
Specific water withdrawal objective met	Improvement of water footprint parameter calculation processes

Water footprint

Acerinox calculates its water footprint as a fundamental environmental parameter at all industrial facilities by measuring the volumes of water used and managed in its processes.

The water footprint model is based on the WFN (Water Footprint Network) methodology, which estimates the blue and gray water footprint of factories.

The water footprint allows for more precise traceability of different water flows so that facilities can understand their vulnerability to water scarcity and/or water quality decline.

This is especially significant in the case of facilities located in areas of high or extremely high water stress.

In parallel, the Group analyzes its facilities' areas of influence; it identifies the level of water stress of these areas based on the World Resources Institute (WRI) and updates the future projections of the hydrographic basins where it operates.

Based on the classifications provided by this tool, Acerinox considers water-stressed areas to be those in which the ratio of total surface or ground water withdrawn per annum for various uses (civil, industrial, agricultural and livestock) and the total available supply of renewable water per annum is high (40-80%) or very high (>80%). The resulting information allows for comparisons to be drawn between the water required for production and availability in the country or catchment area, determines the relevance of the water risks posed in order to adopt appropriate measures, and facilitates dialogue with stakeholders. Each plant is assessed using the most geographically specific data available. This data, drawn from the Aqueduct Water Risk Atlas, currently four out of the 13 municipalities in which the Acerinox plants are located are in regions of high or very high water stress (Spain, South Africa and the US).

The impact and risk of each facility are unique, based on the local context.

A climate risk analysis was also conducted in 2023, which included the risk of water stress. To assess these long-term risks (2030 and 2050), Acerinox considered the IPCC, RCP 2.6 and RCP 8.5 scenarios (for further information please refer to section 5.2 Eco-efficiency and climate change mitigation).

Facilities at risk of high or extremely high water stress are already implementing water efficiency measures.

The Group is working from various angles: reducing water used in manufacturing processes; optimizing and making good use of raw and auxiliary materials; and treating and regenerating water for other uses or to be returned to nature. To that end, the reuse of water at the manufacturing plants is fundamental, as is increasing its possible uses, enhancing the processes that use water and tightening controls over water consumption in order to gain greater knowledge.

FEATURED CASE

Global Stainless Steel Industry Gold Award in Sustainability. Wastewater reuse. Palmones

Water is a critical resource in the Group's operations. For this reason, Acerinox Europa is making significant efforts to minimize its water footprint.

In this area, the Company has made significant improvements in the reuse of wastewater for different uses, such as street cleaning, industrial cleaning with pump trucks and garden watering.

The first phase of the project achieved very good results, reducing water consumption by 400 cubic meters per week. The emissions generated by the handling and pretreatment of raw materials also fell.

Water management efficiency improvement projects. NAS

In 2023, several water management efficiency improvement projects were implemented at the NAS plant, resulting in a 3.3% reduction in water withdrawal intensity compared to 2022.

This significant improvement aids the corporate sustainability target to reduce relative water withdrawal intensity compared to 2015.

Water collection

GRI 303-3

Each of the Company's facilities has water withdrawal control and monitoring systems.

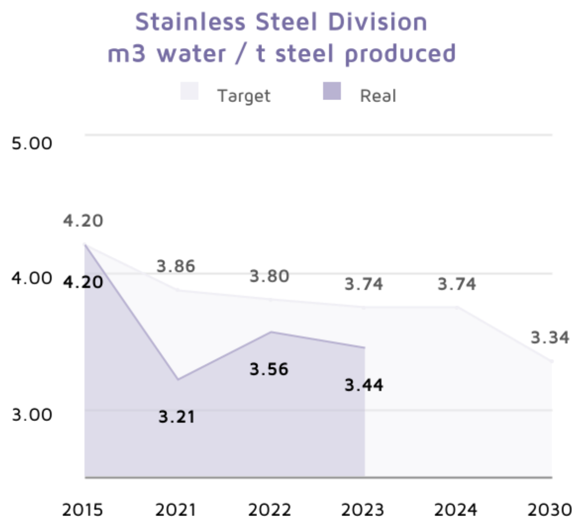
Volumes are accounted for daily through flow meters and verified annually by a third party. This monitoring is not only performed for production processes, but also to ensure compliance with water permit requirements.

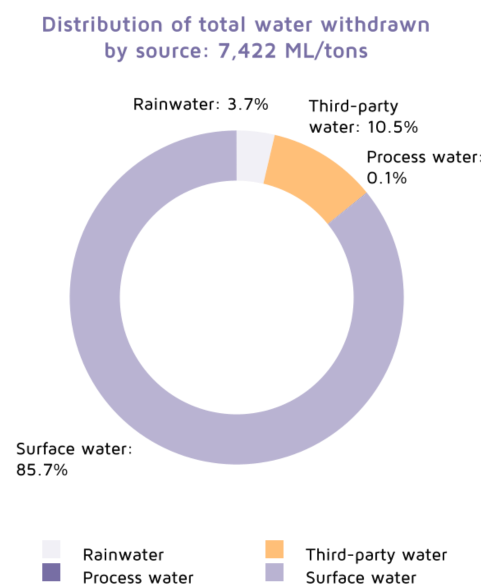
The Acerinox Group is keenly aware of the importance of reducing water collection, including a specific KPI in this regard in its Strategic Sustainability Plan. Specifically, the stainless steel division plans to reduce specific water withdrawal by 20% by 2030 (compared to 2015).

In 2023, the stainless steel division's water withdrawal intensity fell by 3% compared to 2022, reaching the established annual target. The following graph shows the reduction path established for 2030 and the actual performance of this indicator.

_Water withdrawal - Stainless Division

GRI 303-3





Acerinox records the water collection source used for plant operations. Water volumes are taken from official and verified data and are measured daily by means of flow meters. The Acerinox Group uses various sources, the quality standards of which are certified by the supplier: surface water (main case), production water and third-party water (municipal water providers).

_Water withdrawal - Stainless Division (ML)

GRI 303-3

ML	Total			Stainless		HPAs	
2023	**Total**	**Non-shortage areas**	**Shortage areas**	**Non-shortage areas**	**Shortage areas**	**Non-shortage areas**	**Shortage areas**
Surface water	6,364	3,877	2,487	3,557	2,487	320	0
Groundwater	0	0	0	0	0	0	0
Seawater	0	0	0	0	0	0	0
Process water	5	5	0	5	0	0	0
Third-party water	782	596	186	367	186	229	0
Rainwater	271	0	271	0	271	0	0
Total	**7,422**	**4,478**	**2,944**	**3,929**	**2,944**	**549**	**0**

Water discharge

GRI 303-2 / 303-4

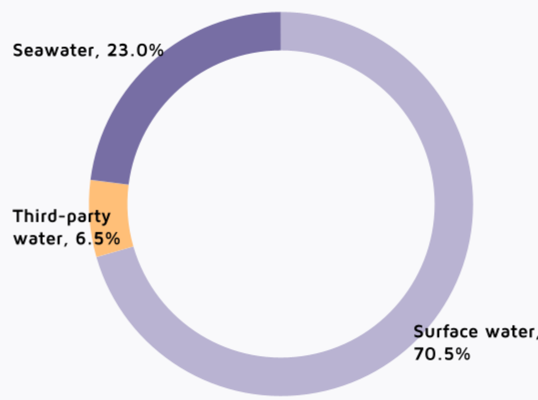
Water discharges are a key environmental indicator for factory operations. Water volumes and water quality are monitored according to local regulatory requirements and process efficiency parameters.

All factories have treatment and neutralization plants for stabilization and the removal of contaminants prior to discharge. They also have secondary retention systems that prevent accidental spills and allow for effluent recovery.

All discharges from the facilities are checked regularly to ensure compliance with Emission Limit Values (ELVs) and other legal requirements.

Distribution of total water discharged by source:

4,876 ML



_Water discharge (ML)

GRI 303-2 / 303-4

ML	Total			Stainless		HPAs	
2023	**Total**	**Non-shortage areas**	**Shortage areas**	**Non-shortage areas**	**Shortage areas**	**Non-shortage areas**	**Shortage areas**
Surface water	3,440	3,440	0	3,439	0	1	0
Groundwater	0	0	0	0	0	0	0
Seawater	1,121	0	1,121	0	1,121	0	0
Third-party water	315	315	0	26	0	289	0
Total	**4,876**	**3,755**	**1,121**	**3,465**	**1,121**	**290**	**0**

Responsible use

Responsible water consumption is one of the fundamental pillars of the Acerinox Group's operations.

Manufacturing requires continuous, intensive cooling and water-intensive surface treatment processes.

Process efficiency and effluent reuse is a fundamental element of the facilities.

The Group's factories have neutralization plants and wastewater treatment plants (WWTP) that maximize the recirculation of effluents and reduce our water withdrawal intensity.

Other environmental aspects

GRI 305-7

In line with climate change mitigation and environmental impact minimization, Acerinox focuses its efforts on improving the efficiency of its operations by monitoring and controlling the emission of pollutants by its processes.

_Key indicators

663 metric tons
NO_x

15 metric tons
VOCs

191 metric tons
Particulate matter

16 metric tons
SOx

	2023		
t	Total	Stainless	HPAs
NO_x	663	618	45
VOCs	15	15	0
Particulate matter	191	191	0
SOx	16	13	2

FEATURED CASE

Control of particulate emissions. Palmones

The Acerinox factory in Palmones (Spain) has implemented various environmental control measures aimed at reducing emissions of particulate matter and dust. Among others, the following stand out:

- Installation of water misters and intensive use of the vacuum sweeper on internal roads
- Modification of the smoke scrubber dust discharge system into trucks for management (sleeve system), using an airtight tank.
- Enclosure of aerators in the melting shop, preventing leaks to the outside.
- Improvements in the efficiency of melting shop fume exhaust systems.
- New slag treatment plant in an enclosed building with coverage at potential dust generation points.

All these initiatives have led to a 65% reduction in the number of incidents detected by the immission monitoring system.

Biodiversity

GRI 3-3

The Group helps preserve biodiversity by minimizing its environmental impact through increased recycling rates, reduced greenhouse gas emissions and efficient water management.

Acerinox is committed to recycling 90% of its material by 2030. The increased use of scrap decreases the extraction of raw materials, such as ferro-alloys, reducing our land use, water, and air pollution impacts.

The stainless steel division has also set a target of a 20% reduction in the emissions intensity ratio by 2030 (baseline 2015). To this end, the company has a decarbonization roadmap. These measures contribute to improving the air quality of the ecosystems adjacent to the facilities.

The stainless steel division set the target of a 20% reduction in water withdrawal intensity by 2030 (baseline 2015). Acerinox implemented best available techniques to optimize the use of recycled water with a view to attaining Zero Waste Status at all its plants (100% reuse of water). Several of the Group's facilities have already implemented zero-waste measures.

Aware of the urgency of halting rapid species loss, the Company has undertaken an in-depth review of its commitment to strengthening the preservation of ecological diversity and minimizing its impact on flora and fauna.

5.3 Circular economy and sustainable products

Circular economy

GRI 3-3 / 306-1 / 306-2

In a context of increasingly limited resources, the circular economy plays a crucial role in environmental preservation.

Aware of this reality, Acerinox seeks to achieve the highest possible recyclability ratio, positioning itself as a leader in circular economy. In steel production, the Group uses scrap as its main raw material, reaching values of over 90% recycled material in process inputs, depending on the final specifications of the product.

The Group is working to find more efficient methods to recover, recycle and reuse all kinds of metals and alloys during and at the end of the manufacturing process. The effectiveness and feasibility of each initiative is assessed.

As a result of the Company's commitment to circular economy, a Group-wide target has been set to recycle 90% of all waste generated by 2030. This target is monitored on a monthly basis by the sustainability managers of each factory and reviewed by the corporate sustainability team. Likewise, the Sustainability Committee monitors this target on a quarterly basis and, if necessary, takes any necessary measures.

In order to promote sustainable growth and the responsible use of resources, Acerinox has sustainability and responsible purchasing policies, accessible on the company website, which establish the Group's general principles in the procurement of goods and services, production, and distribution.

Acerinox provides customers and other interested parties with Environmental Product Declarations (EPDs), where it offers quantitative, verified information on the environmental impact of different products for transportation, construction, engineering, the food industry, and energy and environmental technology.

This material, available on the company website, provides detailed information about products' environmental impact and estimate how they affect the life cycle of the structures or solutions being manufactured.

_Key indicators

GRI 301-2 / 306-4

2,033,855 metric tons
Raw materials from recycled material

80%
Recycled waste

ACERINOX participated in the "First Conference on Circular Economy for Andalusian Industry," reaffirming its commitment to the circular economy, a fundamental pillar of the company's strategy to ensure sustainable growth over time.

_Relevant activities

Milestones 2023	Challenges 2024
Obtaining CE certification for slag from the Algeciras plant (various uses)	R+D+i studies for the valorization of slag in different factories
Valorization and local uses of waste (slag, neutralization sludge)	Industrial application of slag as construction aggregate
Scrap segregation plan at service centers	Increase the value-added of scrap recovered at factories and service centers

_Raw materials (metric tons)

GRI 301-1

The Company is aware of the environmental impact generated by the extraction of raw materials, including soil degradation, water pollution, and biodiversity loss. For this reason, one of the lines of action of the Group's decarbonization strategy is to reduce the purchase of raw materials by increasing the use of scrap. In addition, the Company has implemented different initiatives such as the improvement of machinery, to minimize losses of the products that are manufactured, or the improvement of the AOD process, to reduce the consumption of chemical components.

2,033,855	536,758	276,823	33,969	14,092
Recycled material*	Alloys	Gases	Acids	Recycled acid**

*Recycled material is defined as purchased scrap, process and internal scrap, as well as metal recovered from slag and other recycled waste.

**Recycled acid: total amount of nitric and hydrofluoric acid recovered.

_Waste management

_Waste generated, sorted by type of management and composition

GRI 306-3 / 306-4 / 306-5

Waste is managed independently at each factory, complying with the legislative requirements of each location.

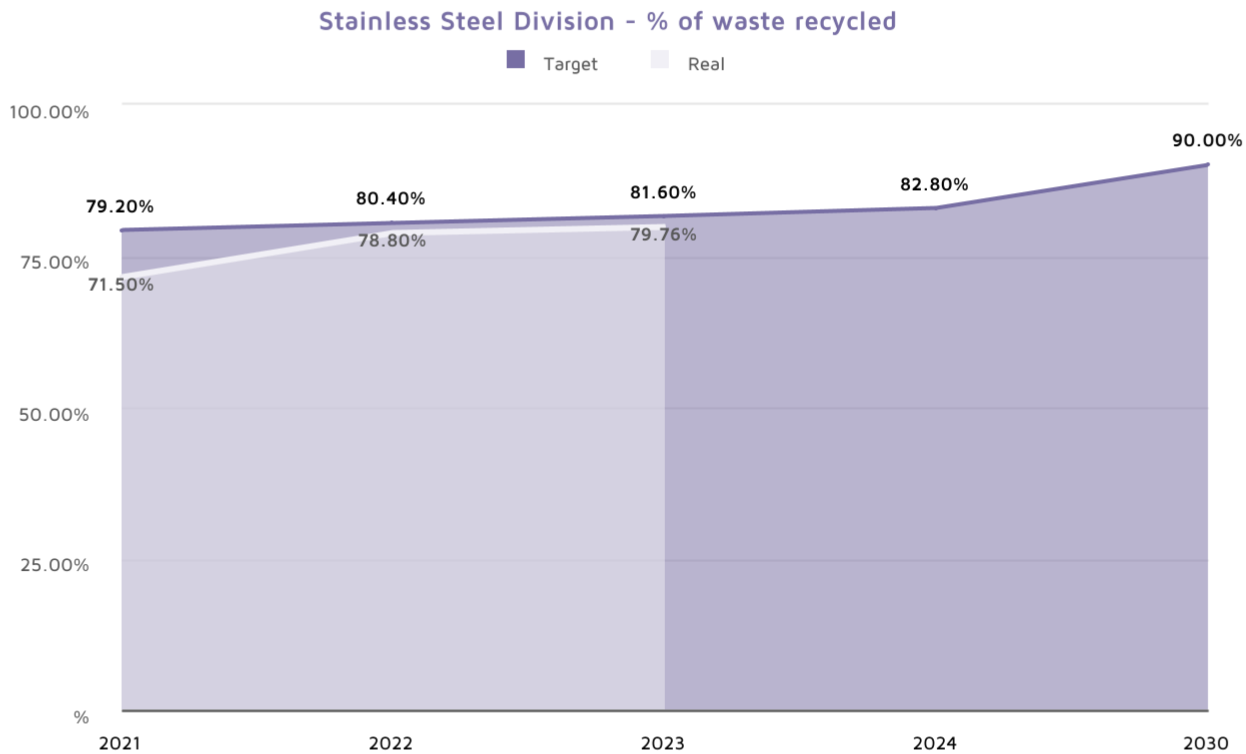
At all of them, waste is monitored and traced by type using computer programs or internal monitoring. The data is then entered into a global tool for the entire Group, then reviewed and consolidated by the corporate sustainability team.

At some facilities, annual reports on hazardous and non-hazardous waste are prepared and submitted to the relevant governmental authorities.

Although most of the waste generated by the Company is recycled, other waste is also generated for landfill. Landfilled waste is managed by an authorized manager in accordance with the regulations applicable in each country.

t	2023		2022		2021	
Total waste	**1,298,793**	**%**	**1,572,090**	**%**	**1,669,375**	**%**
Landfill	262,827	20.24%	333,534	21.22%	471,076	28.22%
Recycled/ Recovered	1,035,966	79.76%	1,238,556	78.78%	1,198,299	71.78%
Total non-hazardous	**1,182,735**	**91.06%**	**1,432,963**	**91.15%**	**1,521,645**	**91.15%**
Landfill	203,578	17.21%	252,595	17.63%	385,541	25.34%
Recycled/ Recovered	979,157	82.79%	1,180,368	82.37%	1,136,104	74.66%
Total hazardous	**116,058**	**8.94%**	**139,127**	**8.85%**	**147,730**	**8.85%**
Landfill	59,250	51.05%	80,939	58.18%	85,535	57.90%
Recycled/ Recovered	56,809	48.95%	58,188	41.82%	62,195	42.10%

In 2023, the Group worked towards the goal of increasing its waste recycling by 2030, employing its best practices at its various factories and managing to recycle almost 80% of the waste generated, increasing the percentage of waste recycled compared to previous years.



Acerinox operates by maximizing the use and valorization of generated waste. The Group's production centers have environmental management systems that include the following measures:

- Education and awareness-raising for employees and contractors on environmental impact and waste segregation.
- Employee training in handling hazardous substances.
- Segregation, labeling, storage, handling, and transportation of waste and hazardous substances.
- Stabilization, neutralization, and sedimentation plants for liquid effluents.
- Heat recovery boilers with combustion, steam generation, and electric power.

FEATURED CASES

"Sludge To Brick" project. Bahru

BAHRU shipped 1,071 metric tons of acid neutralization sludge for a waste valorization project that transforms sludge from the neutralization plant into unfired bricks used for ornamental building.

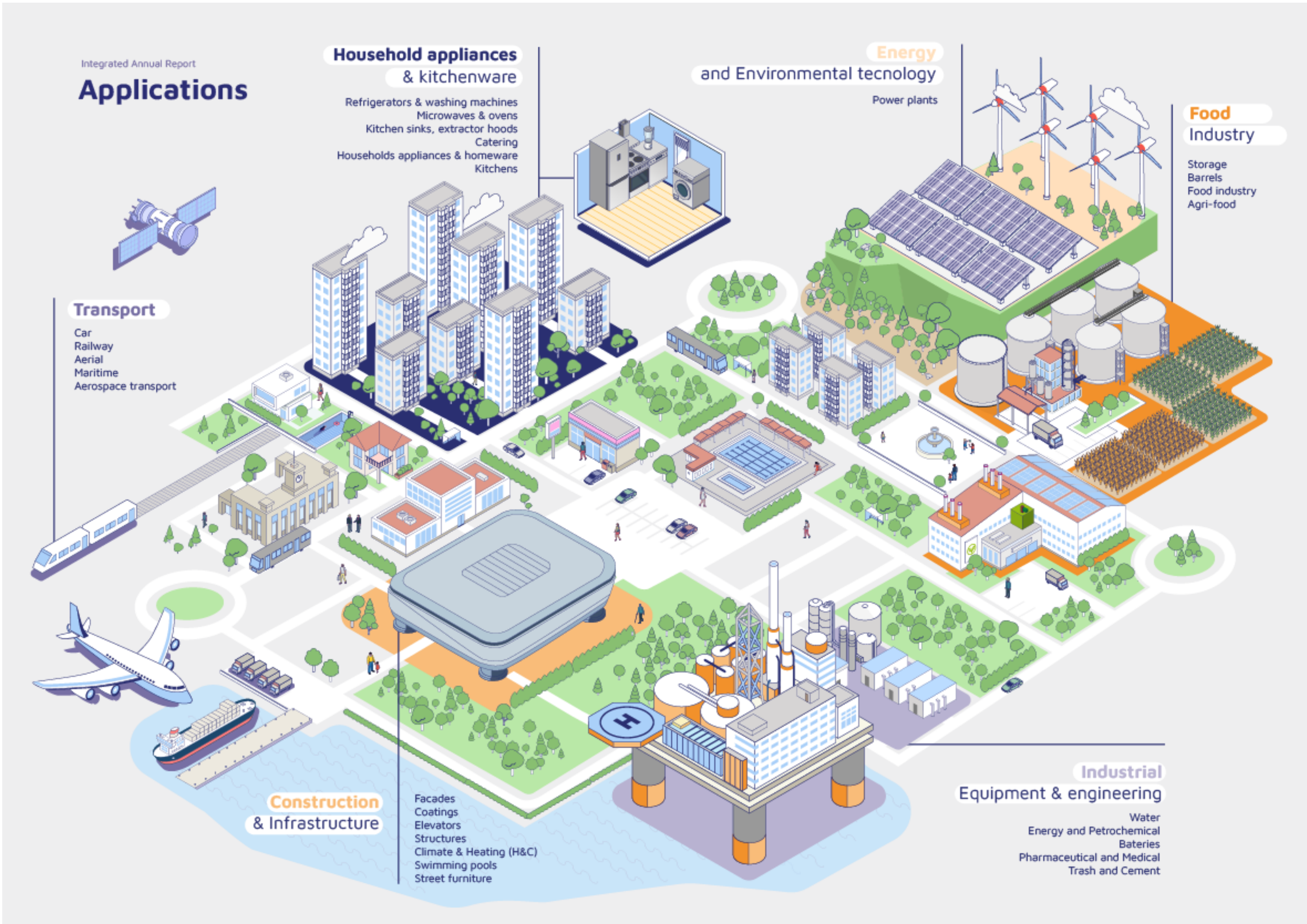
The "Sludge to Brick" project was awarded the Ecological Product label in Malaysia and registered with MyHIJAU Mark, the Malaysian government's official green recognition for environmentally-friendly products and services.

Valorization of WWTP sludge. NAS

The NAS plant in Kentucky (US) managed to reduce waste sent to landfills from the WWTP by more than 60%. This sludge was reused as backfill aggregate in mines.

Sustainable solutions

Acerinox offers a wide variety of efficient and durable solutions for customers who manufacture all kinds of products that are essential in everyday life, products that are a benchmark in economy and that comply with the so-called three Rs rule of sustainability: reduce, reuse, recycle. For this reason, the materials manufactured by the Group stand out for their lower environmental impact, both in their production and in their processes and useful life, as well as for their lower carbon footprint.



Process and product certifications and controls

GRI 416-1

In addition to the legal requirements applicable in each country, all the Group's factories are subject to strict quality and environmental controls. They also have, as a whole, environmental management systems in line with the ISO 14001:2015 standard. Similarly, each subsidiary has established standards that exceed legal requirements in areas such as quality, safety, and the environment.

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

LINKS

ACX Europa:

https://acerinox.com/es/acerinox/fabricas/acerinox-europa/certificados-acerinox-europa/

NAS:

https://www.northamericanstainless.com/quality/qms-iso/

Roldán:

https://acerinox.com/es/acerinox/fabricas/roldan/certificados-de-roldan/

Inoxfil:

https://acerinox.com/es/acerinox/fabricas/inoxfil/certificados-de-inoxfil/

Columbus:

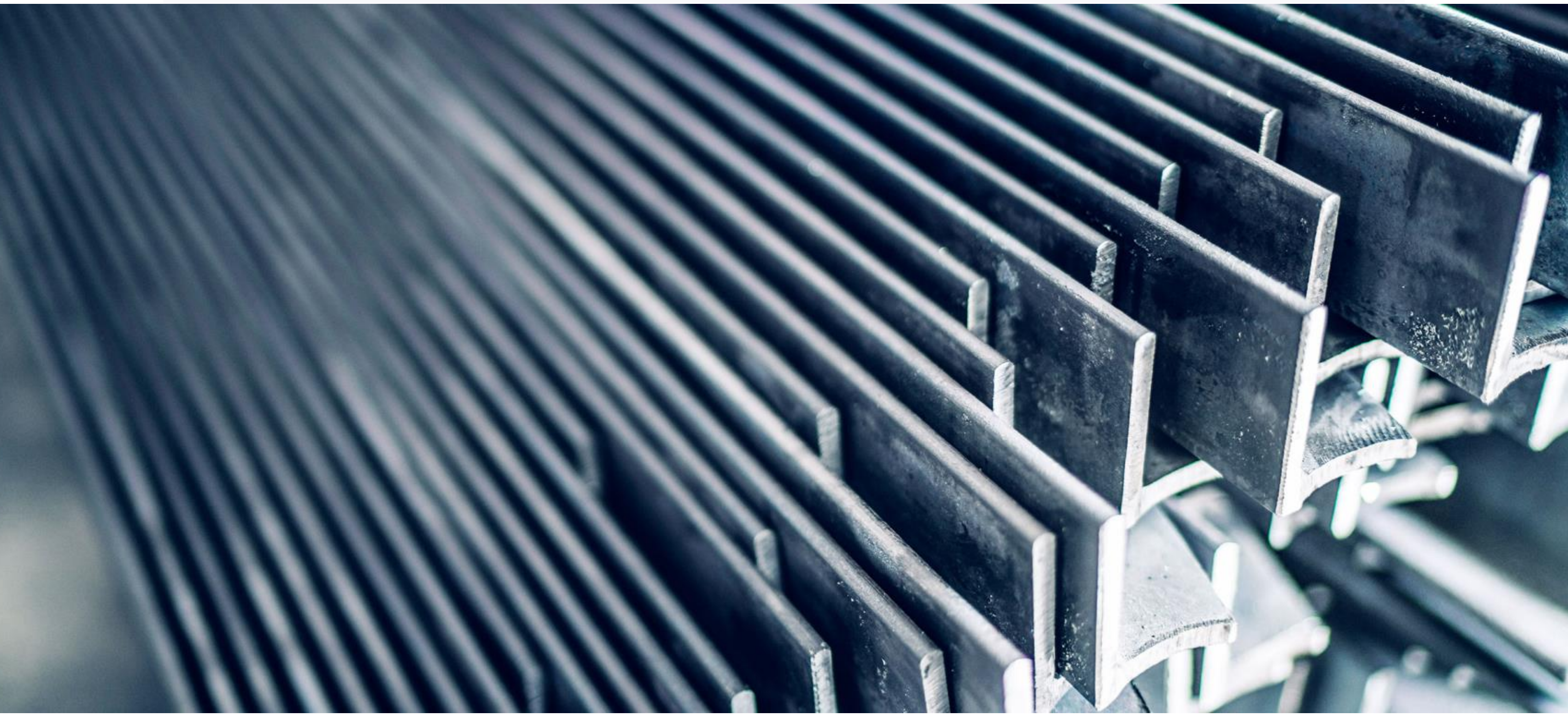
https://www.columbus.co.za/products/certification-markings.html

Bahru:

https://bahrustainless.com/en/products/certification/

VDM Metals:

https://www.vdm-metals.com/es/



Technological innovation

Investment in fixed assets

Investments made in 2023 in both property, plant, and equipment and intangible assets amounted to EUR 175 million. These investments include both the acquisition and installation of new equipment and recurrent maintenance investments. In many cases, they are investments to improve efficiency and productivity, but they are also of a strategic nature and geared towards sustainability, as they entail reductions in energy consumption.

In the case of Acerinox Europa, the total sum of investments (including maintenance) amounts to EUR 39 million, related to improvements and expansions made in several production lines.

Investments made by North American Stainless amount to EUR 73.9 million, of which EUR 21 million correspond to the investment plan approved at the beginning of this year and EUR 27 million to recurring maintenance investments.

In the case of Columbus Stainless, investments for the year amounted to EUR 21.2 million. Finally, the VDM Group invested EUR 27.2 million over the year.

The December 2023 board meeting also approved an EUR 67 million investment plan for the high-performance alloys division at its German plants in Unna, Altena and Werdohl, which will enable it to gradually increase its production capacity in precision strips, bars, and wires, as well as lifting sales by 15%. The planned investments include the expansion of three remelting furnaces, the upgrade of an annealing and pickling line, another flaw detection line for bars, and a sprayer for the production of stainless-steel and high-performance-alloy powders for additive manufacturing.

R&D&i

Innovation is one of Acerinox's corporate values, and a source of improvement in order to compete in a market as globalized and competitive as the stainless steel market.

Since 2021, Acerinox has an innovation and technology committee. Led by the Group's CEO and comprising the heads of various business areas, the aim of this Committee is to review the Company's capabilities, define the R&D&i strategy, provide sufficient funding, identify the risks that could affect the Group's operations and define long-term objectives.

Three work groups were also created, focusing their efforts on the development of materials, improvement of production processes, implementation of new processes, and the promotion of innovation processes, which includes, inter alia, the management of Group patents and push for sustainable processes. Some examples of projects underway in 2023 are related to the use of stainless steel for renewable hydrogen applications.

This exchange of experiences between the Group's business units is open to the contribution of any employee with the aim of making the most of the extensive know-how of Acerinox staff.

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

More than 40 people in the Group, distributed across different production plants, dedicate their knowledge and efforts to research and development work, without counting the staff who, at the laboratories of each Group plant, work on searching for new alloys and improving the properties of the current ones. During 2023, collaboration on R&D tasks between the different Group units has deepened, resulting in an increase in knowledge generation synergies and an increase in the value-added of our products.

Acerinox also promotes the participation of all employees in this field with the annual Rafael Naranjo Awards, aimed at recognizing workers who have stood out for their innovative projects in the areas of safety, the environment and quality.

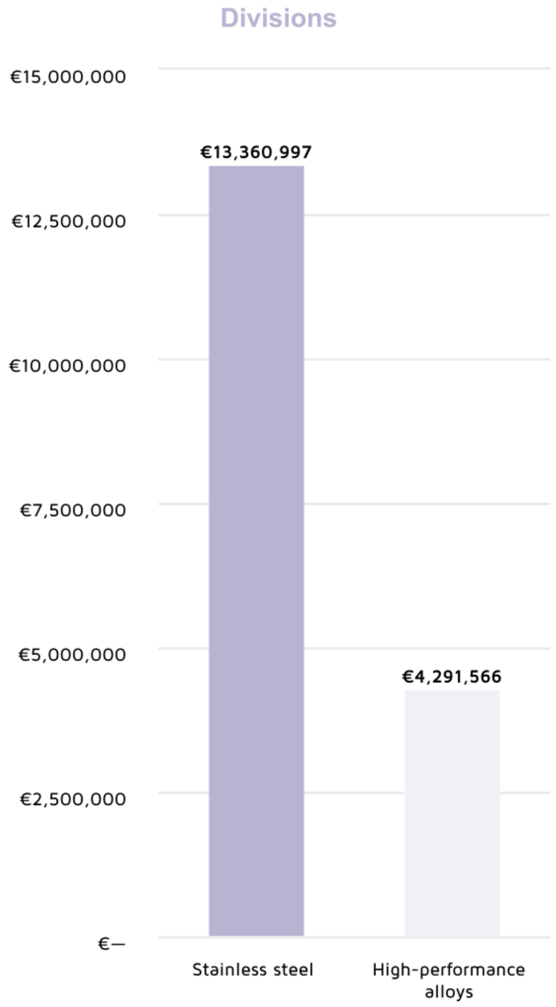
Projects in 2023 included the AUSTRONG project, a European project carried out with Italian, Spanish and Finnish entities, which aims to develop a new steel to withstand the most demanding hydrogen working conditions, even in a liquid state. Related to hydrogen, at the national level, the H_2 EPA, FORNAX, and HYADES projects, focused on the development of stainless steel for its safe storage and transport and its use as fuel in heating furnaces, should also be highlighted. Also worth mentioning at the national level is the CERES project. Led by Acerinox Europa, this project aims to evaluate the development of a **circular economy** based on mineral waste from iron and steel plants. The project analyzes the main challenges of these materials and their recovery in a safe legal environment that is sustainable in the long term.

In addition, the "Materials for the future" initiative brings together a selection of 20 professionals from various disciplines of the Acerinox Group with representatives from the different factories (Acerinox, NAS, Columbus, Bahru and VDM). The goal of this initiative is to work together on possible scenarios that may arise in the future, anticipating emerging market trends. This promotes both synergies within the Group and the correct alignment with the company's strategy. This program includes specific initial training and a final challenge in which each working group will present the conclusions of their study to management.

_2023 R&D&i investments and expenditure

Group total:

EUR 17,652,563



CEDINOX

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

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

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

CEDINOX advises companies and professionals on the correct selection and maintenance of stainless steels, as well as their transformation and cleaning. It has an extensive library on its website and responds to the technical queries through its online channel. The association has also been involved in international reference projects such as the Hong Kong Macao bridge, the Sagrada Familia, the Santiago Bernabeu stadium and the extension of the port of Monaco, as well as different projects related to renewable energies and the industry in general. CEDINOX also participates and collaborates in the drafting of various regulations on stainless steel, such as the recent building code. Likewise, it stands up for steel's advantages in different forums.

The preparation of numerous technical documents on stainless steels, together with its magazine "Acero Inoxidable", is an excellent way of making the material known among professionals and users. CEDINOX also translates technical documentation into Spanish, positioning the company as a leading source of information on stainless steel in Spanish. Its participation in fairs such as the Stainless Steel World Exhibition and Conference in Maastricht, the Metal Madrid Fair and the Tube and Wire Fair in Düsseldorf allows CEDINOX not only to know the market and the sector in depth, but also to take part in lectures and forums. It also collaborates in activities from the World Stainless (International Stainless Steel Forum) and its working groups. Its growing presence on social media such as LinkedIn, Instagram, and YouTube, is another way of bringing the material closer to all kinds of audiences. The association's initiatives are not limited to Spain, as it is also operates globally through International Advisory Centers (IACs).

Among the activities with the greatest social impact are, without a doubt, the trainings carried out at universities and companies. In 2023, it offered a total of 35 courses at various Spanish universities - including two at high schools - in order to make stainless steel more familiar to almost 1,500 engineering and architecture students, 95 high school students, 74 university professors and 8 high-school teachers. Courses have also been held at 4 companies, with a total of 42 attendees.

It has a very close relationship with universities and the main research centers, and as a result of this link, the Acerinox Award was created for the best university engineering or architecture project related to stainless steels, already in its 7th year.

In short, the association's work supports the stainless steel sector by connecting professionals, seeking out and promoting the various synergies that may arise.

https://www.cedinox.es/en/cedinox/que-es-cedinox/

5.4 Committed team, culture, diversity, and safety

Acerinox's culture includes its mission, vision, and values with guidelines and policies for people management and, specifically, the Group's commitment as a leading employer in its industry.

Its priority is to attract and retain the best talent, promoting and implementing measures that promote equal opportunities, diversity, and inclusion of all professionals.

Attracting and retaining talent

GRI 3-3

The Group's selection and promotion policy establishes the basic principles of action deployed at all its subsidiary companies.

Acerinox, with its presence on five continents, offers qualified employment opportunities and prospects for professional development and growth. It fosters a work environment based on trust and ensures stable, high-quality, safe, and healthy jobs.

_Key indicators

GRI 2-7 / 404-1 / 404-3

8,229
Employees

73.52
h training/employee

*The staff figure in this Appendix does not include 10 members of senior management.

_Relevant activities

Milestones 2023	Challenges 2024
Completion of the management by objectives (MBO) policy roll-out for the entire workforce and its inclusion in the target-based variable remuneration.	Consolidation of the Group's positioning in a culture of recognition and pay for performance.
Inclusion of women executives or women with high potential in the Progress-Promotion programs rolled out by CEOE-ESADE.	Raising awareness of female leadership in different socio-cultural environments to support female talent attraction in the industry.
Carrying-out of various publicity initiatives, such as "Get to Know Stainless Steel."	Strengthen internal and overall communication through digital transformation.
Implementation of measures to continue strengthening leadership and professional development with Acerinox's development plans, continuing with the "Ignite Next Generation" and the "Leadership Academy" programs.	Extend the "Leadership Academy" program to the entire Acerinox Group and strengthen our know-how, best practices, and synergies across factories within the Group through technology, training, and knowledge sharing.
Appraising all the organization's job positions under the certified system.	Improve effectiveness, efficiency, and decision-making through digital systems and tools for people management.
Establishment of initiatives and roadmap to comply with parity regulations of the board of directors and the Management Committee.	Continue to enhance our leadership in diversity, equality, and inclusion and comply with the principle of parity.

As of December 31, 2023, Acerinox had a global staff of 8,229 professionals, 33% (2,660 people) of whom work in Spain.

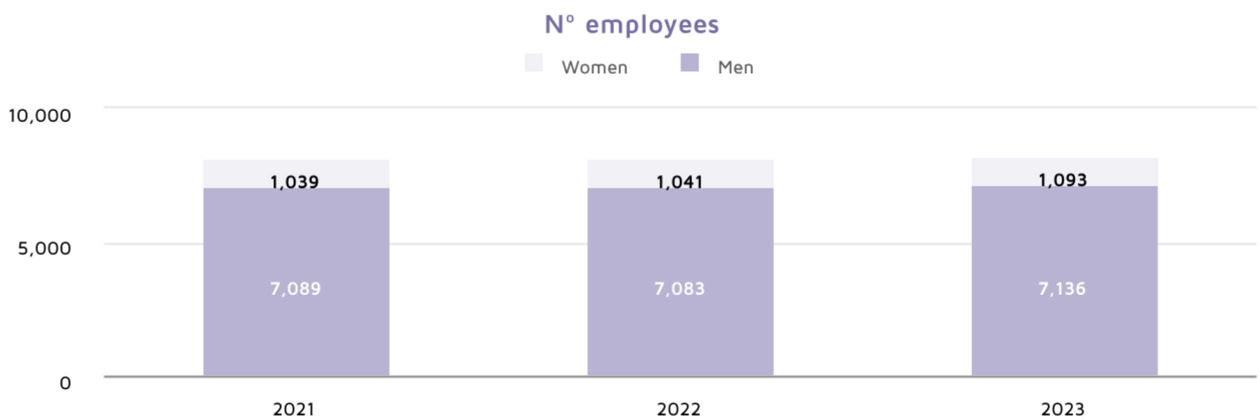
Acerinox Europa	Acerinox S.A.	Bahru	Columbus	Inoxfil	NAS	Roldán	VDM	Subsidiaries and service centers	Total
1,746	114	427	1,248	96	1,606	361	2,047	584	**8,229**

*The staff figure in this appendix does not include 10 members of senior management.

Against the current transformation and uncertainty backdrop, the Group's commitment to its employees can be observed in its efforts to safeguard jobs and in the high percentage of permanent employment contracts (97%).

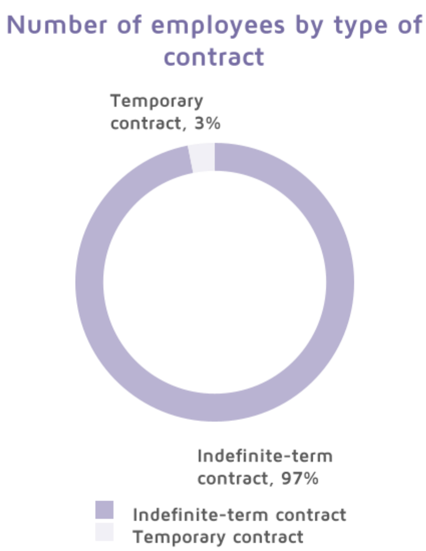
_Changes over time in workforce

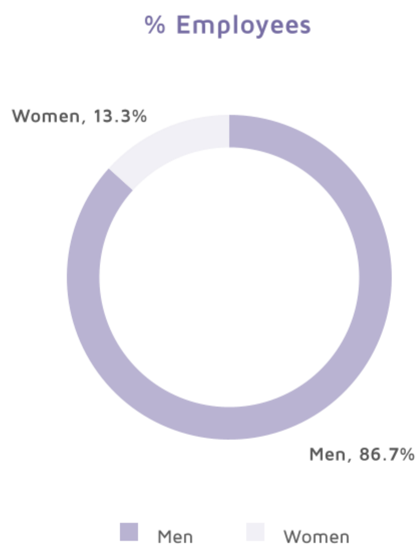
GRI 2-7



_Distribution of the workforce by gender and type of contract

GRI 2-7





Acerinox is implementing initiatives to develop flexibility, foster the hiring of highly-skilled professionals and young university graduates (e.g. "Commercial Graduate Program"), which brings young people onto staff, ensures that knowledge is transferred and increases the presence of women (13.28%).

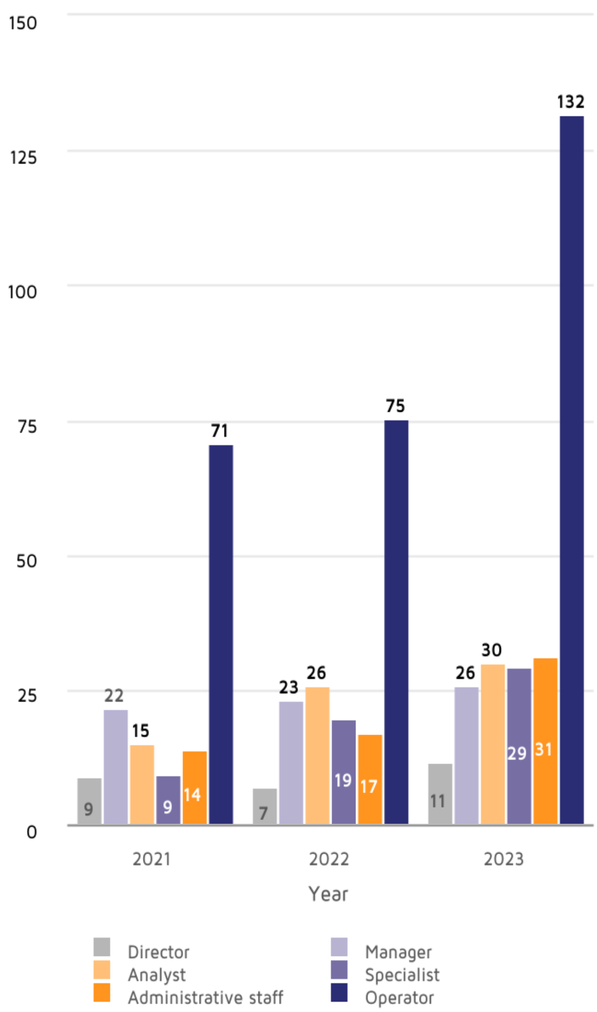
Some of the initiatives include international internships for students and recent graduates, the Group's collaboration agreements with more than 30 universities and training centers to bring in new talent, renew and extend knowledge, and facilitate generational coexistence.
In parallel, the Group continues to increase its presence at universities by participating at jobs fairs in major international locations.

The Company promotes a training model that is adapted to the needs of each job position in order to enhance performance. The number of training hours per employee has increased significantly with respect to the prior year (73.52 hours).

Today's environment is complex, changing and digitalized, and requires quick adaptation to new challenges. The industry is in continuous transformation, which requires continuous learning about the digital context, together with the use of agile methodologies to train professionals. Acerinox is therefore committed to continuing to develop the technical and managerial skills of all our employees.

_Hours of training per year per employee

GRI 404-1



Leadership and global positioning initiatives

The Acerinox Group's leadership in the industry is based on promoting talent development, because the Acerinox of the future must be based on the commitment and involvement of its employees.

In 2023, the "Ignite Next Generation" program, our executive program for the Group's future leaders, drew to a close. The participants presented major advances in the implementation of their innovation projects in face-to-face meetings with members of senior management in the United States, South Africa, and Spain.

The NAS factory served as a pilot for the launch of the new "Leadership Academy" program, aimed at the entire chain of middle managers and team managers at production facilities. The program covered various matters, from communication skills and effective feedback to problem solving, teamwork, and more.

In 2023, the Group completed the full implementation of the Management by Objectives program for the entire target group (a total of approximately 1,000 employees), which represents a qualitative and quantitative leap in individual and global performance. In this way, individual objectives contribute to the Company's strategic targets. This program structures the variable compensation policy based on individual and company performance.

Talent attraction and retention initiatives

GRI 401-2

In terms of attracting young talent, in 2023, participants in our programs for recent graduates developed a continuous-improvement project that they presented to management. This experience allowed them to gain business knowledge and improve their analytical, communication, and management skills, as well as gain exposure and visibility at all levels of the organization.

In addition to individual development plans, the "Excellence Talent Program," which helps our professionals in their development, has been continued. This program also fosters alignment with Management by Objectives and therefore with the Company's strategy to ensure the successful performance of people and the business.

Also, during the year, all the Company's job positions were evaluated under a certified system, which allows for the consolidation of the organizational structure and the provision of greater transparency in all people management processes.

Additionally, the company offers a range of employee benefits, including life insurance, health insurance, disability and invalidity coverage, a pension fund, travel allowance, scholarships for employees and their children, disability benefits, death benefits, school and daycare subsidies, meal subsidies and parental leave.

Communication initiatives

During 2023, the "Acerinox Insights" sessions have continued through regular talks given by the top managers in different areas to all Group employees. In these sessions, the company's strategy in terms of sustainability, digital transformation, product, business, financial results, and production processes were presented.

Likewise, the different specific Management Committees have strengthened strategic communication with their teams with the aim of reaching all levels of the organization to generate greater overall alignment, together with the improvement of communication channels in the production centers through digital tools.

A case in point is the "Get to Know Stainless Steel" initiative at NAS, our factory in Kentucky (USA), where bimonthly online information sessions are held for the entire workforce on matters related to the product and the manufacturing process.

Collective bargaining

The Group has collective bargaining agreements in force in all production centers, maintaining an open, fluid, and cooperative dialogue with the workers' representatives . Issues related to working conditions and health and safety, among others, are addressed. Meetings with workers' representatives are held regularly or whenever required to address a specific issue.

Employee satisfaction

In 2023, various measures were implemented to improve the working environment and employee satisfaction.

The initiatives that have been implemented include everything from flexibility measures that help with work-life balance and co-responsibility to measures that have improved communication and collaboration between different teams.

The various team-building initiatives used sustainable values, promoting teamwork and effective communication between different departments.

Additionally, an Innovation Committee has been created for the company's departments to collect all suggestions for continuous improvement through different channels accessible to all workers, providing continuity and supporting implementation.

We continue to position ourselves as a leading employer in all our business units through various certifications such as EcoVadis. In this regard, the Great Place To Work certification of our high-performance alloys division, VDM Metals in Germany, is noteworthy.

Additionally, as part of the actions aimed at employee satisfaction, Acerinox has continued with its Scholarship Policy, offering university scholarships every year for the children of our employees in order to encourage their personal and professional development.

Equality, diversity, and inclusion

_Relevant activities

Milestones 2023	Challenges 2024
Monitoring and evaluation of the equality plans in force (91% of execution).	Complete the initiatives agreed in the equality plans.
Provision of more impetus to female leadership initiatives (progress, promotion and women of steel programs).	Comply with the new legislation on parity in management bodies and management committees.
Female leadership initiative with involvement in specific development tasks.	Promote an awareness campaign for comprehensive protection against harassment and violence in all its forms.

The Equality, Diversity, and Inclusion Policy, accessible on the Acerinox company website, sets out the Group's basic principles in this area, which are implemented across all Group companies. It includes management procedures to prevent all kinds of discrimination and promote diversity.

Acerinox continues to develop various initiatives in place to promote the participation of women, especially at professional levels and for positions in which women are under-represented.

_Key indicators

GRI 2-7 / 404-1

13.28 % Women

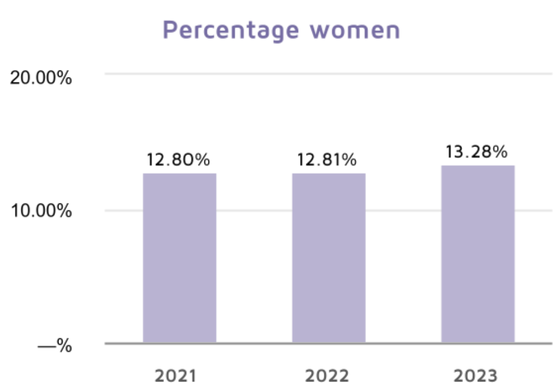
91% Equality plan actions completed

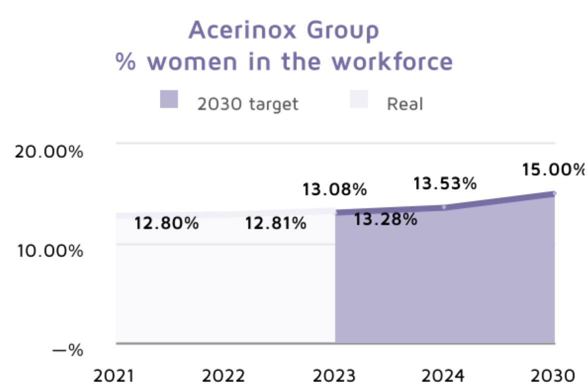
259 Employees with disabilities

The percentage of women in the workforce is up slightly on the previous year to represent 13.28% of the entire Acerinox staff. If operators are removed from the equation, women represent 32.76% of the workforce.

_Women in the workforce (%)

GRI 2-7





Acerinox reviewed its target of adding women to the workforce, setting a target of 15% by 2030.

Acerinox has equality plans negotiated with the representatives of workers at all the Group's companies in Spain while continuing to promote specific initiatives adapted to the reality of each country where it operates.

In 2023, 91% of the measures established in the equality plans were carried out, compared to 75% in 2022. Among them, various initiatives taken by suppliers and providers are noteworthy, as well as those related to equality, communication, and awareness-raising.

In this regard, the unbiased assessment of all job positions is of particular significance, and it is based primarily on the factors of competence, responsibility, and problem-solving ability, as well as their contribution to the business. This initiative ensures that positions of equal value are compared regardless of their occupants, co-responsibility measures can be monitored, and so on. With these projects, Acerinox has facilitated the progressive development of the incorporation of women to the Group, reaching 13.28%.

Acerinox manages diversity and non-discrimination arising from any circumstance of a personal or social nature, through the code of conduct, the general equality, diversity and inclusion policy, the general human rights policy, and the general selection and promotion policy, taking into account the specific conditions of all the locations where it operates which, due to their geographic dispersion, present major cultural differences. Specifically, it fosters the workplace inclusion of people with different abilities. As of 2023, the Group had 259 employees with some form of disability (2022: 256 employees).

Acerinox's remuneration model promotes fair and transparent pay that is not skewed by any discriminatory or gender-based bias. The pay gap between men and women stood at 9.2% in 2023, which is down 5.46% with respect to the previous year. This difference is primarily due to the later addition of women to the workforce and their under representation more broadly in the industry. These factors have an adverse effect on women in terms of receiving salary items associated with concepts such length of service, experience, specialization or shift work.

In 2023, total remuneration paid to members of the board of directors was EUR 4,167 thousand. The four female members of the Board were paid EUR 600 thousand. Remuneration to the senior management team, excluding the CEO, totaled EUR 12,044 thousand. At the Annual Shareholders' Meeting held on May 23, 2023, the directors' remuneration policy was endorsed by 90.67% of the votes.

Acerinox supports the work-life balance and well-being of its employees through flexibility measures and social benefits such as life insurance, medical insurance, flexible working hours, intensive working days, and remote work, among others.

Over the course of 2023, 305 employees took maternity and paternity leave, after which return-to-work (99%) and retention rates remained high (88%).

CEO for Diversity

Bernardo Velázquez, the company's CEO, has joined the CEO Alliance for Diversity backed by the Adecco Foundation and the CEOE Foundation. This initiative's mission is to unite companies around a common and innovative vision of diversity, equity, and inclusion (DEI), as well as to accelerate the development of strategies that contribute to business excellence, the competitiveness of talent, and the reduction of inequality and exclusion in Spanish society.

CEO LA DIVERSIDAD

Health and safety

GRI 403-1 / 403-2 / 403-3 / 403-4 / 403-5 / 403-6 / 403-7 / 403-8 / 403-9 / 416-1

_Relevant activities

Milestones 2023	Challenges 2024
A significant reduction in the Group's accident rates: 24% LTIFR and 18.5% TRIR	Accident performance improvement pathway. TIR reduction target -26% compared to 2023
ISO 9001, 14001 and 45001 certification of our main production centers	Consolidation of HSE management system integration
Monitoring of a leading indicator panel on HSE performance	Proactive HSE and process safety indicators dashboard
Variable compensation linked to reduction of the LTIFR (group) / IRR (business unit) ratio	Variable compensation linked to reduction of TIR (group / business units)
Launch of the cardinal safety and environmental rules	Deployment of safety culture and leadership model

Safety is one of Acerinox's company values and defines the way the Group works. The commitment to employee health and safety is woven into every level of the Company, from senior management to the entire workforce. These same stringent levels are also demanded of third-party contractors.

The Group has an occupational health and safety policy, the aim of which is to reach zero accidents in operations. Accessible on the company website, it sets out the basic principles for action and application across all companies.

In 2023, the Group worked on the roll-out of its health, safety and environment strategy for the coming five years, based on six fundamental pillars:

- Integration of the health, safety and environment management system.
- Safety-focused corporate culture.
- Health, safety and environment corporate processes.
- Structure of safety processes.
- Reduction in the environmental footprint.
- Health, safety and environment in Industry 4.0.

_Key indicators

GRI 403-9

3.47
LTIFR* x 1,000K

7.91
TRIR** x 1,000K

*LTIFR: Lost time injury frequency rate
**TRIR: Total recordable injury frequency rate

Health and safety performance continued to improve in line with the trend from previous years, recording an LTIFR reduction of 24% and TRIR reduction of 18.5% at Group level compared with 2022.

For 2024, we are being even more ambitious, setting an accident rate reduction target of 26% for the TIR vs. 2023 for employees and contractors.

Process safety is a critical aspect of operations to prevent industrial accidents.

Acerinox applies the WorldSteel process safety model based on six fundamental principles:

- Ensuring commitment to process safety management.
- Establishing a hazard assessment and risk analysis program.
- Implementing and maintaining a risk monitoring and management system.
- Striving for excellence and learning from experience.
- Using continuous improvement to ensure the effectiveness of process safety management.
- Maintaining a sense of vulnerability in the safety management of each process.

Risk analyses are performed when there is a change in facilities or operations. Hazard reporting is done through the preventive observations and the whistleblowing channel, if applicable, for anonymized reports.

Acerinox monitors all safety incidents in its operations, also investigating and implementing corrective and preventive measures to mitigate their recurrence.

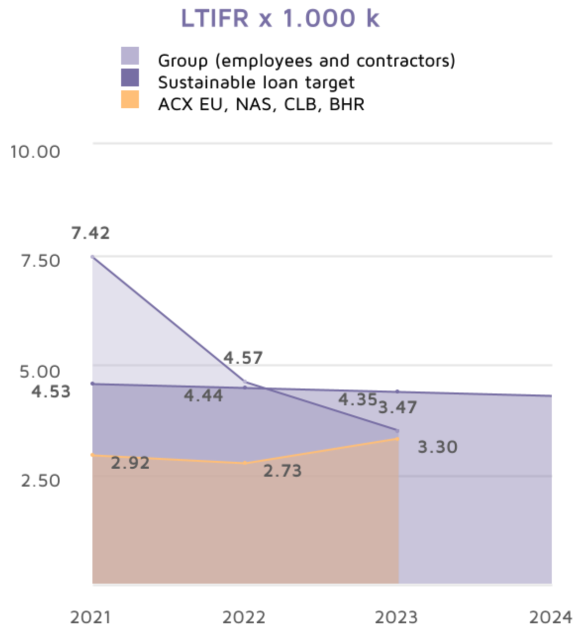
The Group has sustainable loans linked to the improvement of its employees' accident rate. Specifically, its target is to improve the LTIFR x 1,000k indicator by 2% compared to 2022 in the factories of Acerinox Europa, North American Stainless, Columbus Stainless and Bahru Stainless; this is 3.3, and the target has already been met.

_Lost time injury frequency rate (LTIFR)

GRI 403-9

Acerinox is continually working to fuse safety culture into operations by tying the variable remuneration of senior management and plant managers to an improvement in these rates.

The proactive HSE indicators, deployed in all production centers, are a fundamental tool for monitoring performance. Acerinox has met its loan-linked target.



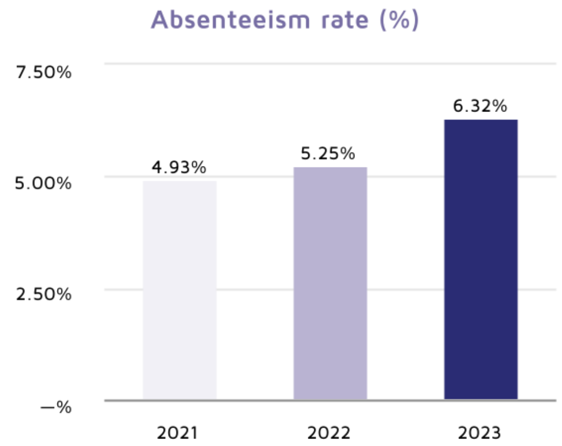
_Absenteeism rate own personnel (%)

GRI 403-9

Despite the increase experienced in 2023, the reduction of absenteeism is another major focus of action and effort through the monitoring of cases and consultation with accident insurance companies in order to achieve better reporting and management.

Team initiatives in health, safety and environmental matters are drivers of change that allow us to identify operational improvements.

Several innovations have received industry awards, such as the World Stainless Industry Awards in Safety: Gold and Bronze for the Bahru plant, the World Stainless Industry Awards in Sustainability for the Palmones plant, and the World Steel Occupational Safety and Health Excellence Recognition for the Columbus plant.



Health and well-being

One of the Company's priority objectives is to promote the well-being of people in order to achieve a healthy working environment in which employees feel comfortable, satisfied and have a good quality of life. We understand well-being management as a state of balance that encompasses mental, physical, and emotional health.

Acerinox has an employee assistance program (EAP), a psychological counseling service to help employees resolve and manage situations that may affect them emotionally in their daily lives. All employees have a psychologist available to them in real time, 24 hours a day, 7 days a week.

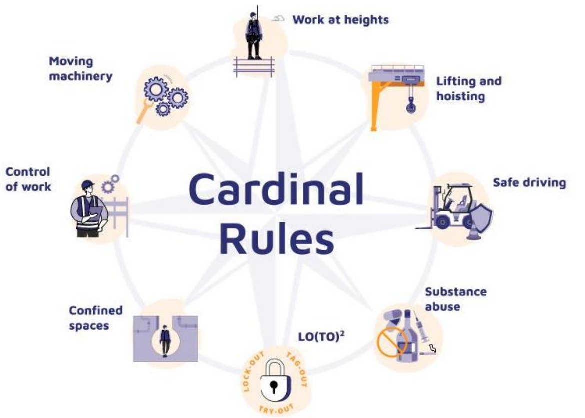
The EAP also offers thematic workshops on different matters related to health and wellness, such as workshops on managing mental blocks, stress control, relaxation and mindfulness techniques, and nutrition workshops.

FEATURED CASES

Launch of the HSE Cardinal Rules

In 2023, the Group launched its Cardinal Rules, providing a framework for ensuring safety as a common value for employees and contractors in each and every operation.

These rules are based on Acerinox's history and are simple instructions to prevent high-risk situations.



Gold World Stainless Industry Award in Safety, intelligent sensors. Bahru

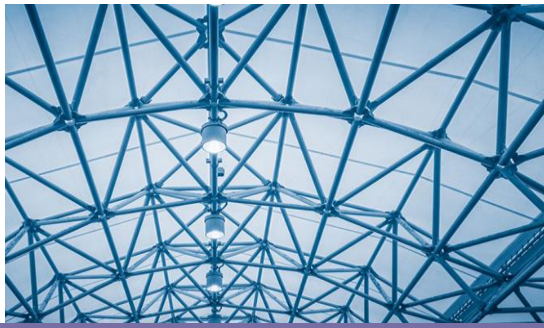
The implementation of smart sensors on coil turrets increases worker safety by reducing the risk of unintended strikes or entrapment. Upon detecting the presence of employees and obstacles in the safety area, the turret movement locks down. These sensors improve productivity by reducing accidents and overall production efficiency.

Bronze World Stainless Industry Award in Safety. NAS ergonomic lifting equipment

A detailed analysis of the loads handled at each of the workstations made it possible to establish different mechanical lifting systems to minimize ergonomic risks.

World Steel Occupational Safety and Health Excellence Recognition. Columbus

Following the spontaneous breakage of a hot roll, which caused particles to shoot out with no personal or material consequences, the Columbus team developed an innovative safety hood solution during the cooling process, improving safety and efficiency in hot rolling operations.



5.5 Supply chain

Supply chain management

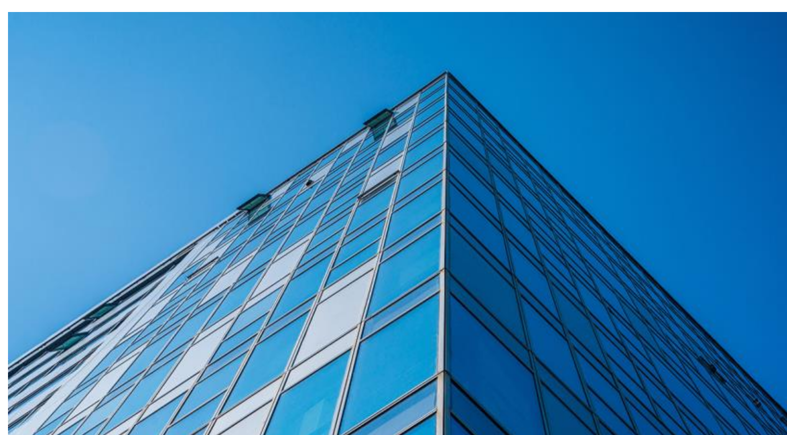
GRI 2-6 / 204-1 / 308-1 / 308-2 / 414-1 / 414-2

_Relevant activities

Milestones 2023	Challenges 2024
Approval of the code of conduct for business partners.	Definition of the Company's core procurement processes, thus ensuring good management of responsible procurement.
Approval of the procedure for assessing risks in the supply chain.	Assessment and first report on supply chain risk status
Definition of the supplier audit methodology and execution of a pilot test	Audits of critical suppliers and sampling of non-critical suppliers to build a resilient, sustainable value chain
Optimization of procurement and contract arrangement processes and the associated costs. Deployment of the first offline electronic catalogs.	Launch of a supplier portal to ensure harmonized purchasing management at global level.
Awarding of the most prestigious sustainability accolade, the EcoVadis award (platinum)	Promote compliance with ESG standards in the supply chain through the Global Compact training program.

The management of a sustainable supply chain is a priority for Acerinox, and one of the five pillars of the Positive Impact 360° sustainability plan. The Group works continuously to optimize monitoring in the face of increasing customer demands and in order to generate a positive impact on society.

The acquisition of raw materials, products and services is pivotal for Group activity and for the compliance with the required market standards on quality, pricing, logistics, and sustainability. Due to the very nature of Acerinox, supply activities are divided into two large groups: general purchases, which encompasses both productive and non-productive services and goods, and the acquisition of raw materials.



Regulatory framework of the purchasing management model

The Group's procurement activities are guided by the rules and principles that must govern the actions of all its companies.

Firstly, Acerinox has general contracting conditions for the provision of services and the procurement of goods.

Since 2021, the Group has also had a responsible purchasing policy aimed at consolidating suppliers, maintaining stable and lasting relationships, sharing ethical criteria, and promoting sustainable value creation. This policy, accessible on the company website, includes the general principles of purchasing goods and services related to economic, competitive, social, and environmental matters. It also sets out the Group's objectives and basic principles of action for all its companies.

In 2023 the code of conduct for business partners was approved, which defines Acerinox's principles and requirements with respect to its suppliers of goods and services, and vis-à-vis intermediaries, advisors and other business partners. This code is a fundamental requirement for any of the Group's contractual relationships. The principles and requirements included in it are based on the Acerinox code of conduct and good practices, the Group's general contracting conditions, the general purchasing policy, and other corporate policies. At the same time, they are aligned with the 10 principles of the United Nations Global Compact, the International Bill of Human Rights, and the principles and guarantees included in the eight Conventions of the International Labor Organization, as well as the Organization for Economic Cooperation and Development's Due Diligence Guidance for responsible supply chains of minerals from conflict-affected and high-risk areas.

The Group's procurement activities are also guided by the principles set out in the internal instruction on the prevention of money laundering, which establishes the minimum requirements that must be met by any process for the purchase of goods and services at Group companies.

Purchasing strategy 2023-2027

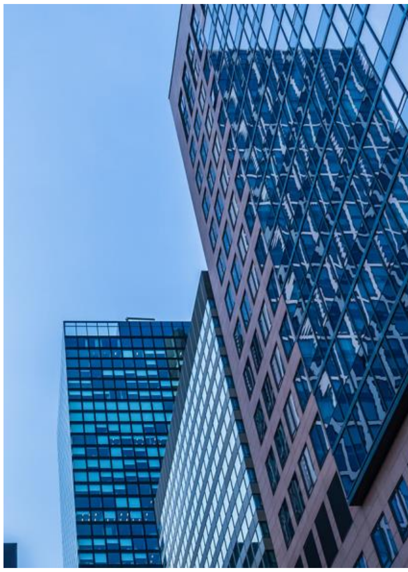
The Group has defined a purchasing strategy for the next five years based on three pillars:

1. ESG as the core of supply chain risk management

Compliance with the latest regulatory standards relating to ESG standards, as well as the management of other risks inherent in the supply chain, is key; it is also complex, as it involves a large number of activities and criteria. As a result, the process has been updated and digitalized, while at the same time deepening a more exhaustive evaluation of suppliers, making them end-to-end and with an established frequency, verifying various risk areas and establishing action and training plans. The process also includes the creation of a third-party risk committee to review the status of the risk and any associated measures.

Based on this robust process, a digital tool has been deployed which, with the help of artificial intelligence, is capable of managing, processing and evaluating all data related to performance, management, compliance with ESG criteria, and impact on business continuity of each supplier that forms part of the supply chain. In this way, Acerinox can regularly monitor the status of its risks, design and set out action plans that it shares with the supplier, and, finally, report this information according to regulatory standards.

In 2023, other digitalization projects were launched to improve cost control processes and projects. Both are aimed at increasing the efficiency of the procurement process. These projects range from a supplier portal and the deployment of electronic catalogs and purchases by marketplace to the redefinition of the category strategy through the development of tools that facilitate decision-making using massive data processing.



2. Talent development

Talent development is a key lever for the Company's competitiveness and future. The changing needs of the environment mean that procurement professionals' skills must be identified, captured, and developed. It builds digital skills as a driver of innovation and places people at the center of value creation. To this end, the skills map has been redrawn, and individualized development and training plans have been designed to boost motivation, build potential, and promote multidisciplinary teamwork as a gateway to creativity, commitment, and optimal solutions at the corporate level.

3. Fostering supplier relationships and focusing on value creation

Trust is a critical factor in establishing solid relationships with suppliers, which is very necessary in a highly volatile context. The closer, more robust, and more transparent this relationship is, the easier it will be to work towards common goals and, therefore, to achieve them.

To this end, Acerinox is building its partnerships with key suppliers, not only in the interests of operational efficiency, but also to foster innovation and value creation for customers and the Company.

Supplier relationship management

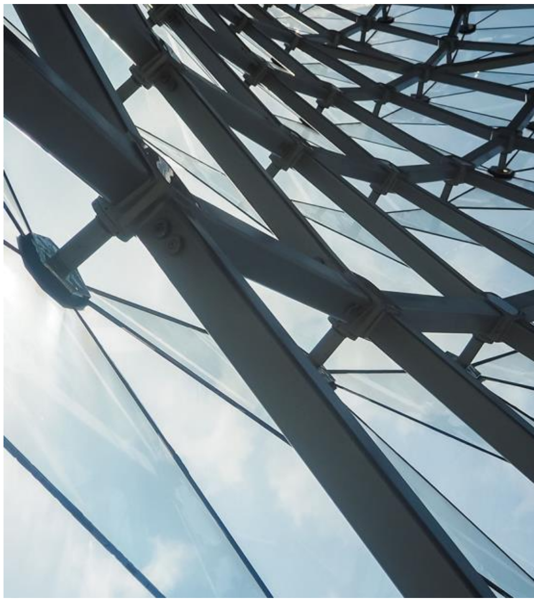
The supplier approval process includes global and local regulations in areas such as the environment, health and safety, labor practices, compliance with international declarations on human rights, and quality standards, as well as a supplier risk assessment. Specifically, the group's suppliers must sign the Acerinox code of conduct; as of 2023, 1,061 suppliers had signed it. Of them, 773 were new suppliers.

20% of the Group's strategic suppliers have already been evaluated according to ESG criteria, and 5% have been evaluated on the basis of capacity criteria.

Moreover, minimum requirements have been defined, and those suppliers that do not meet the specified thresholds must devise improvement plans if they are to continue working with the Group. In this regard, 20 suppliers have been audited under ESG criteria (comparative information is not provided since this is the first year that non-critical suppliers evaluated are reported), 14 of these audits were on-site and of critical suppliers (2 audits in 2022), improvement plans were agreed for 3 of them. It should be noted that 100% of the audits carried out in 2023 obtained a favorable result and that no critical supplier has been terminated for non-compliance with ESG criteria.

The supply chain in figures

Acerinox collaborates with over 7,000 suppliers worldwide, 773 of which are new. Almost 80% of suppliers are local, from the same country as the production unit (in the case of NAS, this refers to the states of Ohio, Indiana, and Kentucky) with revenue amounting to approximately EUR 3,000 million in 2023, thus facilitating and fostering the economic and social development of the communities in which the Group operates.



_No. of suppliers and expenditure

GRI 204-1

	2023		2022	
	Total	% Local	Total	% Local
No. of suppliers	7,702	78.59%	8,019	70.69%
Expenditure (EUR)	4,966,502,847	59.12%	5,046,443,530	70.04%

_No. of suppliers evaluated with ESG criteria

GRI 308-1 / 414-1

	2023		2022	
	Total	**%**	**Total**	**%**
No. of critical suppliers* (category A)	267	3.47%	73	0.91%
No. of ESG evaluated critical suppliers	54	20.22%	23	31.50%
No. of ESG evaluated critical suppliers**	292	38%		

*Critical suppliers are defined as companies that supply products considered critical to Acerinox operations, safety, and ESG compliance.

**Comparative information is not provided since this is the first year that non-critical suppliers evaluated are reported.

FEATURED CASE

Sustainable supplier training program

Sustainable supplier management requires a commitment to responsible performance that ensures sustainability throughout the value chain. Standing with and supporting the companies that form part of our supply chain is a key aspect of ensuring the company's sustainability. For this reason, Acerinox is participating in the second iteration of the "Training Program: sustainable suppliers". This global program is led by the Spanish Global Compact Network, whose goal is to provide sustainability training to SMEs that supply large companies such as Acerinox, one of the initiative's partners. At the end of the program, companies will be able to identify the risks and opportunities of corporate sustainability, the environmental and societal impacts generated by their activities, analyze priority sustainability issues for their activity and sector, and develop and implement sustainability actions and/or strategies that will enable them to improve their performance in this area.

_Recognitions

A commitment to sustainable purchases, helping to ensure sustainability principles are present throughout the life cycle of its products, was highlighted as a strength by EcoVadis. The measures and improvements implemented increased our "responsible purchasing" score by 10%, reaching 70 points. Progress in the management of this area has contributed to our maintaining the EcoVadis Platinum medal.

_Participation in forums

The Acerinox Purchasing Department is actively participating in leading forums and congresses to share experiences and best practices in this area. The aim is to place us at the forefront and promote sustainability based on the sustainable management of the supply chain.

_Purchases from suppliers

EUR 4,967

million

79%

of suppliers are local

Encouraging local development
of the communities in which the Group operates.

Contribution to the community

GRI 3-3 / 2-28

Acinox is committed to creating value and helping build a more prosperous and sustainable environment in the local communities and countries where it is present in order to increase its positive social impact.

To achieve this goal, in 2023, the company established its social action framework to harmonize activities along five priority lines for economic growth, social sustainability and environmental protection:

- Socio-economic development. Initiatives that support the progress of the communities where the Group operates and that generate opportunities to create value.
- Social well-being of people. Social initiatives focused on well-being and improving the quality of life of communities, particularly the most vulnerable people.
- Environmental protection and recovery. Projects that actively help to improve the environment, mitigate climate change and preserve local biodiversity.
- Commitment to quality education. Collaboration on initiatives that promote lifelong learning, talent development among future professionals, and their incorporation to the labor market.
- Inclusive development. Initiatives that encourage social and labor integration among disadvantaged groups to promote a more inclusive world and ensure that nobody is left behind. In this regard, special attention is paid to groups such as women, the unemployed elderly, and disabled people, to help close the inequality gap.

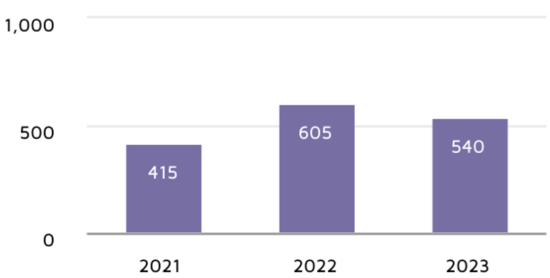
Social action management is based on dialogue with stakeholders to respond to their needs and priorities. To identify actions, priority is given to local initiatives with tangible benefits at the municipal or regional level where the facilities are located.

_Key indicators

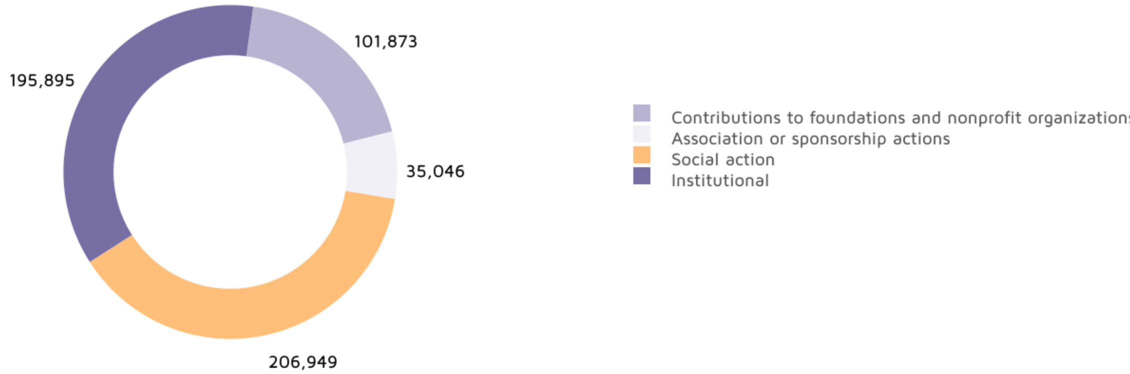
EUR 539,763.00

Invested in social actions

Investment in social action



Contribution to the community



For us, investing in the community is a strategic instrument for the development of society and the local environment where we carry out our activity.

Milestones 2023	Challenges 2024
Roll-out of the Social Action Plan to all of the Group's business units.	Modification of action implementation to fit the new context of the Group's various business units.
Identification of new lines of collaboration to maximize the positive impact.	Development of strategic alliances with other organizations to maximize impact in different areas.

Corporate volunteering

As part of our culture and social calling, we encourage collaboration and solidarity among our employees, promoting participation in projects aimed at improving the environment and the lives of disadvantaged groups to contribute to a more egalitarian society, as well as caring for nature.

FEATURED CASES

Socio-economic development

The Columbus Stainless Techno Girls program offers selected girls the opportunity to experience the working world first-hand, receive an allowance and have on-site mentoring sessions for three years. After completing the program, the beneficiaries become part of the alumni association, where they are provided support and guidance to pursue higher education,

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Social well-being

VDM Metals supports the Balthasar Children's and Youth Hospice. For the first time since the pandemic, the traditional charity run around the Altena plant was held. The participants covered a total distance of about 400 km. The proceeds were donated to the hospice to strengthen its services.

Biodiversity preservation

Acerinox Europa employees and their families participated in a reforestation day in the Los Alcornocales National Park, Europe's only subtropical forest, which is threatened by serious problems such as drought. The "Sowing the Future" solidarity initiative promotes environmental awareness among our employees and children.

Commitment to education

Collaboration with the A LA PAR Foundation

Acerinox continues to collaborate with the A LA PAR Foundation to jointly carry out activities that improve the quality of life of people with intellectual disabilities. Such initiatives notably include Funda Market, a solidarity market where products made by members from the Foundation combine with more than 50 brands to produce a weekend agenda for the whole family. In addition, we also held Family Day, where employees and their families participated in various activities at the foundation.

For the first time, Acerinox participated in the CAMPVS program, which aims to facilitate access to the workforce for students with intellectual disabilities. Company volunteers mentored the students in one-on-one meetings to help bring the working world closer.

With this initiative, Acerinox wants to play a leading role in the project and contribute to closing the inequality gap.

Collaboration with associations

GRI 2-28

The Acerinox Group partners with many national and international associations and organizations in order to publicize key aspects of its work, promote knowledge and positioning and share best practices in the sector. Particularly notable are its participation in the Worldsteel Association, UNESID, EUROFER, Responsible Steel, AEGE, AGI, the SERES Foundation, and others.

6. Appendices

6.1 Scope of the report

Standards and principles used

The information included in this report relates to both financial and non-financial information and was prepared by the board of directors on February 28, 2024. The non-financial information statement has been favorably evaluated by the Sustainability Committee of the board of directors.

This 2023 Integrated Annual Report has been prepared taking into account the following reporting standards and principles:

- In accordance with GRI Standards 2021, tailored to specific GRIs in compliance with Spanish Law 11/2018 and voluntarily to other GRI standards on material issues. See GRI table of contents appendix.
- The Sustainability Accounting Standards Board (SASB) reporting standard for the SASB Iron & Steel Producers indicators. See SASB table of contents appendix.
- The recommendations of the Task Force on Climate-Related Disclosures (TCFD). See TCFD table of contents appendix.
- The Sustainable Development Goals (SDGs) approved by the United Nations General Assembly, which Acerinox includes in its strategy and which are detailed in the Contribution to the 2030 Agenda section.
- The Ten Principles of the United Nations Global Compact, which are mentioned in chapter 5 Sustainable management model.
- The recommendations in the Spanish Securities Market Commission's Guide for the Preparation of Management Reports of Listed Companies.

Also including:

a) Directive 2014/95/EU as regards disclosure of non-financial and diversity information, as well as related Spanish legislation (Law 11/2018).

b) In its first delegated act, Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment lays down the obligation to disclose information on how and to what extent the undertaking's investments are associated with economic activities deemed to be environmentally sustainable in relation to the objectives of climate change mitigation and climate change adaptation. See chapter 4.6 European taxonomy on sustainable finance.

Scope of information in this report

Timescale: 2-3

2023. The report is published annually.

Organizational scope: 2-1 / 2-2

Acerinox, S.A. and subsidiaries

In order to check and guarantee the reliability of the information provided to the various stakeholders, the Acerinox Group has submitted this report to external verification, through the professional services firm PwC, with a **limited level of assurance**. As a result of the verification process, an independent review report is produced, which includes the objectives and scope of the process, as well as the verification procedures used and the related conclusions. This report is included in chapter Appendices (6.8) to this report.

6.2 Supplementary information (indicators)

Sustainable use of resources

_Main raw materials (metric tons)

GRI 301-1 / 301-2

t	2023	2022	2021
Alloys	536,758	697,324	714,075
Gases	276,823	316,862	355,466
Acids	33,969	39,968	43,726
Recycled material*	2,033,855	2,259,217	2,500,852
Recycled acid**	14,092	16,264	16,104

*Recycled material is defined as purchased scrap, process and internal scrap, metal recovered from slag and other recycled waste.
**Recycled acid: total amount of nitric and hydrofluoric acid recovered from the process itself.
***In 2023, 70.59% of the materials used in the steel manufacturing process were recycled, while in 2022 it was 68.18% and in 2023 69.20%, which is 3.52% more than in 2022 and 2.01% more than in 2021.

_Waste management (metric tons)

GRI 306-3 / 306-4 / 306-5

t	2023		2022		2021	
Total waste	1,298,793	%	1,572,090	%	1,669,375	%
Landfill*	262,827	20.2%	333,534	21.2%	471,076	28.2%
Recycled/Recovered	1,035,966	79.8%	1,238,556	78.8%	1,198,299	71.8%
Total non-hazardous waste	1,182,735	91.1%	1,432,963	91.2%	1,521,645	91.15%
Landfill	203,578	17.2%	252,595	17.6%	385,541	25.3%
Recycled/Recovered	979,157	82.8%	1,180,368	82.4%	1,136,104	74.7%
Total hazardous waste	116,058	8.9%	139,127	8.8%	147,730	8.85%
Landfill	59,250	51.1%	80,939	58.2%	85,535	57.9%
Recycled/Recovered	56,809	48.9%	58,188	41.8%	62,195	42.1%

*Waste is disposed of by an authorized off-site waste manager.
Data for 2021 and 2022 have been recalculated, grouping together the Other (R&D&I) and Recycled/Recovered categories.

_CO2 emissions (CO2e metric tons)

GRI 305-1 / 305-2

Acerinox, in its report, uses the operational approach. The Group reports the operating emissions at its production companies over which it exercises operational control.

tCO2e	2023			2022			2021		
	Total	Stainless	HPAs	Total	Stainless	HPAs	Total	Stainless	HPAs
Scope 1	**778,994**	671,545	107,449	872,253	768,600	103,653	974,048	867,639	106,409
Scope 2 - market-driven	**1,483,902**	1,454,623	29,279	1,879,167	1,792,901	86,266	2,206,722	2,124,209	82,513
Total (scope 1 + 2*)	**2,262,896**	2,126,168	136,728	2,751,420	2,561,501	189,919	3,180,770	2,991,848	188,922

*2021 data were corrected pursuant to the GHG Protocol.

The GWPs published in the IPCC Fifth Assessment Report have been used in this report. It should be noted that the DEFRA conversion factors incorporate the GWP of the IPCC Fifth Assessment Report.

The sources of information on the conversion factors for the calculation of GHG emissions, prioritizing the most specific ones for each facility, will be as follows:

- Carbon footprint calculator from the Ministry organization. Scope 1+2 (Spain). Version 28.
- DEFRA: Department for Environment, Food & Rural Affairs. (United Kingdom). Greenhouse gas reporting: conversion factors 2023.
- Ecoinvent database. Version: 3.9.1.
- Life Cycle Assessment: WorldSteel. (International). 2020.
- EPA: United States Environmental Protection Agency. GHG (US). April 2023
- Calculation and emission factors developed by the Intergovernmental Panel on Climate Change (IPCC). 2006 IPCC Guidelines for National Greenhouse Gas Inventories and IPCC Quito report.
- Supplier-specific emission factors.

_CO_2e emissions intensity (metric tons CO_2e/metric ton)

GRI 305-4

tCO2e/t	2023			2022			2021		
	Total	Stainless	HPAs	Total	Stainless	HPAs	Total	Stainless	HPAs
Intensity (Scope 1+2)	**1.09**	1.07	1.79	1.14	1.10	2.31	1.11	1.08	2.42

The Group's emissions intensity has decreased due to the increased use of renewable energy and the optimization of plant operations. This decrease is in line with the objectives established for the stainless steel division in the Positive Impact 360° Sustainability Master Plan.

The greenhouse gas reduction commitment extends to all other atmospheric emissions. Acerinox is working to reduce its emission figures for nitrogen oxides, volatile organic compounds and particulate matter.

_Other emissions (metric tons)

GRI 305-7

	2023			2022			2021		
t	Total	Stainless	HPAs	Total	Stainless	HPAs	Total	Stainless	HPAs
NO_x	**663**	618	45	648	620	28	615	589	26
VOCs	**15**	15	0	32	32	0	27	27	0
Particulate matter	**191**	191	0	280	280	0	424	424	0
SOx*	**16**	13	2						

*SOx emissions were reported in 2023 due to data availability.

_Energy consumption (GJ)

GRI 302-1

GJ	2023			2022*			2021**		
	Total	Stainless	HPAs	Total	Stainless	HPAs	Total	Stainless	HPAs
Natural gas	**10,689,464**	9,919,946	769,518	12,134,458	11,008,895	1,125,563	11,559,423	12,416,327	1,124,160
Diesel	**172,124**	159,676	12,447	204,111	190,814	13,297	167,291	182,558	12,649
Electricity	**9,356,461**	8,704,437	652,025	10,375,319	9,695,075	680,244	10,000,382	10,797,582	653,092
Total consumption	20,218,049	18,784,059	1,433,990	22,713,888	20,894,784	1,819,104	21,727,096	23,396,467	1,789,901

*In addition to natural gas, the natural gas data of the high-performance alloys division includes mixed gas.
**2021 data were corrected pursuant to the GHG Protocol.
***Consumption data are from primary data (invoices) reported by the managers of each of the facilities. Only in the absence of primary data, will secondary data (internal information control records) will be considered.
****The net calorific value will be established based on validated and updated sources according to the location of the facilities. Additionally, if necessary, conversion factor(s) can be applied for the change of units.

_Energy intensity (GJ/metric ton)

GRI 302-3

GJ/t	2023			2022			2021		
	Total	Stainless	HPAs	**Total**	Stainless	HPAs	**Total**	Stainless	HPAs
Intensity	**9.44**	9.41	23.80	**9.39**	8.94	22.09	**8.83**	8.43	22.91

_Electricity consumption (GJ)

GJ	2023			2022			2021		
	Total	Stainless	HPAs	**Total**	Stainless	HPAs	**Total**	Stainless	HPAs
Renewable	**3,454,840**	2,979,276	475,564	**2,604,379**	2,296,229	308,150	**2,028,873**	2,632,566	295,851
Non-renewable	**5,901,621**	5,725,160	176,461	**7,770,938**	7,398,845	372,093	**7,971,508**	8,165,016	357,241
Total	**9,356,461**	**8,704,436**	**652,025**	**10,375,317**	**9,695,074**	**680,243**	**10,000,381**	**10,797,582**	**653,092**

Water

Shortage areas: permanent deficit situation in relation to water demand in a regional water resource system, characterized by either an arid climate or a rapidly growing demand in consumption.

Non-shortage areas: relates to the other facilities.

_Water withdrawal (ML)

GRI 303-3

ML	Total			Stainless		HPAs	
2023	Total	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas
Surface water	6,364	3,877	2,487	3,557	2,487	320	0
Groundwater	0	0	0	0	0	0	0
Seawater	0	0	0	0	0	0	0
Process water	5	5	0	5	0	0	0
Third-party water	782	596	186	367	186	229	0
Rainwater	271	0	271	0	271	0	0
Total	7,422	4,478	2,944	3,929	2,944	549	0

*39.08% of the water withdrawn in 2023 comes from regions with high or extremely high water stress.

ML	Total			Stainless		HPAs	
2022	Total	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas
Surface water	7,859	4,721	3,138	4,313	3,138	408	0
Groundwater	0	0	0	0	0	0	0
Seawater	0	0	0	0	0	0	0
Process water	7	7	0	7	0	0	0
Third-party water	786	492	294	287	294	205	0
Rainwater	288	0	288	0	288	0	0
Total	**8,940**	**5,220**	**3,720**	**4,607**	**3,720**	**613**	**0**

ML	Total			Stainless		HPAs	
2021	Total	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas
Surface water	8,391	4,827	3,564	4,419	3,564	408	0
Groundwater	0	0	0	0	0	0	0
Seawater	0	0	0	0	0	0	0
Process water	4	4	0	4	0	0	0
Third-party water	903	493	410	289	410	204	0
Rainwater	220	0	220	0	220	0	0
Total	**9,518**	**5,324**	**4,194**	**4,712**	**4,194**	**612**	**0**

_Water discharge (ML)

GRI 303-4

ML	Total			Stainless		HPAs	
2023	Total	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas
Surface water	3,440	3,440	0	3,439	0	1	0
Groundwater	0	0	0	0	0	0	0
Seawater	1,121	0	1,121	0	1,121	0	0
Third-party water	315	315	0	26	0	289	0
Total	**4,876**	**3,755**	**1,121**	**3,465**	**1,121**	**290**	**0**

ML	Total			Stainless		HPAs	
2022	Total	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas
Surface water	4,105	4,105	0	4,044	0	61	0
Groundwater	0	0	0	0	0	0	0
Seawater	1,123	1	1,122	0	1,122	1	0
Third-party water	264	264	0	34	0	230	0
Total	**5,492**	**4,370**	**1,122**	**4,078**	**1,122**	**292**	**0**

ML	Total			Stainless		HPAs	
2021	Total	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas
Surface water	4,283	3,831	452	3,770	452	61	0
Groundwater	0	0	0	0	0	0	0
Seawater	1,397	0	1,397	0	1,397	0	0
Third-party water	273	230	43	0	43	230	0
Total	**5,953**	**4,061**	**1,892**	**3,770**	**1,892**	**291**	**0**

_Water consumption (ML)

GRI 303-5

ML	Total			Stainless		HPAs	
	Total	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas	Non-shortage areas	Shortage areas
2023	**2,547**	724	1,823	465	1,823	259	0
2022	**3,450**	1,268	2,182	946	2,182	322	0
2021	**3,566**	1,264	2,302	942	2,302	322	0

Health & safety

_Own personnel accident rate

GRI 403-9 and 403-10

	2023			2022			2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Hours worked	12,594,688	1,871,953	14,466,641	12,921,980	1,801,490	14,723,470	12,566,201	1,713,313	14,279,514
Total accidents*	120	10	130	125	3	128	195	4	199
Fatal accidents	0	0	0	0	0	0	1	0	1
Fatalities rate	0	0	0	0	0	0	0.08	0	0.07
Accidents with leave	55	5	60	61	0	61	83	1	84
TRIR x 1,000,000**	9.53	5.34	8.99	9.67	1.67	8.69	15.52	2.33	13.94
LTIFR x 1,000,000**	4.37	2.67	4.15	4.72	0	4.14	6.61	0.58	5.88
Absenteeism hours***	790,770	123,681	914,451	668,476	104,554	773,030	646,021	58,415	704,436
Severity rate = (no. of days lost / no. of hours worked)*1,000	7.85	8.26	7.90	6.47	7.25	6.56	6.43	4.26	6.17
Absenteesim rate (%)	6.28%	6.61%	6.32%	5.17%	5.80%	5.25%	5.14%	3.41%	4.93%
Work-related illnesses	7	0	7	0	0	0	0	0	0
Fatalities due to work-related illnesses	0	0	0	0	0	0	0	0	0

*There are no excluded workers.

** Data collected at BU level and consolidated at corporate level.

_Accident rate of contractors**

GRI 403-9 and 403-10

	2023			2022			2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Hours worked	4,617,429	497,842	5,115,271	3,488,687	408,913	3,897,600	2,450,470	325,813	2,776,283
Total accidents*	22	3	25	50	7	57	117	4	121
Fatal accidents	0	0	0	0	0	0	1	0	1
Fatality rate	0	0	0	0	0	0	0.41	0	0.38
Accidents with leave	7	1	8	19	3	22	54	2	56
TRIR x 1,000,000**	4.76	6.03	4.89	14.33	17.12	14.62	47.75	12.28	43.58
LTIFR x 1,000,000**	1.52	2.01	1.56	5.45	7.34	5.64	22.04	6.14	20.17
Fatalities due to work-related illnesses	0	0	0	0	0	0	0	0	0

*Total accident data include fatalities, accidents with leave, restricted work cases and minor injuries. The severity index is not included.

** Data on contractor absenteeism and contractor occupational diseases are not recorded.

_Health and safety management systems**

GRI 403-8

	2023	2022*	2021
Number of employees covered by a health and safety management system	7,485	7,863	7,877
Percentage of employees covered by a health and safety management system	90.96%	95.55%	95.72%

*Corrected data

**Data is only available for employees, not for contractors.

Workforce*

_Total employees at year-end

GRI 2-7

Acerinox Europa (Spain)	Acerinox S.A. (Spain)	Bahru (Malaysia)	Columbus (South Africa)	Inoxfil (Spain)	NAS (US)	Roldán (Spain)	VDM (Germany / US)	Subsidiaries and Service	Total
1,746	114	427	1,248	96	1,606	361	2,047	584	8,229

*The staff figure in this Appendix does not include 10 members of senior management.

_Average number of employees during 2023

GRI 2-7

Acerinox Europa (Spain)	Acerinox S.A.	Bahru	Columbus	Inoxfil	NAS	Roldán	VDM	Subsidiaries and Service centers
1,765	108	418	1,260	98	1,614	365	2,028	571

_Number of employees by contract type and gender

GRI 2-7

		2023	2022	2021
Permanent contract	Men	6,910	6,874	6,890
	Women	1,065	1,007	998
	Total	**7,975**	**7,881**	**7,888**
Temporary contract	Men	226	209	199
	Women	28	34	41
	Total	**254**	**243**	**240**
Total		**8,229**	**8,124**	**8,128**

_Number of employees by type of workday and gender

GRI 2-7

		2023	2022	2021
Full time	Men	7,119	7,062	7,069
	Women	1,029	986	982
	Total	8,148	8,048	8,051
Part-time	Men	17	21	20
	Women	64	55	57
	Total	81	76	77
Total		**8,229**	**8,124**	**8,128**

_Number of employees by age range and gender

GRI 2-7

		2023	2022	2021
<30	Men	816	835	852
	Women	167	159	171
	Total	**983**	**994**	**1,023**
30-50	Men	4,006	4,061	4,167
	Women	639	607	625
	Total	**4,645**	**4,668**	**4,792**
>50	Men	2,314	2,187	2,070
	Women	287	275	243
	Total	**2,601**	**2,462**	**2,313**
Total		**8,229**	**8,124**	**8,128**

_Number of employees by professional category and gender

GRI 2-7 / 405-1

		2023	2022	2021
Director	Men	25	19	15
	Women	7	5	4
	Total	**32**	**24**	**19**
Manager	Men	243	220	220
	Women	49	49	45
	Total	**292**	**269**	**265**
Analyst	Men	624	570	572
	Women	226	176	173
	Total	**850**	**746**	**745**
Specialist	Men	332	321	312
	Women	118	138	129
	Total	**450**	**459**	**441**
Administrative staff	Men	599	598	596
	Women	476	458	471
	Total	**1,075**	**1,056**	**1,067**
Operator	Men	5,313	5,356	5,374
	Women	217	214	217
	Total	**5,530**	**5,570**	**5,591**
Total		**8,229**	**8,124**	**8,128**

_Number of employees by type of contract and age range

GRI 2-7

		2023	2022	2021
Permanent contract	<30	859	872	902
	30-50	4,528	4,555	4,685
	>50	2,587	2,454	2,301
	Total	**7,974**	**7,881**	**7,888**
Temporary contract	<30	124	122	121
	30-50	116	113	107
	>50	15	8	12
	Total	**255**	**243**	**240**
Total		**8,229**	**8,124**	**8,128**

_Number of employees by type of workday and age range

GRI 2-7

		2023	2022	2021
Full time	<30	975	992	1,020
	30-50	4,586	4,611	4,736
	>50	2,587	2,445	2,295
	Total	8,148	8,048	8,051
Part-time	<30	8	2	3
	30-50	58	57	56
	>50	15	17	18
	Total	81	76	77
Total		**8,229**	**8,124**	**8,128**

_Number of employees by type of contract and professional category

GRI 2-7

		2023	2022	2021
Permanent contract	Director	32	24	19
	Manager	286	267	265
	Analyst	852	744	744
	Specialist	438	443	429
	Administrative staff	1,035	1,027	1,042
	Operator	5,336	5,376	5,389
	Total	**7,979**	**7,881**	**7,888**
Temporary contract	Director			
	Manager	7	2	
	Analyst		2	1
	Specialist	7	16	12
	Administrative staff	40	29	25
	Operator	196	194	202
	Total	**250**	**243**	**240**
Total		**8,229**	**8,124**	**8,128**

_Number of employees by type of workday and professional category

GRI 2-7

		2023	2022	2021
Full time	Director	31	24	19
	Manager	293	269	265
	Analyst	852	744	744
	Specialist	444	450	433
	Administrative staff	1,022	1,011	1,019
	Operator	5,507	5,550	5,571
	Total	**8,149**	**8,048**	**8,051**
Part-time	Director	1		
	Manager			
	Analyst	4	2	1
	Specialist	4	9	8
	Administrative staff	52	45	48
	Operator	19	20	20
	Total	**80**	**76**	**77**
Total		**8,229**	**8,124**	**8,128**

Employment

_New hires by age group and gender

		2023	2022	2021
<30	Men	646	808	437
	Women	138	218	136
	Total	784	1,026	573
30-50	Men	688	692	519
	Women	115	98	73
	Total	803	790	592
>50	Men	49	42	33
	Women	7	11	8
	Total	56	53	41
Total		**1,643**	**1,869**	**1,206**

_Hiring rate

GRI 401-1

		2023	2022	2021
<30	Men	79.36%	96.77%	51.29%
	Women	84.66%	137.11%	79.53%
	Total	**80.25%**	**103.22%**	**56.01%**
30-50	Men	17.25%	17.04%	12.46%
	Women	18.37%	16.14%	11.68%
	Total	**17.40%**	**16.92%**	**12.35%**
>50	Men	2.14%	1.92%	1.59%
	Women	2.55%	4.00%	3.29%
	Total	**2.18%**	**2.15%**	**1.77%**
Total		**20.00%**	**23.01%**	**14.84%**

_Voluntary resignations

		2023	2022	2021
<30	Men	136	139	100
	Women	19	27	12
	Total	**155**	**166**	**112**
30-50	Men	200	195	137
	Women	36	45	25
	Total	**236**	**240**	**162**
>50	Men	30	57	42
	Women	6	12	11
	Total	**36**	**69**	**53**
Total		**427**	**475**	**327**

_Staff turnover rate

GRI 401-1

		2023	2022	2021
<30	Men	21.50%	20.72%	15.73%
	Women	14.11%	18.87%	7.02%
	Total	20.27%	20.42%	14.27%
30-50	Men	6.39%	6.28%	4.25%
	Women	6.87%	7.91%	4.32%
	Total	6.46%	6.49%	4.26%
>50	Men	1.96%	6.22%	7.44%
	Women	3.64%	7.64%	9.47%
	Total	2.14%	6.38%	7.65%
Total		6.75%	8.16%	6.49%

Layoffs

_Number of layoffs by age range and gender

		2023	2022	2021
<30	Men	39	34	34
	Women	4	3	
	Total	**43**	**37**	**34**
30-50	Men	55	60	40
	Women	7	3	2
	Total	**62**	**63**	**42**
>50	Men	15	15	67
	Women	4	3	2
	Total	**19**	**18**	**69**
Total		**124**	**118**	**145**

_Number of layoffs by professional category and gender

		2023	2022	2021
Director	Men			
	Women			
	Total	**0**	**0**	**0**
Manager	Men		3	
	Women	1	1	2
	Total	**1**	**4**	**2**
Analyst	Men	4	4	2
	Women			
	Total	**4**	**4**	**2**
Specialist	Men	6	2	3
	Women	2	1	
	Total	**8**	**3**	**3**
Administrative staff	Men	2	1	6
	Women	5	1	1
	Total	**7**	**2**	**7**
Operator	Men	96	99	130
	Women	8	6	1
	Total	**104**	**105**	**131**
Total		**124**	**118**	**145**

_Number of layoffs by age range and gender

		2023	2022	2021
<30	Men	39	34	34
	Women	4	3	
	Total	**43**	**37**	**34**
30-50	Men	55	60	40
	Women	7	3	2
	Total	**62**	**63**	**42**
>50	Men	15	15	67
	Women	4	3	2
	Total	**19**	**18**	**69**
Total		**124**	**118**	**145**

Training and performance

_Number of employees trained

		2023	2022	2021
Director	Men	15	13	6
	Women	7	5	5
	Total	**22**	**18**	**11**
Manager	Men	147	205	159
	Women	36	46	42
	Total	**183**	**251**	**201**
Analyst	Men	439	487	427
	Women	166	167	134
	Total	**605**	**654**	**561**
Specialist	Men	203	248	188
	Women	85	99	64
	Total	**288**	**347**	**252**
Administrative staff	Men	277	428	382
	Women	190	274	289
	Total	**467**	**702**	**671**
Operator	Men	4,016	4,098	3,517
	Women	197	233	190
	Total	**4,213**	**4,331**	**3,707**
Total		**5,778**	**6,303**	**5,403**

_Training hours

		2023	2022	2021
Director	Men	119	92	95
	Women	132	71	73
	Total	**251**	**163**	**168**
Manager	Men	3,381	5,150	4,469
	Women	1,340	1,031	1,260
	Total	**4,721**	**6,181**	**5,729**
Analyst	Men	14,109	13,990	8,811
	Women	4,043	5,292	2,459
	Total	**18,152**	**19,282**	**11,270**
Specialist	Men	6,116	6,378	3,207
	Women	2,229	2,528	903
	Total	**8,345**	**8,906**	**4,110**
Administrative staff	Men	6,892	10,244	7,851
	Women	7,430	7,399	6,858
	Total	**14,322**	**17,643**	**14,709**
Operator	Men	522,069	395,500	372,473
	Women	32,006	23,074	23,083
	Total	**554,075**	**418,574**	**395,556**
Total		**599,866**	**470,749**	**431,542**

_Average hours of training per employee

GRI 404-1

		2023	2022	2021
Director	Men	7.9	4.8	6.3
	Women	18.9	14.2	18.3
	Total	11.4	6.8	8.8
Manager	Men	23.0	23.4	20.3
	Women	37.2	21.0	28.0
	Total	25.8	23.0	21.6
Analyst	Men	32.1	24.5	15.4
	Women	24.4	30.1	14.2
	Total	30.0	25.9	15.1
Specialist	Men	30.1	19.9	10.3
	Women	1.0	18.3	7.0
	Total	29.0	19.4	9.3
Administrative staff	Men	24.9	17.1	13.2
	Women	39.1	16.2	14.6
	Total	31.0	16.7	13.8
Operator	Men	130.0	73.8	69.3
	Women	162.5	107.8	106.4
	Total	131.5	75.2	70.8
Total		**73.5**	**58.0**	**53.1**

_Number of employees who have received performance evaluations

		2023	2022	2021
Director	Men	17	14	8
	Women	5	5	4
	Total	**22**	**19**	**12**
Manager	Men	136	157	100
	Women	34	40	33
	Total	**170**	**197**	**133**
Analyst	Men	413	297	253
	Women	135	110	117
	Total	**548**	**407**	**370**
Specialist	Men	91	105	104
	Women	55	43	44
	Total	**146**	**148**	**148**
Administrative staff	Men	218	275	268
	Women	139	164	173
	Total	**357**	**439**	**441**
Operator	Men	1,654	1,171	1,185
	Women	84	80	69
	Total	**1,738**	**1,251**	**1,254**
Total		**2,981**	**2,461**	**2,358**

_% staff subject to performance evaluation

GRI 404-3

		2023	2022	2021
Director	Men	85.00%	77.78%	53.33%
	Women	100.00%	100.00%	100.00%
	Total	88.00%	79.17%	63.16%
Manager	Men	65.00%	75.48%	47.62%
	Women	74.00%	85.11%	76.74%
	Total	67.00%	73.23%	50.19%
Analyst	Men	70.00%	54.90%	47.29%
	Women	69.00%	67.90%	73.13%
	Total	70.00%	54.56%	49.66%
Specialist	Men	33.00%	38.32%	40.63%
	Women	57.00%	41.75%	46.32%
	Total	39.00%	32.24%	33.56%
Administrative staff	Men	38.00%	47.58%	46.21%
	Women	36.00%	42.82%	42.61%
	Total	37.00%	41.57%	41.33%
Operator	Men	32.00%	22.33%	22.47%
	Women	39.00%	37.56%	33.33%
	Total	32.00%	22.46%	22.43%
Total		40.00%	30.29%	29.01%

Employee benefits

_Parental leave

GRI 401-3

		2023	2022	2021
Employees who have been eligible for parental leave	Men	5,802	6,267	6,214
	Women	875	823	818
	Total	**6,677**	**7,090**	**7,032**
Employees who have taken parental leave	Men	265	282	251
	Women	40	53	47
	Total	**305**	**335**	**298**
Employees who have returned to work after parental leave has ended	Men	263	280	242
	Women	38	37	35
	Total	**301**	**317**	**277**
Employees who have returned to work after completing parental leave and who were still employed 12 months after returning to work	Men	249	241	237
	Women	35	32	33
	Total	**284**	**273**	**270**

_Number of employees covered by collective bargaining agreements

GRI 2-30

	2023	
	Employees subject to agreement	Percentage of employees subject to agreement
Argentina	9	100%
Australia	0	— %
Austria	4	100%
Belgium	4	50%
Brazil	2	100%
Canada	0	— %
Chile	16	100%
China	0	— %
Colombia	2	100%
France	17	100%
Germany	1,777	97%
India	0	— %
Indonesia	0	— %
Italy	60	100%
Japan	0	— %
Malaysia	180	45%
Mexico	3	100%
Peru	2	100%
Poland	24	100%
Portugal	26	100%
Singapore	1	100%
South Africa	643	53%
South Korea	0	— %
Spain	2,637	99%
Sweden	24	92%
Switzerland	3	100%
Taiwan	0	— %
Thailand	0	— %
Turkey	0	— %
UK	34	100%
United Arab Emirates	0	— %
United States	0	— %
Vietnam	0	— %

_Reinstatement and retention rate

		2023	2022	2021
Return to work rate	Men	99.00%	99.29%	96.41%
	Women	95.00%	69.81%	74.47%
	Total	**99.00%**	**92.95%**	**95.99%**
Employee retention rate	Men	87.00%	85.46%	94.42%
	Women	90.00%	60.38%	70.21%
	Total	**88.00%**	**92.95%**	**95.99%**

Contractors

_Number of contractors

		2023	2022	2021
Total workforce	Men	1,305	1,200	1,225
	Women	236	216	211
	Total	**1,541**	**1,416**	**1,436**

Remuneration and gap

_Average compensation by professional category (EUR)

	2023	2022	2021
Director	EUR 269,300	EUR 308,121	EUR 293,104
Manager	EUR 144,188	EUR 131,036	EUR 119,063
Analyst	EUR 73,836	EUR 72,698	EUR 68,035
Specialist	EUR 58,221	EUR 56,414	EUR 49,143
Administrative staff	EUR 53,935	EUR 51,493	EUR 49,574
Operator	EUR 50,615	EUR 50,628	EUR 47,865

_Average compensation by age range (EUR)

	2023	2022	2021
<30	EUR 49,192	EUR 44,791	EUR 40,471
30-50	EUR 55,570	EUR 53,589	EUR 50,592
>50	EUR 69,544	EUR 66,050	EUR 63,324

_Average remuneration by gender (EUR)

	2023	2022	2021
Men	EUR 58,699	EUR 56,784	EUR 53,476
Women	EUR 53,317	EUR 51,762	EUR 48,133

_Wage gap by professional category (%)

	2023	2022	2021
Director	22.00%	-13.10%	-4.36%
Manager	24.00%	11.75%	5.31%
Analyst	25.00%	12.89%	12.95%
Specialist	22.00%	5.99%	10.29%
Administrative staff	19.00%	16.60%	17.21%
Operator	12.00%	15.39%	17.14%

_Average base salary (EUR)

	2023		2022		2021	
	Men	Women	Men	Women	Men	Women
Director	EUR 187,638	EUR 160,164	EUR 215,013	EUR 156,961	EUR 207,477	EUR 148,538
Manager	EUR 109,318	EUR 87,818	EUR 106,057	EUR 88,026	EUR 104,094	EUR 84,637
Analyst	EUR 68,709	EUR 51,117	EUR 67,320	EUR 48,274	EUR 65,055	EUR 49,385
Specialist	EUR 55,264	EUR 44,124	EUR 53,659	EUR 41,713	EUR 49,263	EUR 38,058
Administrative staff	EUR 51,016	EUR 41,610	EUR 49,938	EUR 40,632	EUR 47,301	EUR 39,134
Operator	EUR 30,364	EUR 26,608	EUR 29,467	EUR 25,984	EUR 29,209	EUR 23,929

_Ratio of base female/male salary by professional category **

GRI 405-2

	2023	2022	2021
Director	0.85	1.08	1.00
Manager	0.80	0.92	0.96
Analyst	0.74	0.87	0.87
Specialist	0.79	0.95	0.90
Administrative staff	0.82	0.87	0.87
Operator	0.88	0.88	0.85

* Only those categories in which both genders are represented are included in the calculation of the gap

6.3 Information regarding the European taxonomy

Calculation of financial indicators

Acerinox has defined a procedure to facilitate the identification of the financial information to be reported associated with eligible activities and/or aligned with the EU Taxonomy. Specifically, the procedure assists in the reporting of:

- **Quantitative information**: information on (1) revenue, (2) Capex and (3) Opex of sustainable and non-sustainable activities. (See table with breakdown of quantitative information.)
- **Qualitative information**: qualitative information consists of three blocks: (1) accounting policies, which include the form and basis on which KPIs were determined, referring to the affected items in the NFIS; (2) compliance assessment, which involves an analysis of how the eligibility of activities has been identified, indicating the nature of the economic activities and explaining the conduct of the assessment of the criteria for eligibility. In addition, an explanation of how any double counting of the three key indicators has been avoided is included; and (3) contextual information, which involves a breakdown of each of the KPIs, identifying the items included in the calculation of each KPI.

The procedure for obtaining quantitative data follows the following sequence:

1. Identification of data to calculate indicators. Firstly, the necessary information is collected from the Acerinox Group's IT systems. This information is taken from the consolidated data closed in the corresponding year. It is extracted from the information in the consolidation program with the highest level of account detail, considering the consolidated financial statements.
2. Reconciliation with the annual accounts at heading level.
3. Selection of the accounts to be included in the calculation of the ratios. The sum of the income and expense accounts is taken from the consolidation application. The amounts relating to investments are taken from the table showing movement in property, plant and equipment in the notes to the annual accounts. For the preparation of the notes to the Group's annual accounts, consolidation packages are received from all companies with the disclosures required by the notes, including movements in property, plant and equipment. All packages are automatically uploaded into the spreadsheets for the notes and reconciled with the account balances.
4. Contribution per company to each of these accounts in order to exclude amounts corresponding to companies whose activities are not aligned. From the consolidation application, the contribution per company to the balances of the accounts selected in the previous section is extracted.
5. Calculation of the ratios.
   i. Revenue: total revenue is the sum of the Group's consolidated revenue, as shown in the consolidated income statement of the financial statements. Revenue mainly reflects the Group's sales of stainless steel and special alloys,

   In order to calculate revenue from eligible activities, the contribution to the consolidated figure by each of the companies in the consolidation perimeter is extracted from the Group's consolidation systems. Revenue from eligible activities is the aggregate sum of the contribution to consolidated revenue of the companies considered eligible, in accordance with the definition provided in Note 4.6

   To calculate revenue from aligned activities, the consolidated sales figure corresponding to the products of each factory is extracted from the Group's management systems and reconciled with the consolidated revenue figure. Once reconciled, only the total sales of products manufactured by Acerinox Europa, North American Stainless, and Columbus would be included as revenue from aligned activities.

ii. Capex: the Group's total Capex corresponds to its total investments in both tangible and intangible fixed assets. It is reported in the Group's consolidated financial statements and is disclosed in the Investments section of the Property, plant, and equipment note in these financial statements.

To calculate Capex pertaining to eligible activities, the contribution of each of the companies in the consolidation perimeter to the consolidated figure is extracted from the Group's consolidation systems, and the amounts of the investments corresponding to eligible entities are aggregated.

The Capex pertaining to aligned activities is calculated by multiplying the investment made by each of the companies considered eligible by the percentage contribution to the alignment. To calculate the contribution to the alignment of each entity, the sales of products manufactured by Acerinox Europa, North American Stainless, and Columbus are divided by the entity's total sales. This contribution percentage, calculated for each of the eligible entities, is used as the alignment contribution percentage.

iii. Opex: to calculate total Opex, only the following items are taken into account from the total operating expenses in the consolidated financial statements: R&D expenses, maintenance, and operating leases. Total Opex is calculated as the sum of these three expense accounts, which are part of the consolidated Group's accounting plan and are identified in the consolidation program. In the memo note that includes the breakdown of operating expenses (Note 17.3), both the maintenance and lease totals are broken down; these are the two most significant categories, as the R&D expenses recorded as Opex are relatively insignificant.

Opex pertaining to eligible activities corresponds to the aggregate sum of maintenance expenses, leasing expenses, and R&D expenses at the eligible companies. To calculate this figure, the contribution of each Group company to these three items is extracted from the consolidation systems and only those corresponding to the three aligned entities are added

To determine the Opex pertaining to aligned activities, the total expenses of each company considered eligible are multiplied by the percentage contribution to the alignment. The percentage contribution to the alignment is calculated as explained above.

By calculating the ratios based on data obtained from the consolidated financial statements, any possible double counting is avoided, since all intra-group transactions that could have an impact on two companies are eliminated beforehand in the consolidation process.

The variations in the ratios with respect to previous years are a consequence of the volume of activity at the Group's different plants to meet market demand.

2023	Year			Substantial contribution criteria						Do no significant harm criteria									
Economic activities (1)	**Code (2)**	**Revenue (3)**	**Proportion of revenue, year N (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular economy (9)**	**Biodiversity (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular economy (15)**	**Biodiversity (16)**	**Minimum safeguards (17)**	**Proportion of revenue conforming to taxonomy (A.1) or eligible according to taxonomy (A.2), year 2022 (18)**	**Facilitating activity category (19)**	**Transitory activity category (20)**
Text		Currency	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	F	t
A. ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY																			
A.1 Environmentally sustainable activities (conforming to the taxonomy)																			
Manufacture of iron and steel (CNAE 12.24)	CCM 3.9	4,662,750	70.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	74.0%	F	t
Revenue from environmentally sustainable activities (conforming to the taxonomy) (A.1)		4,662,750	70.6%	70.6%	— %	— %	— %	— %	— %	Y	Y	Y	Y	Y	Y	Y	74.0%		
Of which: facilitating		0	— %	— %	— %	— %	— %	— %	— %	Y	Y	Y	Y	Y	Y	Y	— %	F	
Of which: transitional		4,662,750	71%	71%	— %	— %	— %	— %	— %	Y	Y	Y	Y	Y	Y	Y	74%		t
A.2 Activities eligible under the taxonomy but not environmentally sustainable (activities that do not conform to the taxonomy)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of iron and steel (CNAE 12.24)	CCM 3.9	489,688	7.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								11.2%		
Revenue from taxonomy-eligible but not environmentally sustainable activities (activities that do not conform to the taxonomy) (A.2)		489,688	7.4%	7.4%	— %	— %	— %	— %	— %								11.2%		
A. Revenue from taxonomy-eligible activities (A.1+A.2)		5,152,439	78.0%	78.0%	— %	— %	— %	— %	— %								85.2%		
B. NON-ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																			
Revenue from non-eligible activities under the taxonomy		1,455,539	22.0%																
Total		6,607,978	**100%**																

	Proportion of revenue/Total revenue	
	Taxonomic alignment by target	Eligible taxonomy by target
Climate change mitigation	70.6%	78.0%
Climate change adaptation	0%	0%
Sustainable use and protection of water and marine resources	0%	0%
Transition to a circular economy	0%	0%
Pollution prevention and control	0%	0%
Protection and restoration of biodiversity and ecosystems	0%	0%

_Capex

2023		Year		Substantial contribution criteria						Do no significant harm criteria									
Economic activities (1)	**Code (2)**	**Capex (3)**	**Proportion of Capex, year N (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular economy (9)**	**Biodiversity (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular economy (15)**	**Biodiversity (16)**	**Minimum safeguards (17)**	**Proportion of revenue conforming to taxonomy (A.1) or eligible according to taxonomy (A.2), year 2022 (18)**	**Facilitating activity category (19)**	**Transitory activity category (20)**
Text		Currency	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	F	t
A. ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY																			
A.1 Environmentally sustainable activities (conforming to the taxonomy)																			
Manufacture of iron and steel (CNAE 12.24)	CCM 3.9	134,110	76.7%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	76%	F	t
Capex of environmentally sustainable activities (conforming to the taxonomy) (A.1)		134,110	76.7%	76.7%	— %	— %	— %	— %	— %	Y	Y	Y	Y	Y	Y	Y	76%		
Of which: facilitating		0	— %	— %	— %	— %	— %	— %	— %	Y	Y	Y	Y	Y	Y	Y	— %	F	
Of which: transitional		134,110	76.7%	76.7%	— %	— %	— %	— %	— %	Y	Y	Y	Y	Y	Y	Y	76%		t
A.2 Activities eligible under the taxonomy but not environmentally sustainable (activities that do not conform to the taxonomy)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of iron and steel (CNAE 12.24)	CCM 3.9	1,156	0.7%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								4.9%		
Capex of taxonomy-eligible but not environmentally sustainable activities (activities that do not conform to the taxonomy) (A.2)		1,156	0.7%	0.7%	— %	— %	— %	— %	— %								4.9%		
A.Capex of taxonomy-eligible activities (A.1+A.2)		135,266	77.4%	77.4%	— %	— %	— %	— %	— %								80.9%		
B. NON-ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																			
Capex of non-eligible activities according to taxonomy		39,519	22.6%																
Total		174,785	**100%**																

	Ratio of Capex / Total Capex	
	Taxonomic alignment by target	Eligible taxonomy by target
Climate change mitigation	76.7%	77.4%
Climate change adaptation	0%	0%
Sustainable use and protection of water and marine resources	0%	0%
Transition to a circular economy	0%	0%
Pollution prevention and control	0%	0%
Protection and restoration of biodiversity and ecosystems	0%	0%

_Opex

2023	Year			Substantial contribution criteria						Do no significant harm criteria									
Economic activities (1)	**Code (2)**	**Opex (3)**	**Proportion of Opex, year N (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water (7)**	**Pollution (8)**	**Circular economy (9)**	**Biodiversity (10)**	**Climate change mitigation (11)**	**Climate change adaptation (12)**	**Water (13)**	**Pollution (14)**	**Circular economy (15)**	**Biodiversity (16)**	**Minimum safeguards (17)**	**Proportion of Opex conforming to taxonomy (A.1) or taxonomy-eligible (A.2), year 2022 (18)**	**Facilitating activity category (19)**	**Transitory activity category (20)**
Text		Currency	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	F	t
A. ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY																			
A.1 Environmentally sustainable activities (conforming to the taxonomy)																			
Manufacture of iron and steel (CNAE 12.24)	CCM 3.9	76,582	87.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	75.0%	F	t
Opex of environmentally sustainable activities (conforming to the taxonomy) (A.1)		76,582	87.4%	87.4%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	75.0%		
Of which: facilitating		0	— %	— %	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	— %	F	
Of which: transitional		76,582	87%	87%	— %	0	0	0	0	Y	Y	Y	Y	Y	Y	Y	75%		t
A.2 Activities eligible under the taxonomy but not environmentally sustainable (activities that do not conform to the taxonomy)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of iron and steel (CNAE 12.24)	CCM 3.9	8,756	10.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								5.2%		
Opex of eligible activities according to the taxonomy but not environmentally sustainable (activities that do not conform to the taxonomy) (A.2)		8,756	10.0%	10.0%	— %	— %	— %	— %	— %								5.2%		
A. Opex of taxonomy-eligible activities (A.1+A.2)		85,338	97.4%	97.4%	— %	— %	— %	— %	— %								80.4%		
B. NON-ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																			
Opex of non-eligible activities according to taxonomy (B)		2,315	2.6%																
Total		87,653	**100%**																

	Ratio of Opex / Total Opex	
	Taxonomic alignment by target	Eligible taxonomy by target
Climate change mitigation	87.4%	97.4%
Climate change adaptation	0%	0%
Sustainable use and protection of water and marine resources	0%	0%
Transition to a circular economy	0%	0%
Pollution prevention and control	0%	0%
Protection and restoration of biodiversity and ecosystems	0%	0%

_Nuclear and fossil gas related activities

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

6.4 GRI table of contents

Statement of use		Acerinox has reported in accordance with the GRI Standards for the period from January 1 to December 31, 2023.
GRI 1 used		GRI 1: Foundation 2021
Applicable GRI sector standards		n/a
GRI standard	**Content**	**Page / Reference**
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	Name of the organization: Acerinox S.A. Registered office: Calle Santiago de Compostela 100, 28035 Madrid, Spain 10-16
	2-2 Entities included in the organization's sustainability reporting	10-16
	2-3 Reporting period, frequency and contact point	2023 calendar year (January 1 to December 31, 2023) The reporting cycle is annual. sustainability@acerinox.com
	2-4 Restatements of information	Data modified from previous years includes an explanatory note.
	2-5 External assurance	The Acerinox Group engages an independent third party to undertake the external assurance of the report, pursuant to International Standard on Assurance Engagements (ISAE) 3000: PricewaterhouseCoopers Auditores,S.L.
	2-6 Activities, value chain and other business relationships	9-10; 14-16; 116-120
	2-7 Employees	106-111, Appendix 6.2
	2-9 Governance structure and composition	5; 32-37
	2-10 Nomination and selection of the highest governance body	32-37; 70
	2-11 Chair of the highest governance body	32-37
	2-12 Role of the highest governance body in overseeing the management of impacts	32-37
	2-13 Delegation of responsibility for managing impacts	32-37
	2-14 Role of the highest governance body in sustainability reporting	32-37; 63; 70
	2-15 Conflicts of interest	72-75
	2-16 Communication of critical concerns	72-75
	2-17 Collective knowledge of the highest governance body	32-37
	2-18 Evaluation of the performance of the highest governance body	32; 70; Appendix 6.2
	2-19 Remuneration policies	32-37

GRI 2: General Disclosures 2021	2-20 Process to determine remuneration	32-37
	2-22 Statement on sustainable development strategy	7-8; 63
	2-23 Policy commitments	Report-various sections
	2-24 Embedding policy commitments	Report-various sections
	2-25 Processes to remediate negative impacts	71-75
	2-26 Mechanisms for seeking advice and raising concerns	71-75
	2-27 Compliance with laws and regulations	71-75
	2-28 Membership associations	120-122
	2-29 Approach to stakeholder engagement	63-66
	2-30 Collective bargaining agreements	106-109; Appendix 6.2
Material topics		
GRI 3: Material topics 2021	3-1 Process to determine material topics	63-65
	3-2 List of material topics	63
Economic performance		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	76-80
	201-2 Financial implications and other risks and opportunities due to climate change	82
	201-4 Financial assistance received from government	76-80
Indirect economic impacts		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 203: Indirect economic impacts 2016	203-1 Infrastructure investments and services supported	103-104
	203-2 Significant indirect economic impacts	103-104
Procurement practices		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	118-120
Anti-corruption		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65

GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	100% of the Group is obliged to comply with the anti-corruption guidelines. Moreover, Acerinox is an adherent to the principles of the United Nations Global Compact.
	205-2 Communication and training about anti-corruption policies and procedures	71-75
	205-3 Confirmed incidents of corruption and actions taken	No incidences of corruption were registered in 2023.

Anti-competitive behavior

GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 206: Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No significant legal actions for anti-competitive behavior, anti-trust or monopoly practices were registered in 2023.

Taxation

GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 207: Tax 2019	207-1 Approach to tax	76-80
	207-2 Tax governance, control, and risk management	76-80
	207-3 Stakeholder engagement and management of concerns related to tax	76-80
	207-4 Country-by-country reporting	76-80

Materials

GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 301: Materials 2016	301-1 Materials used by weight or volume	97-102, Appendix 6.2
	301-2 Recycled input materials used	97-102, Appendix 6.2

Energy

GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 302: Energy 2016	302-1 Energy consumption within the organization	89-90, Appendix 6.2
	302-3 Energy intensity	89-90, Appendix 6.2
	302-4 Reduction of energy consumption	89-90, Appendix 6.2

Water and effluents

GRI 3: Material topics 2021	3-3 Management of material topics	63-65

GRI 303: Water and effluents 2018	303-1 Interactions with water as a shared resource	91-95
	303-2 Management of water discharge-related impacts	91-95
	303-3 Water withdrawal	91-95, Appendix 6.2
	303-4 Water discharge	91-95, Appendix 6.2
	303-5 Water consumption	91-95, Appendix 6.2
Biodiversity		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65, 96
Emissions		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	81-88, Appendix 6.2
	305-2 Energy indirect (Scope 2) GHG emissions	81-88, Appendix 6.2
	305-3 Other indirect (Scope 3) GHG emissions	81-88, Appendix 6.2
	305-4 GHG emissions intensity	81-88, Appendix 6.2
	305-5 Reduction of GHG emissions	81-88
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	81-88, 95, Appendix 6.2
Waste		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	97-100
	306-2 Management of significant waste-related impacts	97-100
	306-3 Waste generated	97-100, Appendix 6.2
	306-4 Waste diverted from disposal	97-100, Appendix 6.2
	306-5 Waste directed to disposal	97-100, Appendix 6.2
Supplier environmental assessment		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	116-120
	308-2 Negative environmental impacts in the supply chain and actions taken	No suppliers with significant negative environmental impacts were identified in the assessments carried out.
Employment		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65

GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Appendix 6.2
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	106-109
	401-3 Parental leave	106-109, Appendix 6.2

Labor/management relations

GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 402: Labor/management relations 2016	402-1 Minimum notice periods regarding operational changes	The minimum notice periods are in line with prevailing legislation and the collective agreement for the steel industry.

Occupational health and safety

GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	112-115
	403-2 Hazard identification, risk assessment, and incident investigation	112-115
	403-3 Occupational health services	112-115
	403-4 Worker participation, consultation, and communication on occupational health and safety	112-115
	403-5 Worker training on occupational health and safety	112-115
	403-6 Promotion of worker health	112-115
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	112-115
	403-8 Workers covered by an occupational health and safety management system	112-115, Appendix 6.2
	403-9 Work-related injuries	112-115, Appendix 6.2
	403-10 Work-related ill health	112-115, Appendix 6.2

Training and education

GRI 3: Material topics 2021	3-3 Management of material topics	63-65

GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	106-109, Appendix 6.2
	404-2 Programs for upgrading employee skills and transition assistance programs	106-109
	404-3 Percentage of employees receiving regular performance and career development reviews	106-109, Appendix 6.2
Diversity and equal opportunity		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	5.110-111, Appendix 6.2
	405-2 Ratio of basic salary and remuneration of women to men	110-111, Appendix 6.2
Non-discrimination		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	No incidents of discrimination were registered in 2023.
Freedom of association and collective bargaining		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No operations or suppliers in which the right to freedom of association and collective bargaining may be at risk have been registered.
Child labor		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 408: Child labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	The Group has not registered any operations or suppliers at risk for incidents of child labor. All Acerinox Group companies support the effective abolition of child labor. Acerinox is a signatory of the United Nations Global Compact.
Forced or compulsory labor		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65

GRI 409: Forced or compulsory labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	The Group has not recognized any operations or suppliers at significant risk for incidents of forced or compulsory labor. All Acerinox Group companies support the elimination of all forms of forced and compulsory labor. Acerinox is a signatory of the United Nations Global Compact.
Local communities		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
Supplier social assessment		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	116-120
	414-2 Negative social impacts in the supply chain and actions taken	No suppliers with significant negative social impacts were identified in the assessments carried out.
Customer health and safety		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	All factories face quality and environmental controls, assessing all possible health and safety impacts of the products.
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No significant incidents of non-compliance concerning the health and safety impacts of product and service categories have been registered.
Customer privacy		
GRI 3: Material topics 2021	3-3 Management of material topics	63-65
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No significant grievances related to respect for customer privacy and losses of customer personal data have been recorded in the mechanisms in place.

6.5 SASB table of contents

Contents and key metrics

Topic	Contents and key metrics	Category	Unit of measurement	Code	Page / Reference
Greenhouse gas emissions	Gross global Scope 1 emissions, methane percentage, percentage covered under emissions-limiting regulations	Quantitative	Metric tons (t) CO2e, percentage (%)	EM-IS-110a.1	(1) 86-88, Appendix 6.2 (2) 0.006% (3) 24.66% of Scope 1 emissions are covered under emissions-limiting regulations
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and analysis	n/a	EM-IS-110a.2	81-88
Atmospheric emissions	Air emissions of the following pollutants: (1) CO, (2) NOx (excluding N2O), (3) SOx, (4) particulate matter (PM10), (5) manganese (MnO), (6) lead (Pb), (7) volatile organic compounds (VOCs), and (8) polycyclic aromatic hydrocarbons (PAHs)	Quantitative	Metric tons (t)	EM-IS-120a.1	95
Energy management	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable	Quantitative	Gigajoules (GJ), percentage (%)	EM-IS-130a.1	(1 and 3) 89-90, Appendix 6.2 (2) 100% grid electricity
	(1) Total fuel consumed (2) Percentage coal (3) Percentage natural gas (4) Percentage renewable	Quantitative	Gigajoules (GJ), percentage (%)	EM-IS-130a.2	(1.3 and 4) 89-90, Appendix 6.2 The Group does not consume coal
Water management	(1) Total fresh water withdrawn (2) Percentage recycled (3) Percentage in regions with high or extremely high baseline water stress	Quantitative	Percentage (%)	EM-IS-140a.1	(1) The entire water withdrawal is fresh water (total dissolved solids ≤ 1,000 mg/l) (2) The group is working to report the percentage of water that is recycled. (3) 39.08% 91-95, Appendix 6.2

Waste management	Amount of waste generated, percentage hazardous, percentage recycled	Quantitative	Metric tons (t), percentage (%)	EM-IS-150a.1	98-100, Appendix 6.2
Employee health and safety	(1) Total recordable incident rate (TRIR) (2) Fatality rate (3) Near miss frequency rate (NMFR) for (a) full-time employees and (b) contract employees	Quantitative	Ratio	EM-IS-320a.1	112-116, Appendix 6.2
Supply chain management	Discussion of the process for managing iron ore and/or coking coal sourcing risks arising from environmental and social issues	Discussion and analysis	n/a	EM-IS-430a.1	Not applicable

Activity metrics

Activity metrics	Category	Unit of measurement	Code	Page / Reference
Raw steel production, percentage from: (1) basic oxygen furnace processes, (2) electric arc furnace processes	Quantitative	Metric tons (t), percentage (%)	EM-IS-000.A	(1) Not applicable (2) 39 1,869,417 t. The facilities with electric arc are Acerinox Europa, NAS and Columbus, accounting for 96.08% of melting shop production.
Total iron ore production	Quantitative	Metric tons (t)	EM-IS-000.B	0
Total coking coal production	Quantitative	Metric tons (t)	EM-IS-000.C	0

6.6 TCFD table of contents

Area	Recommended TCFD disclosures	Page / Reference
Governance	a) Describe the board's oversight of climate-related risks and opportunities	81-85
	b) Describe management's role in assessing and managing climate-related risks and opportunities	81-85
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	82-84
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	82-84
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	81-86
Risk management	a) Describe the organization's processes for identifying and assessing climate-related risks	81-86
	b) Describe the organization's processes for managing climate-related risks	81-86
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	81-86
Metrics and targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	81-86
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	86-88, 95
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	66, 81-95

6.7 NFIS table of contents

Information required by the Non-financial Information Law	Associated reporting criteria (GRI Standard)	Page / Reference
Finance model		
Taxonomy	Regulation (EU) 2020/852	56-62, Appendix 6.3
Business model		
Brief description of the Group's business model (business environment and organization)	2-1 Organizational details	13-18
Geographical presence	2-2 Entities included in the organization's sustainability reporting	10-16
Organization's objectives and strategies	3-3 Management of material topics	5-16, 24-27
Key factors and trends that could affect future performance	3-3 Management of material topics	19-23
Environmental topics		
General disclosures		
A description of the policies applied by the Group with regard to these topics, which shall include the due diligence procedures implemented to identify, assess, prevent and mitigate significant risks and impacts, and assurance and control procedures, including the measures taken.	3-3 Management of material topics	63-65, 81-82, 85, 97
The results of such policies, including the pertinent non-financial key performance indicators, enabling progress to be monitored and evaluated and allowing for comparisons to be drawn between companies and industries, in line with the benchmark national, European or international frameworks used for each topic.	3-3 Management of material topics	66-67

The main risks in relation to such topics as regards the Group's activities, including, where pertinent and appropriate, its commercial relations, products or services that may have an adverse impact on such areas, and how the Group manages such risks, explaining the procedures used to detect and assess them in line with the benchmark national, European or international frameworks used for each topic. Information on any impacts detected must be included, providing a breakdown thereof, particularly as regards the main short-, medium- and long-term risks.	201-2 Financial implications and other risks and opportunities due to climate change	85-87
Actual and foreseeable effects of the Company's activities on the environment and, as the case may be, health and safety	201-2 Financial implications and other risks and opportunities due to climate change	85-87
Environmental assessment or certification procedures	3-3 Management of material topics	81-95
Resources allocated to preventing environmental risks	3-3 Management of material topics	81-95
Application of the precautionary principle	3-3 Management of material topics	82
Amount of provisions and guarantees for environmental risks	3-3 Management of material topics	82
Pollution		
Measures to prevent, reduce or remedy emissions seriously affecting the environment, factoring in any specific form of atmospheric pollution of an activity, including noise and light pollution	3-3 Management of material topics. 305-5 Reduction of GHG emissions	86-88
Circular economy and waste prevention and management		
Measures for the prevention, recycling, reuse and other recovery and disposal of waste. Actions to combat food waste	3-3 Management of material topics 306-2 Management of significant waste-related impacts 306-3 Waste generated 306-4 Waste diverted from disposal 306-5 Waste directed to disposal	97-100, Appendix 6.2 Given the nature of the Group's business, food waste is not a material issue.

Sustainable use of resources		
Water consumption and supply in accordance with local limitations	303-1 Interactions with water as a shared resource 303-2 Management of water discharge-related impacts 303-3 Water withdrawal 303-4 Water discharge 303-5 Water consumption	91-95, Appendix 6.2
Consumption of raw materials and measures implemented to improve the efficiency of their use	301-1 Materials used by weight or volume	97-102, Appendix 6.2
Direct and indirect energy consumption	3-3 Management of material topics 302-1 Energy consumption within the organization	89-90, Appendix 6.2
Measures taken to improve energy efficiency	3-3 Management of material topics 302-4 Reduction of energy consumption	89-90
Use of renewable energies	302-1 Energy consumption within the organization	89-90
Climate change		
The key elements of the greenhouse gas emissions generated as a result of the Company's activities, including the use of the goods and services it produces.	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions 305-3 Other indirect (Scope 3) GHG emissions	81, 86-88, 95
Measures taken to adapt to the consequences of climate change.	3-3 Management of material topics	81-96
Voluntary medium- and long-term greenhouse gas reduction targets and the measures in place to achieve them.	305-5 Reduction of GHG emissions	86-88
Biodiversity protection		
Measures taken to preserve or restore biodiversity.	3-3 Management of material topics	96
Impacts caused by activities or operations in protected areas.	3-3 Management of material topics	96

Social and employee-related topics

General disclosures		
A description of the policies applied by the Group with regard to these topics, which shall include the due diligence procedures implemented to identify, assess, prevent and mitigate significant risks and impacts, and assurance and control procedures, including the measures taken.	3-3 Management of material topics	106-115
The results of such policies, including the pertinent non-financial key performance indicators, enabling progress to be monitored and evaluated and allowing for comparisons to be drawn between companies and industries, in line with the benchmark national, European or international frameworks used for each topic.	3-3 Management of material topics	106-115
The main risks in relation to such topics as regards the Group's activities, including, where pertinent and appropriate, its commercial relations, products or services that may have an adverse impact on such areas, and how the Group manages such risks, explaining the procedures used to detect and assess them in line with the benchmark national, European or international frameworks used for each topic. Information on any impacts detected must be included, providing a breakdown thereof, particularly as regards the main short-, medium- and long-term risks.	3-3 Management of material topics	106-115
Employment		
Total number and distribution of employees based on diversity criteria (gender, age, country, etc.)	2-7 Employees 405-1 Diversity of governance bodies and employees	106-111, Appendix 6.2
Total number and distribution of types of employment contract, average annual number of permanent, temporary and part-time contracts by gender, age and professional category	2-7 Employees	106-111, Appendix 6.2
Number of layoffs by gender, age and professional category	3-3 Management of material topics	106-111, Appendix 6.2
Average remuneration and trends therein, broken down by gender, age and professional category or similar	405-2 Ratio of basic salary and remuneration of women to men 3-3 Management of material topics	106-111, Appendix 6.2

Wage gap, remuneration of like positions or average remuneration in the Company	405-2 Ratio of basic salary and remuneration of women to men	Appendix 6.2
Average remuneration of board members and management, including variable remuneration, allowances, indemnities, payments into long-term savings schemes and any other amounts received, disaggregated by gender	2-19 Remuneration policies	32-37
Implementation of policies on disconnecting from work	3-3 Management of material topics	106-111
Employees with disabilities	405-1 Diversity of governance bodies and employees	106-111
Organization of work		
Organization of working time	3-3 Management of material topics	112-115, Appendix 6.2
Absenteeism hours	403-9 Work-related injuries	112-115, Appendix 6.2
Measures aimed at facilitating a work-life balance and encouraging the sharing of responsibilities between both parents	401-3 Parental leave	106-111
Health and safety		
Occupational health and safety conditions	403-1 Occupational health and safety management system 403-2 Hazard identification, risk assessment, and incident investigation 403-3 Occupational health services 403-4 Worker participation, consultation, and communication on occupational health and safety 403-5 Worker training on occupational health and safety 403-6 Promotion of worker health 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships 403-8 Workers covered by an occupational health and safety management system	112-115

Occupational accidents, in particular with regard to their frequency and severity, and occupational illnesses, disaggregated by gender.	403-9 Work-related injuries 403-10 Work-related ill health	112-115, Appendix 6.2
Labor relations		
Organization of social dialogue, including procedures for notifying, consulting and negotiating with staff	3-3 Management of material topics	110-116
Percentage of employees covered by collective bargaining agreements, by country	2-30 Collective bargaining agreements	Appendix 6.2
Balance of collective bargaining agreements, particularly in the field of occupational health and safety	2-30 Collective bargaining agreements	Appendix 6.2
Mechanisms and procedures that the company has in place to promote the involvement of workers in its management, in terms of information, consultation and participation	3-3 Management of material topics	106-109, 112-115
Training		
Training policies in place	3-3 Management of material topics. 404-2 Programs for upgrading employee skills and transition assistance programs	106-111
Total hours of training by employee category	404-1 Average hours of training per year per employee	106-111, Appendix 6.2
Universal accessibility for people with disabilities		
Universal accessibility for people with disabilities	3-3 Management of material topics	106-111
Equality		
Measures taken to promote equal treatment and opportunities for men and women	3-3 Management of material topics	110-111
Equality plans (Chapter III of Organic Law 3/2007 of March 22 for effective gender equality), measures taken to promote employment, protocols to combat sexual and gender-based harassment, inclusion and universal accessibility for people with disabilities	3-3 Management of material topics	110-111
Policy on non-discrimination and, as the case may be, diversity management	3-3 Management of material topics	110-111

Respect for human rights

General disclosures		
A description of the policies applied by the Group with regard to these topics, which shall include the due diligence procedures implemented to identify, assess, prevent and mitigate significant risks and impacts, and assurance and control procedures, including the measures taken.	3-3 Management of material topics 408-1 Operations and suppliers at significant risk for incidents of child labor 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	72-73, 75
The results of such policies, including the pertinent non-financial key performance indicators, enabling progress to be monitored and evaluated, and allowing for comparisons to be drawn between companies and industries, in line with the benchmark national, European or international frameworks used for each topic	3-3 Management of material topics 408-1 Operations and suppliers at significant risk for incidents of child labor 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	72-73, 75
The main risks in relation to such topics as regards the Group's activities, including, where pertinent and appropriate, its commercial relations, products or services that may have an adverse impact on such areas, and how the Group manages such risks, explaining the procedures used to detect and assess them in line with the benchmark national, European or international frameworks used for each topic. Information on any impacts detected must be included, providing a breakdown thereof, particularly as regards the main short-, medium- and long-term risks.	3-3 Management of material topics 408-1 Operations and suppliers at significant risk for incidents of child labor 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	72-73, 75
Detailed information		
Implementation of due diligence procedures in relation to human rights, prevention of risks of abuse of human rights and, as the case may be, measures to mitigate, manage and redress any potential abuses committed	2-26 Mechanisms for seeking advice and raising concerns	72-73, 75
Reported human rights violations	3-3 Management of material topics	72-73, 75

Promotion of and compliance with the provisions of the fundamental conventions of the International Labor Organization as regards respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labor; and the effective abolition of child labor	3-3 Management of material topics. 408-1 Operations and suppliers at significant risk for incidents of child labor. 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	72-73, 75, 117
Action to combat corruption and bribery		
General disclosures		
A description of the policies applied by the Group with regard to these topics, which shall include the due diligence procedures implemented to identify, assess, prevent and mitigate significant risks and impacts, and assurance and control procedures, including the measures taken.	3-3 Management of material topics 205-2 Communication and training about anti-corruption policies and procedures	71-75
The results of such policies, including the pertinent non-financial key performance indicators, enabling progress to be monitored and evaluated and allowing for comparisons to be drawn between companies and industries, in line with the benchmark national, European or international frameworks used for each topic.	3-3 Management of material topics 205-2 Communication and training about anti-corruption policies and procedures	71-75
The main risks in relation to such topics as regards the Group's activities, including, where pertinent and appropriate, its commercial relations, products or services that may have an adverse impact on such areas, and how the Group manages such risks, explaining the procedures used to detect and assess them in line with the benchmark national, European or international frameworks used for each topic. Information on any impacts detected must be included, providing a breakdown thereof, particularly as regards the main short-, medium- and long-term risks.	3-3 Management of material topics	71-75
Detailed information		
Measures taken to prevent corruption and bribery	3-3 Management of material topics. 205-1 Operations assessed for risks related to corruption 205-2 Communication and training about anti-corruption policies and procedures	71-75

Anti-money laundering measures	3-3 Management of material topics	71-75
Contributions to foundations and not-for-profit organizations	201-1 Direct economic value generated and distributed	76-, 120-123
Information about the Company		
General disclosures		
A description of the policies applied by the Group with regard to these topics, which shall include the due diligence procedures implemented to identify, assess, prevent and mitigate significant risks and impacts, and assurance and control procedures, including the measures taken.	3-3 Management of material topics 2-23 Policy commitments	Several chapters
The results of such policies, including the pertinent non-financial key performance indicators, enabling progress to be monitored and evaluated and allowing for comparisons to be drawn between companies and industries, in line with the benchmark national, European or international frameworks used for each topic.	3-3 Management of material topics 2-23 Policy commitments	Several chapters
The main risks in relation to such topics as regards the Group's activities, including, where pertinent and appropriate, its commercial relations, products or services that may have an adverse impact on such areas, and how the Group manages such risks, explaining the procedures used to detect and assess them in line with the benchmark national, European or international frameworks used for each topic. Information on any impacts detected must be included, providing a breakdown thereof, particularly as regards the main short-, medium- and long-term risks.	2-3 Risk management 3-3 Management of material topics	28-31 71-75
Company commitments to sustainable development		
Impact of the Company's activity on local employment and development	3-3 Management of material topics. 204-1 Proportion of spending on local suppliers	116-122
Impact of the Company's activity on the local populations and area	204-1 Proportion of spending on local suppliers 413-1 Operations with local community engagement, impact assessments, and development programs	116-122

Relations with local community stakeholders and the nature of engagement therewith.	2-29 Approach to stakeholder engagement 413-1 Operations with local community engagement, impact assessments, and development programs	65, 116-122
Association and sponsorship actions	2-28 Membership associations 3-3 Management of material topics	116-122
Subcontractors and suppliers		
Inclusion in the procurement policy of social, gender-equality and environmental issues	414-1 New suppliers that were screened using social criteria. 3-3 Management of material topics	116-120
Attention given to social and environmental responsibility in relations with suppliers and subcontractors	2-6 Activities, value chain and other business relationships 308-1 New suppliers that were screened using environmental criteria 414-1 New suppliers that were screened using social criteria	116-120
Oversight and audit systems and results thereof	2-6 Activities, value chain and other business relationships. 308-2 Negative environmental impacts in the supply chain and actions taken 414-2 Negative social impacts in the supply chain and actions taken	116-120

Consumers

Consumer health and safety measures	3-3 Management of material topics. 416-1 Assessment of the health and safety impacts of product and service categories	102, 112-115
Grievance mechanisms, complaints received and resolution thereof	3-3 Management of material topics 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Throughout 2023, 4,850 claims were received, of which 3,967 were resolved and 883 were still in the process of being finalized at year-end. No claims have been received regarding breaches of customer privacy or loss of data. Additionally, this is the first year in which this indicator is reported, so no comparative information is provided.

Tax-related information

Profits obtained by country	207-4 Country-by-country reporting	76-80
Corporate income tax paid	207-4 Country-by-country reporting	76-80
Government subsidies received	201-4 Financial assistance received from government	76-80

6.8 External assurance report

ACERINOX

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Acerinox, S.A. and its subsidiaries

Independent verification report
Consolidated Non-Financial Information Statement
31 December 2023

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

Independent verification report

To the shareholders of Acerinox, S.A.:

Pursuant to article 49 of the Code of Commerce, we have verified, with the scope of a limited assurance engagement, the Consolidated Non-Financial Information Statement ('NFIS') for the year ended 31 December 2023 of Acerinox, S.A. (Parent company) and subsidiaries (hereinafter Acerinox Group or the Group) which forms part of the accompanying Integrated Annual Report (hereinafter Annual Report), included in the Acerinox Group's consolidated management report.

The content of the Annual Report includes information additional to that required by current mercantile legislation in relation to non-financial information, which has not been covered by our verification work. In this respect, our work was limited solely to verifying the information identified in 'GRI Table of Contents', 'SASB Table of contents' and the 'NFIS Table of contents' included in the accompanying Annual Report.

Responsibility of the administrators and directors of the Parent company

The preparation of the NFIS included in Acerinox Group's consolidated management report and the content thereof, are the responsibility of the administrators and directors of Acerinox, S.A. The NFIS has been drawn up in accordance with the provisions of current mercantile legislation and in accordance with the criteria of the Sustainability Reporting Standards of the Global Reporting Initiative ('GRI Standards') as well as the Sustainability and Accounting Standards Board (SASB) 'Iron & Steel Producers' industry Standard version 2018-10 selected, described as per the details provided for each matter in the tables 'GRI table of Contents', 'SASB table of contents' and the 'NFIS table of contents' of the Annual Report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the NFIS to be free of material misstatement due to fraud or error.

The administrators and directors of Acerinox, S.A. is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS is obtained.

Our independence and quality management

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

Our firm applies International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team consisted of professionals specialising in Non-financial Information reviews, specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in a limited assurance independent report based on the work we have performed. We carried out our work in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and in the Guidelines for verification engagements of the Statement of Non-Financial Information issued by the Spanish Institute of Auditors ('Instituto de Censores Jurados de Cuentas de España').

In a limited assurance engagement, the procedures performed vary in nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement and accordingly, the assurance provided is also lower.

Our work consisted of posing questions to management as well as to the various units of Acerinox Group that were involved in the preparation of the NFIS, of the review of the processes for compiling and validating the information presented in the NFIS, and in the application of certain analytical procedures and review procedures on a sample basis, as described below:

- Meetings with the Acerinox, S.A. personnel to understand the business model, policies and management approaches applied, principal risks relating to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the content of the NFIS for the year 2023, based on the materiality analysis carried out by Acerinox Group and described in section 'Materiality Analysis', taking into account the content required by current mercantile legislation.
- Analysis of the procedures used to compile and validate the information presented in the NFIS for the year 2023.
- Review of information relating to risks, policies and management approaches applied in relation to material matters presented in the NFIS for the year 2023.
- Verification, by means of sample testing, of the information relating to the content of the NFIS for the year 2023 and that it was adequately compiled using data provided by the sources of the information.
- Obtaining a management representation letter from the and management of the Parent company.

Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that the NFIS of Acerinox, S.A. and its subsidiaries, for the year ended 31 December 2023 has not been prepared, in all material respects, in accordance with the provisions of current mercantile legislation and in accordance with the criteria of GRI as well as the Sustainability and Accounting Standards Board (SASB) 'Iron & Steel Producers' industry Standard version 2018-10 selected, described as per the details provided for each matter in the 'GRI Table of Contents', 'SASB Table of contents' and the 'NFIS Table of contents' of the aforementioned Annual Report.

Emphasis of matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 relating to the establishment of a framework to facilitate sustainable investments, as well as the Delegated Acts promulgated in accordance with the provisions of the aforementioned Regulation, establish the obligation to disclose information on the manner and extent to which the company's activities are associated with eligible economic activities in relation to the environmental objectives of sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution and protection and restoration of biodiversity and ecosystems (the rest of the environmental objectives), and with respect to certain new activities included in the objectives of mitigation and adaptation to climate change, for the first time for the 2023 financial year, in addition to the information referring to eligible and aligned activities already required in the 2022 financial year in relation to the objectives of climate change mitigation and climate change adaptation. Consequently, comparative information on eligibility in relation to the rest of the environmental objectives indicated above or on new activities included in the objectives of climate change mitigation and climate change adaptation, has not been included in the accompanying NFIS. Furthermore, to the extent that the information relating to the 2022 financial year was not required with the same level of detail as in the 2023 financial year, the information disclosed in the accompanying NFIS is not strictly comparable either. In addition, it should be noted that Acerinox, S.A.'s administrators and directors have incorporated information on the criteria that, in their opinion, allow for improved compliance with the aforementioned obligations and which have been defined in the sections '4.6 European taxonomy on sustainable finance' and '6.3 Information regarding the European taxonomy' of the accompanying NFIS. Our conclusion has not been modified in relation to this matter.

Use and distribution

This report has been drawn up in response to the requirement established in current Spanish mercantile legislation and therefore may not be suitable for other purposes and jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Margarita de Rosselló Carril

29 February 2024