

Acerinox, S.A.

Auditor's report
Annual accounts at December 31, 2020
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 annual accounts

To the shareholders of Acerinox, S.A.,

Report on the annual accounts

Opinion

We have audited the annual accounts of Acerinox, S.A. (the Company), which comprise the balance sheet as at December 31, 2020, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2020, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

Basis for opinion

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

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="261 472 632 504">VDM Metals Group Acquisition</p> <p data-bbox="261 535 810 656">As described in note 9.2.7, during the 2020 fiscal year, Acerinox, S.A. has acquired the VDM Metals Group for a total consideration of 313,315 thousand euros.</p> <p data-bbox="261 687 815 779">The Company's Management has relied on an expert to evaluate the accounting treatment of the agreements signed.</p> <p data-bbox="261 810 815 992">The materialization of the aforementioned transaction has had significant accounting impacts both on the Company's balance sheet and on the profit and loss account. Therefore, we consider the acquisition of the VDM Metals Group to be a key audit matter.</p>	<p data-bbox="863 535 1453 716">The acquisition of the VDM Metals Group has required our analysis of the agreements adopted, relying on experts from our firm in business combinations. For this, we have obtained a complete knowledge of the conditions of the aforementioned agreements.</p> <p data-bbox="863 748 1437 869">Likewise, we have evaluated the competence, capacity, objectivity and conclusions of the Management expert, as well as the adequacy of their work as audit evidence.</p> <p data-bbox="863 900 1449 1176">As a result of our analysis, we have been able to verify the consistency between the agreements adopted by the Company's Management and the amounts recorded in the accounting of the VDM Metals Group acquisition and their adequate presentation, as well as the suitability of the information disclosed in the attached annual accounts in accordance with the applicable regulatory framework.</p>
<p data-bbox="261 1216 799 1247">Recovery of investments in group companies</p> <p data-bbox="261 1279 826 1460">As detailed in note 2.3.b of the attached annual accounts, Management annually evaluates the existence of signs of impairment and determines the recoverable value of investments in group companies and associates.</p> <p data-bbox="261 1491 836 2069">For the calculations of recoverable value through value in use, the Company's Management uses cash flow projections based on financial budgets approved by Management that require relevant judgments and estimates that include, among others, the operating profit on sales and discount rates and long-term growth, considering that the projected flows are subject to uncertainty. For the specific case of the investment in Bahru Stainless, the Company's Management has relied on an expert to determine the recoverable value based on fair value less cost of sale in the context of an impairment test analysis from the perspective from a market participant. The most significant assumptions used by the Company's Management and the sensitivity analysis carried out are summarized in note 9.2.7 of the attached report.</p>	<p data-bbox="863 1279 1469 1520">As a starting point for our procedures, we have understood the relevant processes and controls related to the evaluation of impairments in investments in group companies by Management, including those related to the preparation of budgets and the analysis and monitoring of the projections, which constitute the basis for the main judgments and estimates made by Management.</p> <p data-bbox="863 1552 1481 1827">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 2020 and we have contrasted the key assumptions used by the Company's Management with historical results, comparable available, relevant industry factors and other external sources. For this, we have relied on experts in valuations from our firm.</p> <p data-bbox="863 1859 1474 1980">Likewise, we have evaluated the competence, capacity, objectivity and conclusions of the Management expert, as well as the adequacy of its work as audit evidence.</p>

Key audit matter	How our audit addressed the key audit matter
<p>As mentioned in note 9.2.7, in the year 2020 impairments have been recorded for an amount of 86,329 thousand euros in Bahru Stainless Sdn. Bhd investment and for an amount of 15,498 thousand euros in Columbus Stainless, Pty. Ltd investment.</p> <p>Deviations in the variables and estimates of Management can determine important variations in the conclusions reached and, therefore, in the analysis of the recovery of investments in subsidiaries.</p> <p>This fact, together with the relevance of this financial statement line item and the consequent impairment recorded, motivates it to be a key audit matter.</p>	<p>As a result of the analysis performed, we consider that the conclusions of the Company's Management regarding the estimates made and the consequent impairment recorded, as well as the information disclosed in the attached annual accounts, are adequately supported and are consistent with the information currently available.</p>
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<p>Recovery of deferred tax assets</p>	
<p>As of December 31, 2020, the attached annual accounts reflect an amount of 13,355 thousand euros of deferred tax assets, the recovery of which depends on the generation of positive tax bases in future years (note 12 of the accompanying annual accounts).</p> <p>The recognition and recovery of these deferred tax assets is analyzed by the Company's Management by estimating the tax bases over a 10-year period (note 12.3 of the attached annual accounts) based on the business plans of the different companies of the tax group, and in the planning possibilities allowed by the applicable tax legislation, considering the tax consolidation group to which the Company belongs (note 2.3.c of the attached annual accounts).</p> <p>As mentioned in note 12.2, in 2020 an amount of 4,298 thousand euros has been written off as a result of the aforementioned analysis.</p> <p>Consequently, the conclusion on the recognition and recovery of the deferred tax assets disclosed in the attached annual accounts is subject to significant judgments and estimates by the Company's Management both with respect to future tax results and the applicable tax regulations.</p> <p>This fact, together with the relevance of this financial statements line item and the consequent cancellation recorded (note 12.2), motivates it to be a key audit matter.</p>	<p>In the first place, we have understood and evaluated the criteria used by the Company's Management to estimate the possibilities of use and recovery of deferred tax assets in the following years, subject to business plans.</p> <p>Based on the business plans prepared by Management, we have compared the projected annual flows with those actually achieved in 2020 and we have contrasted the key assumptions, estimates and calculations made for their preparation, comparing them with the historical performance, comparable available, relevant factors from industry and other external sources.</p> <p>As part of the analysis, we have also evaluated the tax adjustments considered for the estimation of tax bases, the applicable tax regulations, as well as the decisions about the possibilities of using the tax benefits corresponding to the tax consolidation group.</p> <p>The analysis performed have made it possible to verify that the calculations and estimates made by the Company's Management, as well as the conclusions reached, in relation to the recognition, recovery and consequent write-off of deferred tax assets, are consistent with the current situation, with the expectations of future results of the tax group and with its tax planning possibilities available with the current legislation.</p>

Other information: Management report

Other information comprises only the management report for the 2020 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

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

- a) Verify only that certain information included in the Annual Corporate Governance Report, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.
- b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

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

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

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

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

Auditor's responsibilities for the audit of the annual accounts

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

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

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

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Acerinox, S.A. for the 2020 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.



Acerinox, S.A.

The directors of Acerinox, S.A. are responsible for presenting the annual financial report for the 2020 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation).

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

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

Report to the audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated February 23, 2021.

Appointment period

The General Ordinary Shareholders' Meeting held on October 22, 2020 appointed us as auditors for a period of one year, as from the year ended December 31, 2020.

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

Services provided

Services, other than the audit of the accounts, provided to the audited Company are disclosed in the note 16.3 of the annual accounts.

In relation to the non-audit services, which have been provided to the subsidiaries of the Company, refer to the audit report of February 26, 2021 on the consolidated annual accounts of Acerinox, S.A. and subsidiaries in which they are integrated.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Jon Toledano Irigoyen (20518)

February 26, 2021

ACERINOX, S.A.
Financial Statements
for the year ended 31 December 2020

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

FINANCIAL STATEMENTS OF ACERINOX, S.A.

1. BALANCE SHEETS OF ACERINOX, S.A.

(Amounts in thousands of euros at 31 December 2020 and 2019)

ASSETS	Notes	2020	2019
A) NON-CURRENT ASSETS		2.029.161	1.833.205
I. Intangible assets	5	482	591
1. Computer software		296	522
2. Advances on intangible assets		186	69
II. Property, plant and equipment	6	5.130	5.205
1. Land and buildings		4.743	4.820
2. Plant and other items of property, plant and equipment		387	385
III. Investment property	7	4.760	4.866
1. Land		2.853	2.853
2. Buildings		1.907	2.013
IV. Non-current investments in Group companies and associates	9	1.997.549	1.797.037
1. Equity instruments	9.2.7	1.682.731	1.471.061
2. Loans to companies	15,2	314.818	325.976
V. Non-current financial assets	9	7.885	10.245
1. Equity instruments	9.2.4	7.821	10.115
2. Loans to third parties		10	30
3. Derivatives	9.2.2		48
4. Other financial assets		54	52
VI. Deferred tax assets	12	13.355	15.261
B) CURRENT ASSETS		904.908	436.743
I. Trade and other receivables	9	40.352	45.037
1. Trade receivables from Group companies and associates	15,2	10.521	8.977
2. Sundry accounts receivable		56	56
3. Employee receivables		15	4
4. Current tax assets	12,4	29.390	35.244
5. Other accounts receivable from public authorities		370	756
II. Current investments in Group companies and associates	9	682.784	386.426
1. Loans to companies	15,2	397.956	386.426
2. Dividend receivable		284.828	0
III. Current financial assets	9	199	134
1. Derivatives	9.2.2	199	134
IV. Current prepayments and accrued income	9	658	712
V. Cash and cash equivalents		180.915	4.434
1. Cash	9,5	180.915	4.434
2. Cash equivalents			
TOTAL ASSETS		2.934.069	2.269.948

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

(Amounts in thousands of euros at 31 December 2020 and 2019)

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

EQUITY AND LIABILITIES			2020	2019
A) EQUITY			1.056.233	539.849
A-1) Shareholders' equity		10	1.067.279	546.466
I. Share Capital			67.637	67.637
1. Registered share capital			67.637	67.637
II. Share premium			258	27.313
III. Reserves			342.886	198.645
1. Legal reserves			13.527	13.399
2. Other reserves			329.359	185.246
IV. Treasury shares			-1.062	-1.062
V. Prior years' profits (losses)			0	-186.367
1. (Prior years' losses)			0	-186.367
VI. Profit for the year		3	655.352	438.828
VII. Other equity instruments			2.208	1.472
A-2) Valuation adjustments			-11.046	-6.617
I. Available-for-sale financial assets			-2.554	-834
II. Hedges			-8.492	-5.783
B) NON-CURRENT LIABILITIES			1.372.687	1.526.963
I. Non-current payables		9	1.326.124	1.023.778
1. Debt instruments and other marketable securities			74.650	74.550
2. Bank borrowings			1.243.063	943.237
3. Derivatives		9.2.2	8.368	5.948
4. Other financial liabilities			43	43
II. Non-current payables to Group companies and associates		9 y 15	33.500	487.479
III. Deferred tax liabilities		12	13.063	15.706
C) CURRENT LIABILITIES			505.149	203.136
I. Current payables		9	200.254	195.336
1. Debt instruments and other marketable securities			1.634	1.634
2. Bank borrowings			194.860	188.013
3. Derivatives		9.2.2	3.713	5.689
4. Other financial liabilities			47	
II. Current payables to Group companies and associates		9 y 15	285.350	3.166
III. Trade and other payables		9.2.5	19.545	4.634
1. Payable to suppliers			1.335	1.387
2. Payable to suppliers- Group companies and associates				
3. Sundry accounts payable			35	296
4. Remuneration payable			2.698	2.420
5. Current tax liabilities				
6. Other payables to public authorities			15.477	531
TOTAL EQUITY AND LIABILITIES			2.934.069	2.269.948

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

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

(Amounts in thousands of euros at 31 December 2020 and 2019)

A.1) CONTINUING OPERATIONS	Notes	2020	2019
1. Revenue	13.2	824.837	888.347
a) Services		23.744	21.869
b) Dividends received from Group companies	9.2.7	782.295	835.350
c) Finance income from Group companies	16.2	18.798	31.128
2. Other operating income	13.2	689	974
a) Non-core and other current operating income		689	974
b) Income-related grants transferred to profit or loss			
3. Staff costs	13.1	-14.263	-12.887
a) Wages, salaries and similar expenses		-12.886	-11.569
b) Employee benefit costs		-1.377	-1.318
4. Other operating expenses		-23.375	-8.960
a) Outside services	13.3	-17.432	-8.816
b) Taxes other than income tax		-5.943	-144
c) Other current operating expenses		0	0
5. Depreciation and amortisation charge	5, 6 & 7	-686	-680
6. Impairment and gains or losses on disposals of non-current assets		-101.827	-341.878
a) Gains or losses on disposals and other	6 & 9.2.7	0	0
b) Impairment of equity instruments	9.2.7	-101.827	-341.878
A.2) PROFIT FROM OPERATIONS		685.375	524.916
1. Finance income		60	236
a) From investments in equity instruments	15,5	60	236
a1) Third parties		60	236
a2) En empresas del grupo y asociadas.			
b) From marketable securities and other financial instruments		0	0
b1) Third parties		0	0
b2) En empresas del grupo y asociadas.			
2. Finance costs		-29.712	-32.819
a) On debts to Group companies and associates	15,2	-5.861	-11.928
b) On debts to third parties	9.2.6	-23.851	-20.891
3. Changes in fair value of financial instruments	9.2.2	-9.005	-781
a) Held-for-trading financial assets/liabilities and other		-9.005	-4.566
b) Allocation to profit or loss of fair value changes in available-for-sale financial assets			3.785
4. Exchange differences	11	10.752	16.810
A.4) PROFIT BEFORE TAX		657.470	508.362
17. Income tax	12	-908	-53.510
18. Other taxes	12	-1.210	-16.024
A.5) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		655.352	438.828

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

3. STATEMENTS OF CHANGES IN EQUITY

3.1 STATEMENTS OF RECOGNISED INCOME AND EXPENSE

(Amounts in thousands of euros at 31 December 2020 and 2019)

	Notes	2020	2019
A) PROFIT PER STATEMENT OF PROFIT OR LOSS		655.352	438.828
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
I. Arising from revaluation of financial instruments	9.2.4	-2.294	-1.112
1. Available-for-sale financial assets		-2.294	-1.112
II. Arising from cash flow hedges	9.2.3	-6.569	-5.430
III. Arising from actuarial gains and losses and other adjustments			
IV. Tax effect	12	2.216	1.636
(I+II+III+IV+V)		-6.647	-4.906
TRANSFERS TO PROFIT OR LOSS			
VI. Arising from revaluation of financial instruments			-3.785
1. Available-for-sale financial assets			-3.785
VII. Arising from cash flow hedges	9.2.3	2.957	2.640
IX. Tax effect	12	-739	286
C) TOTAL TRANSFERS TO PROFIT OR LOSS		2.218	-859
TOTAL RECOGNISED INCOME AND EXPENSE (A+B+C)		650.923	433.063

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

3.2. STATEMENT OF CHANGES IN TOTAL EQUITY

(Amounts in thousands of euros at 31 December 2020 and 2019)

	Registered share capital	Share premium	Reserves	Profit for the year	Other equity instruments	Treasury shares	Valuation adjustments	TOTAL
Balance at 31 December 2018	69,017	81,403	268,694	-125,600	613	-3,417	-852	289,858
I. Total recognised income and expense	0	0	0	438,828	0	0	-5,765	433,063
1. Profit per statement of profit or loss				438,828				438,828
2. Arising from revaluation of financial instruments							-7,687	-7,687
3. Tax effect							1,922	1,922
II. Transactions with shareholders or owners	-1,380	-54,090	-256,416	125,600	859	2,355	0	-183,072
1. Capital increase	0							0
2. Dividends paid		-54,090	-81,136					-135,226
3. Allocation of prior years' profits/losses			-125,600	125,600				0
4. Acquisition of treasury shares						-48,693		-48,693
5. Disposal of treasury shares	-1,380		-49,680			51,048		-12
4. Acquisition of treasury shares								0
5. Senior executive long-term incentive plan					859			859
III. Other changes in equity								0
Balance at 31 December 2019	67,637	27,313	12,278	438,828	1,472	-1,062	-6,617	539,849
I. Total recognised income and expense	0	0	0	655,352	0	0	-4,429	650,923
1. Profit per statement of profit or loss				655,352				655,352
2. Arising from revaluation of financial instruments							-5,906	-5,906
3. Tax effect							1,477	1,477
II. Transactions with shareholders or owners	0	-27,055	330,610	-438,828	736	0	0	-134,537
1. Capital increase	0							0
2. Dividends paid		-27,055	-108,218					-135,273
3. Allocation of prior years' profits/losses			438,828	-438,828				0
4. Acquisition of treasury shares								0
5. Redemption of treasury shares								0
6. Senior executive long-term incentive plan					736			736
III. Other changes in equity			-2					-2
Balance at 31 December 2020	67,637	258	342,886	655,352	2,208	-1,062	-11,046	1,056,233

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

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

(Amounts in thousands of euros at 31 December 2020 and 2019)

	Notes	2020	2019
A) CASH FLOWS FROM OPERATING ACTIVITIES		-15.642	-4.123
1. Profit for the year before tax		657.470	508.362
2. Adjustments for		-651.081	-476.510
a) Depreciation and amortization charge (+)		686	680
b) Impairment losses (+/-)		101827	341878
c) Changes in provisions (+/-)			
d) Net gains (losses) on derecognition and disposal of non-current assets (+/-)		0	-3.785
e) Finance income (-)		-60	-236
f) Finance costs (+)		29.712	32.819
h) Exchange differences (+/-)		-10.261	9.648
i) Changes in fair value of financial instruments (+/-)		8.756	-22.750
j) Other income and expenses		-781.741	-834.764
3. Changes in working capital		1.911	28.186
a) Trade and other receivables (+/-)		-1.169	-1.725
b) Other current assets (+/-)		-8.708	26.375
c) Trade and other payables (+/-)		14.909	539
d) Other current liabilities (+/-)		-3.121	2.997
e) Other non-current assets and liabilities (+/-)			
4. Other cash flows from operating activities		-23.942	-64.161
a) Interest paid (-)		-28.376	-31.850
b) Dividends received (+)			
c) Interests received (+)			0
d) Income tax recovered (paid)(+/-)		4.434	-32.311
B) CASH FLOWS FROM INVESTING ACTIVITIES		154.326	688.586
5. Payments due to investment (-)		-352.825	-156.487
a) Group companies and associates		-352.427	-156.290
b) Intangible assets		-202	-122
c) Property, plant and equipment		-194	-74
d) Other financial assets		-2	-1
e) Other assets (loans to Group companies)		0	0
6. Proceeds from disposal (+)		9.615	9.487
a) Group companies and associates			
b) Property, plant and equipment		0	0
c) Other financial assets		0	0
d) Other assets (loans to Group companies)		9.615	9.487
7. Dividends received (+)		497.536	835.586
a) Other amounts paid/received relating to investing activities		497.536	835.586
C) CASH FLOWS FROM FINANCING ACTIVITIES		37.797	-685.083
8. Payments due to investment (-)		0	-48.705
a) Issue of equity instruments (-)			
b) Acquisition of treasury shares (-)			-12
c) Acquisition of treasury shares (-)			-48.693
d) Disposal of treasury shares (+)			
9. Proceeds and payments relating to financial liability instruments		173.070	-501.152
A) Proceeds from issue of:		605.000	281.467
1. Debt instruments and other marketable securities (+)			
2. Bank borrowings (+)		605.000	280.000
3. Borrowings from Group companies and associates (+)			1.467
B) Redemption and repayment of:		-431.930	-782.619
1. Debt instruments and other marketable securities (+)		0	0
2. Bank borrowings (-)		-299.563	-288.776
3. Payables to Group companies and associates (-)		-132.367	-493.843
4. Other payables			
9. Payments and returns on other equity instruments		-135.273	-135.226
A) Dividends (-)		-135.273	-135.226
B) Returns on other equity instruments (-)			
D) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		176.481	-620
Cash and cash equivalents at beginning of year		4.434	5.054
Cash and cash equivalents at end of year		180.915	4.434

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

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ACERINOX, S.A.**

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

NOTE 1 - COMPANY ACTIVITIES

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

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

Registered office, tax domicile and location in which its business activities are performed: the Company's registered office and tax domicile are located at calle Santiago de Compostela, no. 100, Madrid, Spain.

Company object and main business activities: the Company's object, as described in its bylaws, consists of the manufacture and sale of stainless steel and other derivative or similar products, either by the Company itself or indirectly through the ownership of shares or other equity interests in companies with an identical or similar company object. The Company's main business activity is that of a holding company, in its condition as the Parent of the Acerinox Group. Also, the Company provides legal, accounting and advisory services to all Group companies and performs financing activities within the Group.

As indicated in **Note 9.2.7**, the Company holds ownership interests in subsidiaries and associates. The Company is therefore the parent of a group of companies. The Acerinox Group is one of the world's main stainless steel manufacturers, with a melting shop production capacity of 3.5 million tonnes. It has six stainless steel factories: two flat product factories, located in Spain and South Africa; one flat and long product factory in the USA; two long product factories in Spain; and one flat product factory in Malaysia, which at the reporting date has cold-rolling production lines. Also, the Group has a network of commercial subsidiaries in Spain and abroad which engage mainly in marketing all of its products.

In 2020 Acerinox, S.A. acquired all the shares of VDM Metals Holding GmbH ("VDM"), a company which has its registered office in Germany and is a world leader in the production of special alloys. VDM Metals Holding GmbH also holds shares in various companies. **Note 9.2.7** includes detailed information on this transaction.

VDM is a leader in the manufacture of special alloys and also in R&D, while Acerinox is renowned for being one of the most efficient stainless steel producers in the world. The new industrial group now has complementary strengths that will enable it to continue to be an industry pioneer and benchmark. This transaction marks the Acerinox Group's diversification towards sectors of greater value added. VDM represents a major opportunity for Acerinox to grow in new markets and growth sectors such as aerospace, the chemical industry, the medical industry, hydrocarbons and renewable energies, water treatment and emissions control.

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

At 31 December 2020, Acerinox, S.A. did not form part of a decision-making unit with other companies with registered office in Spain other than those included in **Note 9.2.7**.

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

Authorisation for issue of the financial statements: These financial statements were authorised for issue by the Board of Directors of Acerinox, S.A. on 25 February 2021.

On that same date, the directors also authorised for issue the consolidated financial statements of Acerinox, S.A. and Subsidiaries for 2020, which present consolidated profit attributable to the Parent of EUR 49,049 thousand (2019: loss of EUR -59,545 thousand) and consolidated equity of EUR 1,614,980 thousand (2019: EUR 1,928,989 thousand).

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Fair presentation

In accordance with current legislation, the Company's directors formally prepared these financial statements, which were obtained from the Company's accounting records and prepared in accordance with the corporate legislation in force and the rules established in the Spanish National Chart of Accounts, in order to present fairly its equity and financial position at 31 December 2020 and the results of its operations, the changes in its equity and the cash flows in the year then ended.

The Company's directors consider that the financial statements for 2020 will be approved by the shareholders at the Annual General Meeting without any changes.

2.2 Comparative information

For comparison purposes the accompanying financial statements present, in addition to the figures for 2020 for each item in the balance sheet, statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements, the figures for 2019, which formed part of the financial statements for 2019 approved by the shareholders at the Annual General Meeting on 22 October 2020.

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

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

Preparation of the financial statements in accordance with the Spanish National Chart of Accounts approved by Royal Decree 1514/2007 requires Company management to make certain judgements, estimates and assumptions that affect the application of the accounting policies and, therefore, the figures presented in these financial statements. The accounting estimates and judgements are assessed on an ongoing basis and are based on historical experience and other factors, including expectations regarding future events that are considered to be reasonable. The Company may revise such estimates if changes were to occur in certain events or circumstances. Any changes in estimates are recognised in the financial statements prospectively, as established in Recognition and Measurement Standard 22 of the Spanish National Chart of Accounts. The accounting estimates and judgements are reviewed regularly.

The most significant are as follows:

a. Fair value of derivatives and other financial instruments

The Company acquires derivative financial instruments to hedge its exposure to the risk of exchange rate and interest rate fluctuations. The fair value of financial instruments not traded in active markets is determined using valuation techniques based mainly on market conditions existing at each reporting date, and provided that financial information is available to carry out this valuation. **Note 9.2** includes information on all of the Company's financial instruments.

b. Impairment losses on investments in Group companies and associates

If there are any indications that the Company's investments in Group companies and associates may have become impaired, it assesses whether their cost exceeds their recoverable amount, which is usually determined on the basis of value in use (present value of the cash flows expected to be generated by the investee) or at their fair value less costs to sell. These calculations require the use of assumptions, for example in relation to sales, margins, discount rates and perpetuity growth rates, which involve a high degree of judgement. **Note 9.2.7** details the analyses conducted by the Company in 2020 and 2019.

c. Recoverability of tax loss and tax credit carryforwards

Separately from tax legislation, which in Spain allows the recovery of tax losses without limitation, as established in the related accounting policy (see **Note 4.7**), the Company recognises in the balance sheet the deferred tax assets arising from tax loss and tax credit carryforwards, provided that they are recoverable over a reasonable period of time, which the Company has set at ten years. The Company regularly assesses the recoverability of available tax assets through earnings projections approved by management, to conclude as to whether they will be recoverable in the aforementioned reasonable period.

The Company also takes into account the limitations on the offset of tax losses stipulated in legislation. **Note 12.3** details the Company's existing tax assets and the assumptions used to determine the recoverability of recognised tax assets.

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

Based on the earnings projections performed by the Company, taking into account the present macroeconomic and market conditions, tax assets which had previously been recognised for an amount of EUR 4,298 thousand proved to be non-recoverable within a reasonable period of time. Therefore, in 2020 the Company derecognised them from the statement of profit or loss, as explained in **Note 12.3**.

NOTE 3 - DISTRIBUTION OF PROFIT AND SHAREHOLDER REMUNERATION

The proposed distribution of profit of the Parent, Acerinox, S.A., for 2020 that the Board of Directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	2020
Distributable profit:	
Profit for the year	655,351,828
Distribution:	
Dividends	135,273,096
To voluntary reserves	520,078,732

The Board of Directors of Acerinox, S.A. resolved to propose to the next Annual General Meeting of the Company a dividend distribution of EUR 0.50 per share.

The Annual General Meeting held telematically on 22 October approved the following distribution of the Parent's profit for 2019:

	2019
Distributable profit:	
Profit for the year	438,827,598
Distribution:	
To legal reserve	128,597
Dividends	108,218,477
Offset of prior years' losses	186,367,543
To voluntary reserves	144,112,981

Also, the shareholders at the Annual General Meeting resolved to distribute a dividend of EUR 0.50 per share, of which EUR 0.10 per share would be charged to the share premium.

NOTE 4 - ACCOUNTING POLICIES

4.1 Intangible assets

a) Computer software

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

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

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

Note 5 includes detailed information on intangible assets.

4.2 Property, plant and equipment

a) Owned assets

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

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

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

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

b) Depreciation

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

Land is not depreciated.

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

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

The residual value, the depreciation method and the useful life of the assets are reviewed, and adjusted if necessary, at each reporting date. Any modifications to the estimates initially made are accounted for as a change in estimate (see **Note 2.3**).

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

4.3 Investment property

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

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

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

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

4.4 Impairment of non-financial assets

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

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

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 statement of profit or loss.

The recoverable amount of an asset is the higher of fair value less costs of disposal and value in use. Value in use is the present value of estimated cash flows, applying a discount rate that reflects the present market valuation of the time value of money and the specific risks of the asset in question.

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

4.5 Financial instruments

4.5.1 Classification

The Company classifies financial instruments in different categories based on their characteristics and on the Company's intentions upon initial recognition.

4.5.2 Financial assets

Acquisitions and disposals of financial assets are recognised at the date on which the Company undertakes to acquire or sell the asset. Investments are derecognised when the rights to the cash flows from the investments expire or have been transferred and the Company has transferred substantially all the risks and rewards of their ownership. The derecognition of a financial asset involves the recognition in profit or loss of the difference between its carrying amount and the sum of the consideration received, net of transaction costs.

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

a) Loans and receivables

This category includes financial assets which, while not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market. They are classified as non-current only when they mature after more than 12 months from the reporting date. They are initially recognised at fair value which, unless there is evidence to the contrary, is the transaction price plus any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. However, trade receivables maturing within one year which do not have a contractual interest rate, as well as advances and loans to employees and dividends receivable which are expected to be collected at short term, are stated at their nominal value, as permitted by the applicable regulations, provided that the effect of not discounting the cash flows is not material.

The Company recognises the necessary impairment losses whenever there is evidence that a receivable has become impaired. The impairment losses are calculated as the difference between the carrying amount of the aforementioned assets and the present value of the estimated future cash flows that they are expected to generate, discounted at the effective interest rate calculated upon initial recognition. These losses are recognised as an expense in the statement of profit or loss and are reversed when the causes of their original recognition cease to exist. The amount of the reversal is recognised as income in profit or loss.

b) Financial assets held for trading

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

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

c) Investments in Group companies and associates

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

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

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

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

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

Impairment losses are recognised as operating expenses in profit or loss, or as operating income when reversed.

d) Available-for-sale financial assets

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

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

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

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

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

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

4.5.3 Financial liabilities

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

a) Accounts payable

This category includes non-derivative financial liabilities with fixed or determinable payments.

The financial liabilities classified in this category are initially recognised at cost, which matches their fair value, less any transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. Accrued interest is recognised in profit or loss. However, trade payables maturing within one year which do not have a contractual interest rate and are expected to be paid at short term are stated at their nominal value.

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

This category also includes the bonds issued by the Company.

When debt is refinanced, the Company assesses the significance of the modifications made to determine whether it should recognise the effects of the new agreement as if it were an extinguishment and, simultaneously, the recognition of a new loan. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

b) Financial liabilities held for trading

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

They are measured at fair value. Any changes in fair value are recognised in profit or loss.

4.5.4 Cash and cash equivalents

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

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

4.5.5 Guarantees provided and received

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

Short-term guarantees are measured at their nominal value.

4.5.6 Hedge accounting

The aim of hedge accounting is to represent in the financial statements the effect of the Group's risk management activities in which derivative financial instruments are used to hedge exposure to certain risks that might affect the statement of profit or loss. By means of a hedge, one or more financial instruments, known as hedging instruments, are designated to hedge a specifically identified risk that could affect the statement of profit or loss as a result of changes in the fair value or cash flows of one or more hedged items.

The Company only undertakes cash flow hedges.

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 held for trading. Derivative financial instruments that qualify for cash flow hedge accounting are treated as cash flow hedges and, therefore, the unrealised gain or loss arising from them is accounted for based on the type of item covered. Also, the effective portion of the realised gain or loss on the derivative financial instrument is initially recognised in the statement of recognised income and expense and is subsequently recognised in profit or loss in the year or years in which the hedged transaction affects profit or loss.

At the inception of the hedge, the Company designates and formally documents the hedging relationship and the objective and strategy for undertaking the hedge. Hedge accounting only applies when the hedge is expected to be highly effective. The Company considers that the hedge is highly effective if, at inception and over its term, it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk will be almost fully offset by the changes in fair value or cash flows of the hedging instrument and, retrospectively, that the actual results of the hedge will have been within a range of 80% to 125% of the results of the hedged item.

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

4.6 Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies and recognised at historical cost are translated to the functional currency using the exchange rates prevailing at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated to the corresponding functional currency at the exchange rates prevailing at the date on which the fair value was

determined. Exchange differences on non-monetary items measured at fair value are presented as a component of the fair value gain or loss.

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

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

4.7 Income tax

The Company took into account the Resolution of 9 February 2016 of the Spanish Accounting and Audit Institute (ICAC) establishing the rules for the recognition, measurement and preparation of financial statements to account for income tax.

The income tax expense comprises current tax and deferred tax.

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

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

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

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

The Company recognises in the balance sheet the deferred tax assets arising from tax loss or tax credit carryforwards, provided that they are recoverable in a reasonable period of time, also taking into account the legally established limits for their use. Management has deemed a period of ten years to be reasonable.

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

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

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

Deferred tax assets and liabilities are recognised in the balance sheet under non-current assets or non-current liabilities, irrespective of the expected date of realisation or settlement.

When tax audits result in a tax deficiency to be settled, the Group generally recognises such amounts as a current expense for the amount payable, and a deferred tax expense for the change in assets or liabilities arising from temporary differences resulting from the related tax assessment.

The Company has been taxed under the consolidated tax regime since 1998. As agreed by the shareholders at the Annual General Meeting held on 28 May 2003, Acerinox, S.A. and certain of the subsidiaries with registered office in Spain form part of a consolidated tax group on an indefinite basis, with the exception of Metalinox Bilbao, S.A.U. and Inoxidables de Euskadi, S.A.U., which file tax returns separately. At 31 December 2020 and 2019, 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. Reciprocal receivables and payables between Group companies may arise as a result of the application of this regime. In this connection, if a company in the tax group incurs a tax loss in the year and the companies in the tax group as a whole offset all or a portion thereof in the consolidated income tax return, a reciprocal receivable and payable arises between the Group companies in relation to the portion of the tax loss that was offset. Also, the tax credits and tax relief relating to the income tax charge shall affect the calculation of the tax payable at each company for the effective amount thereof applicable under the consolidated tax regime and not for the amount (whether higher or lower) that would correspond to each company if individual tax returns were filed.

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

4.8 Revenue and expense recognition

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

a) Revenue

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

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

b) Leases

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

4.9 Provisions and contingencies

The Company recognises a provision when:

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

The amounts recognised in the balance sheet 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.

4.10 Employee benefits

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

The Company has acquired obligations to certain of its employees when they reach retirement age. Defined benefit liabilities are recognised at the present value of the obligations existing at the reporting date less the fair value of the plan assets at that date. Where plan assets include qualifying insurance policies that exactly match the amount

and timing of some or all of the benefits payable under the plan, the fair value of the insurance policies is considered equal to the present value of the related payment obligations.

4.10.1 Share-based payment transactions

The Group applies Recognition and Measurement Standard 17 of the Spanish National Chart of Accounts, in relation to equity-settled transactions with employees, to equity-settled transactions in which the entity receives goods or services in exchange for shares of the Parent.

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. **Note 14.3** includes detailed information on the characteristics of the approved plan.

Since this involves an equity-settled share-based payment transaction in which the equity instruments granted are not immediately irrevocable and become so when the other party completes a specified period of service, the Company recognises the services received on a straight-line basis over the period in which the rights to receive the aforementioned shares become irrevocable, simultaneously recognising the corresponding increase in equity.

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

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

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

4.11 Related party transactions

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

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

All related party transactions are performed on an arm's length basis. It was not necessary to make value judgements or estimates in relation to related party transactions.

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

4.12 Current/Non-current classification

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

NOTE 5 - INTANGIBLE ASSETS

The detail of the main classes of intangible assets and of the changes therein in 2020 and 2019 is as follows:

(Amounts in thousands of euros)

COST	Computer software	Advances on computer software	TOTAL
Balance at 31 December 2018	13.663	348	14.011
Acquisitions	30	92	122
Transfers	371	-371	
Balance at 31 December 2019	14.064	69	14.133
Acquisitions	95	117	212
Disposals	-10		-10
Balance at 31 December 2020	14.149	186	14.335

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	Computer software	Other intangible assets	TOTAL
Balance at 31 December 2018	13.215		13.215
Charge for the year	327		327
Balance at 31 December 2019	13.542		13.542
Charge for the year	321		321
Disposals	-10		-10
Balance at 31 December 2020	13.853		13.853

CARRYING AMOUNT	Computer software	Other intangible assets	TOTAL
Cost at 31 December 2018	13.663	348	14.011
Accumulated amortisation and impairment losses	-13.215		-13.215
Carrying amount at 31 December 2018	448	348	796
Cost at 31 December 2019	14.064	69	14.133
Accumulated amortisation and impairment losses	-13.542		-13.542
Carrying amount at 31 December 2019	522	69	591
Cost at 31 December 2020	14.149	186	14.335
Accumulated amortisation and impairment losses	-13.853		-13.853
Carrying amount at 31 December 2020	296	186	482

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

Fully amortised intangible assets

In 2020 the Company's fully amortised intangible assets amounted to EUR 13,267 thousand (2019: EUR 13,057 thousand).

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

The detail of the various categories of property, plant and equipment and of the changes therein in 2020 and 2019 is shown in the following table:

(Amounts in thousands of euros)

COST	Land	Buildings	Other items of property, plant and equipment	TOTAL
Balance at 31 December 2018	2.718	5.038	7.600	15.356
Additions		27	48	75
Disposals			-1	-1
Balance at 31 December 2019	2.718	5.065	7.647	15.430
Additions			184	184
Disposals			-61	-61
Balance at 31 December 2020	2.718	5.065	7.770	15.553

ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES	Land	Buildings	Other items of property, plant and equipment	TOTAL
Balance at 31 December 2018		2.886	7.093	9.979
Charge for the year		77	170	247
Disposals			-1	-1
Balance at 31 December 2019		2.963	7.262	10.225
Charge for the year		77	182	259
Disposals			-61	-61
Balance at 31 December 2020		3.040	7.383	10.423

CARRYING AMOUNT	Land	Buildings	Other items of property, plant and equipment	TOTAL
Cost at 31 December 2018	2.718	2.152	507	5.377
Accumulated depreciation	0	-2.886	-7.093	-9.979
Carrying amount at 31 December 2018	2.718	-734	-6.586	-4.602
Cost at 31 December 2019	2.718	5.065	7.647	15.430
Accumulated depreciation	0	-2.963	-7.262	-10.225
Carrying amount at 31 December 2019	2.718	2.102	385	5.205
Cost at 31 December 2020	2.718	5.065	7.770	15.553
Accumulated depreciation	0	-3.040	-7.383	-10.423
Carrying amount at 31 December 2020	2.718	2.025	387	5.130

Disposals of property, plant and equipment

In 2020 items of property, plant and equipment amounting to EUR 61 thousand were derecognised (2019: EUR 1 thousand).

Fully depreciated property, plant and equipment

At 31 December 2020, the Company had fully depreciated items of property, plant and equipment amounting to EUR 6,911 thousand (31 December 2019: EUR 6,866 thousand).

Other disclosures

There were no legal proceedings, attachments or similar measures that could affect items of property, plant or equipment at 31 December 2020 or 2019.

Insurance

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

Environment

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

In 2020, as in 2019, the Company did not incur any environmental expenses.

NOTE 7 - INVESTMENT PROPERTY

The detail of the changes in "Investment Property" in 2020 and 2019 is shown in the following table:

(Amounts in thousands of euros)

COST	Land	Buildings	TOTAL
Balance at 31 December 2018	2.853	5.318	8.171
Balance at 31 December 2019	2.853	5.318	8.171
Balance at 31 December 2020	2.853	5.318	8.171

ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES	Land	Buildings	TOTAL
Balance at 31 December 2018		3.199	3.199
Charge for the year		108	108
Transfers		-2	-2
Balance at 31 December 2019		3.305	3.305
Charge for the year		106	106
Balance at 31 December 2020		3.411	3.411

CARRYING AMOUNT	Land	Buildings	TOTAL
Cost at 31 December 2018	2.853	5.318	8.171
Accumulated depreciation	0	-3.199	-3.199
Carrying amount at 31 December 2018	2.853	2.119	4.972
Cost at 31 December 2019	2.853	5.318	8.171
Accumulated depreciation	0	-3.305	-3.305
Carrying amount at 31 December 2019	2.853	2.013	4.866
Cost at 31 December 2020	2.853	5.318	8.171
Accumulated depreciation	0	-3.411	-3.411
Carrying amount at 31 December 2020	2.853	1.907	4.760

The lease income obtained by the Company in 2020 amounted to EUR 336 thousand (2019: EUR 334 thousand). The associated operating expenses, including repair and maintenance expenses, amounted to EUR 240 thousand (2019:

EUR 240 thousand).

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

Insurance

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

NOTE 8 - LEASES AND OTHER SIMILAR TRANSACTIONS

The Company only has operating leases.

8.1 Lease expenses (as lessee)

In 2020 the Company's operating lease expenses amounted to EUR 124 thousand (2019: EUR 105 thousand).

The present value of the minimum lease payments is EUR 166 thousand and relates to lease terms ending within three years.

There were no changes in leases in 2020 as a result of the pandemic.

NOTE 9 - FINANCIAL INSTRUMENTS

9.1 General considerations

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

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

9.2.1 Categories of financial assets and liabilities

The Company's financial assets, except for investments in equity instruments of Group companies and associates, at the end of 2020 and 2019 were as follows:

(Amounts in thousands of euros)

Category	Class	Non-current financial instruments				Current financial instruments	
		Equity instruments		Loans, derivatives and other		Loans, derivatives and other	
		2020	2019	2020	2019	2020	2019
Assets at fair value through profit or loss							
- Held for trading					199		
Loans and receivables			314,882	326,058	694,034	396,175	
Available-for-sale assets							
- At fair value		7,821	10,115				
Hedging derivatives					48	134	
TOTAL		7,821	10,115	314,882	326,106	694,233	396,309

The Company's financial liabilities at the end of 2020 and 2019 were as follows:

(Amounts in thousands of euros)

Class Category	Non-current financial instruments						Current financial instruments					
	Bank borrowings		Debt instruments and other marketable securities		Derivatives and other		Bank borrowings		Debt instruments and other marketable securities		Derivatives and other	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Accounts payable	1,243,063	943,237	74,650	74,550	33,543	487,522	194,860	188,013	1,634	1,634	289,465	7,269
Liabilities at fair value through profit or loss												
- Held for trading											28	3,099
- Other												
Hedging derivatives					8,368	5,948					3,685	2,590
TOTAL	1,243,063	943,237	74,650	74,550	41,911	493,470	194,860	188,013	1,634	1,634	293,178	12,958

Accounts payable to public authorities were not included at 31 December 2020 or 2019.

9.2.2 Derivative financial instruments

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

(Amounts in thousands of euros)

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss	199	28		3,099
Hedging derivatives		12,053	182	8,538
TOTAL	199	12,081	182	11,637

9.2.2.1 Financial instruments at fair value through profit or loss

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

Based on the Group's hedging strategy, none of the aforementioned derivatives arranged at 31 December 2020 were considered to be a hedge, since they are all used to hedge positions of monetary assets and liabilities denominated in foreign currency. Any exchange differences that arise from such translation are recognised in profit or loss. Using these instruments ensures that any fluctuation in exchange rates that could affect assets or liabilities denominated in foreign currency would be offset by a change of the same amount in the derivative arranged. Similarly, changes in the derivative are recognised in the same way in profit or loss, offsetting any changes that occur in foreign currency monetary items.

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

At 31 December 2020, the Company had used contracts for foreign currency transactions amounting to EUR 17 million for foreign currency sales (2019: EUR 18 million) and EUR 284 million for foreign currency purchases (2019: EUR 161 thousand). These foreign currency transactions enable the Company to hedge its foreign currency collection rights and payment obligations and settle the net borrowing positions with Group companies in US dollars and Malaysian ringgits.

The detail of these foreign currency forward contracts, by currency and amount used, is as follows:

(Amounts in thousands of euros)

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
USD	349,500			177,500
MYR	85,000		85,000	

At 31 December 2020, there were no bank borrowings in currencies other than the functional currency and, therefore, the Group no longer has any derivative financial instruments to hedge exposure to foreign currency risk or interest rate risk.

9.2.2.2 Hedging derivatives

At 31 December 2020 and 2019, the Company had only classified interest rate swaps as hedging derivatives.

In order to hedge the interest rate risk on a portion of its current and non-current bank borrowings, the Company had arranged the following interest rate swaps at 31 December 2020:

	Notional amount arranged	Outstanding amount	Expiry
Floating to fixed rate	EUR 30 million	EUR 30 million	2023
Floating to fixed rate	EUR 70 million	EUR 70 million	2028
Floating to fixed rate	EUR 50 million	EUR 40 million	2022
Floating to fixed rate	EUR 100 million	EUR 95 million	2026
Floating to fixed rate	EUR 50 million	EUR 50 million	2024
Floating to fixed rate	EUR 160 million	EUR 160 million	2024
Floating to fixed rate	EUR 80 million	EUR 80 million	2025
Floating to fixed rate	EUR 80 million	EUR 80 million	2028

The average interest rate of euro-denominated financing hedged by an interest rate hedging derivative, totalling EUR 605 million at year-end, was 1.16% (2019: 1.34%). The credit spread on these borrowings is included in both cases.

At the end of 2020 and 2019, no interest rate hedges in USD had been arranged.

At 31 December 2020, all interest rate derivatives met the conditions to be classified as cash flow hedging instruments.

The detail at 31 December 2019 was as follows:

	Notional amount arranged	Outstanding amount	Expiry
Floating to fixed rate	EUR 76.13 million	EUR 4.48 million	2020
Floating to fixed rate	EUR 30 million	EUR 30 million	2023
Floating to fixed rate	EUR 70 million	EUR 70 million	2028
Floating to fixed rate	EUR 50 million	EUR 50 million	2022
Floating to fixed rate	EUR 100 million	EUR 100 million	2026
Floating to fixed rate	EUR 50 million	EUR 50 million	2024
Floating to fixed rate	EUR 160 million	EUR 160 million	2024

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 -12,053 thousand (31 December 2019: EUR -8,356 thousand). These amounts are recognised in the Company's balance sheet under the following line items:

(Amounts in thousands of euros)

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Non-current		8,368	48	5,948
Current		3,685	134	2,590
TOTAL	0	12,053	182	8,538

At 31 December 2020 and 2019, the derivatives arranged to hedge the interest rate risk qualified as cash flow hedging instruments and, therefore, the unrealised loss of EUR -4,927 thousand on their measurement at fair value was recognised in the statement of recognised income and expense (2019: EUR -4,073 thousand, after tax).

In 2020 EUR 2,218 thousand, after tax, were transferred from the statement of recognised income and expense to profit or loss for the year (2019: EUR 1,980 thousand).

The Company has documented the effectiveness of the derivatives arranged to be recognised as hedging instruments, as detailed in **Note 4.5.6**. The hedging transactions were arranged for periods and amounts equal to the cash flows arising from the borrowings associated with each instrument. The financial instruments considered to be hedges were not ineffective at any point in 2020 or 2019.

9.2.3 Loans and receivables

Loans and receivables include trade and other receivables, such as loans granted to Group companies, which appear in the balance sheet under "Current Investments in Group Companies" and "Non-Current Investments in Group Companies", excluding equity instruments, for a non-current amount of EUR 314,818 thousand (2019: EUR 325,976 thousand) and a current amount of EUR 397,956 thousand (2019: EUR 386,426 thousand).

In 2019 there was a reduction in the long-term loans granted to Group companies, due mainly to the capital increase at Bahru Stainless, with no cash contribution, through the conversion into capital of USD 332.5 million from the loan granted by the Company to its subsidiary. This capital increase is explained in **Note 9.2.7**.

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

The finance income earned in 2020 on these loans amounted to EUR 18,798 thousand (2019: EUR 31,128 thousand).

No interest was earned on impaired financial assets in 2020 or 2019.

No valuation adjustments were recognised for uncollectible receivables from related parties.

9.2.4 Available-for-sale financial assets

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

The value of available-for-sale financial assets amounted to EUR 7,821 thousand at year-end and related to Acerinox, S.A.'s investment in the Japanese company Nippon Steel & Sumitomo Metal Corporation (Nippon), a company listed on the Tokyo Stock Exchange. This value is equal to the fair value of the shares at 31 December 2020 and coincides with their closing price. In 2019 the value of available-for-sale financial assets amounted to EUR 10,115 thousand.

The market value of Nippon's shares at 31 December 2020 was JPY 1,328 per share (31 December 2019: JPY 1,654 per share). Acerinox, S.A. holds 747,346 shares in this company, which represents a scanty significant percentage of ownership in the Japanese group. The devaluation, recognised in other comprehensive income in 2020, amounted to EUR -2,294 thousand (2019: EUR -1,112 thousand).

Between 2017 and 2018 Nippon acquired 100% of shares of Nisshin Steel Co. Limited (Nisshin).

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

In 2019 the Group derecognised the shares that it held at 31 December 2018 at their fair value at that date (EUR 11,227 thousand) and initially recognised the new shares at the same amount, since this was the fair value on the effective date of the exchange. The amount of the accumulated reserves in other comprehensive income as a result of the measurement at fair value through other comprehensive income (EUR 3,785 thousand) was reclassified to "profit and loss".

The Group decided to maintain the classification of this share portfolio under "Financial Assets Measured at Fair Value through Other Comprehensive Income", since this is a strategic holding and the shares are not earmarked for sale. Nisshin Steel has, in turn, a 15.81% ownership interest in Acerinox.

Acerinox, S.A. did not purchase or sell any shares of Nippon Steel & Sumitomo Metal Corporation in 2020 or 2019.

9.2.5 Accounts payable

The liabilities classified in this category by the Company (excluding bank borrowings and bonds issued, which are detailed in **Note 9.2.6**), include the amounts classified in the balance sheet under "Trade and Other Payables" as well as non-current and current payables to Group companies amounting to EUR 33,500 thousand (2019: EUR 487,479 thousand) and EUR 285,350 thousand (2019: EUR: 3,166 thousand), respectively.

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

In relation to the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements, the average period of payment to suppliers and additional disclosures required are detailed as follows:

	2020	2019
Average period of payment to suppliers	51 days	51 days
Ratio of transactions settled	52 days	51 days
Ratio of transactions not yet settled	30 days	56 days
(Amounts in thousands of euros)	Amount	Amount
Total payments made	27,633	15,856
Total payments outstanding	1,028	1,411

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

9.2.6 Bank borrowings and bonds issued

The detail of the financial debt line items in the balance sheets as at 31 December 2020 and 2019, including both bank borrowings and bonds issued by the Company in the year, is as follows:

(Amounts in thousands of euros)

	Non-current		Current	
	2020	2019	2020	2019
Bonds issued	74,650	74,550	1,634	1,634
Bank borrowings	1,243,063	943,237	194,860	188,013
Total financial debt	1,317,713	1,017,787	196,494	189,647

In order to diversify its sources of financing and extend its debt maturities, in July 2014 the Company filed a base prospectus at the Spanish National Securities Market Commission for the issuance of fixed-income securities of Acerinox, S.A. for a maximum nominal value of EUR 500 million. Since then, Acerinox, S.A. has carried out two issues through this prospectus: the first issue of EUR 75 million was placed by Deutsche Bank AG, London Branch in July 2014 with a term of ten years and an interest rate of 5%, and the second was placed by Banco Bilbao Vizcaya Argentaria, S.A. for an amount of EUR 50 million in December 2014 with a term of four years and a floating interest rate of 3-month Euribor + 1.75%.

The detail of the long-term maturity of the outstanding debt at 31 December 2020 is as follows:

(Amounts in thousands of euros)

	2022	2023	2024	2025 and subsequent years	TOTAL
Bank borrowings	220,137	333,592	427,485	261,849	1,243,063
Bonds issued				74,650	74,650
Total non-current payables	220,137	333,592	427,485	336,499	1,317,713

The detail of the long-term maturity of the outstanding debt at 31 December 2019 is as follows:

(Amounts in thousands of euros)

	2021	2022	2023	2024 and subsequent years	TOTAL
Bank borrowings	211,722	174,652	194,246	362,617	943,237
Bonds issued				74,550	74,550
Total non-current payables	211,722	174,652	194,246	437,167	1,017,787

At 31 December 2020 and 2019, all bank borrowings and bond issues had been arranged in euros.

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

(Amounts in thousands of euros)

	Non-current bank borrowings		Current bank borrowings	
	2020	2019	2020	2019
Beginning balance	943,237	950,578	188,013	188,577
Additions	605,000	280,000		
Interest	850	1,154	387	-282
Repayment of debt	-112,710	-120,968	-186,854	-167,809
Transfers to short term	-193,314	-167,527	193,314	167,527
Balance at 31 December	1,243,063	943,237	194,860	188,013

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

(Amounts in thousands of euros)

	Non-current payables		Current payables	
	2020	2019	2020	2019
Fixed	608,995	521,306	147,570	122,565
Floating	708,718	496,481	48,924	67,082
TOTAL	1,317,713	1,017,787	196,494	189,647

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

The fair value of fixed-rate bank borrowings and private placements was EUR 758,300 thousand at 31 December 2020, and their carrying amount was EUR 756,565 thousand. The fair value of these borrowings at 31 December 2019 amounted to EUR 643,871 thousand (carrying amount of EUR 645,175 thousand).

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

The average interest rate on non-current bank borrowings in force in 2020 was 1.13% (2019: 1.31%).

The average interest rate prevailing on current bank borrowings in 2020 was 1.01% (2019: 1.13%).

At 31 December 2020, accrued interest payable on bank borrowings amounted to EUR 1,410 thousand (31 December 2019: EUR 1,023 thousand). In addition, accrued interest payable on bonds issued amounted to EUR 1,634 thousand (2019: EUR 1,635 thousand).

The total borrowing costs calculated using the effective interest rate on loans at amortised cost amounted to EUR 990 thousand (2019: EUR 1,154 thousand).

The interest accrued in 2020 calculated using the effective interest method amounted to EUR 23,851 thousand (2019: EUR 20,891 thousand).

At 31 December 2020, the Company had arranged credit facilities with banks with a maximum available limit of EUR 2,014 million (2019: EUR 1,691 million), against which EUR 1,514 million had been drawn down at 31 December 2020 (31 December 2019: EUR 1,231 million). The fair value of the current payables equals their carrying amount.

Main financing transactions undertaken in the year

Transactions performed prior to the state of alarm:

- The refinancing of a loan from Banco Sabadell in January 2020, amounting to EUR 125 million, whereby the financing conditions were improved and the final maturity was extended to 2025.
- The arrangement of five long-term loans totalling EUR 350 million to finance the purchase of the VDM Metals Group in March. These loans were arranged with five financial institutions (BBVA, CaixaBank, Sabadell, the Spanish Official Credit Institute (ICO) and Liberbank). The loans arranged with the first four institutions each amount to EUR 80 million and have a five-year final maturity in the case of the first three banks and an eight-year final maturity in the case of the ICO. The loan arranged with Liberbank amounts to EUR 30 million and has a seven-year final maturity.

Most significant transactions performed after the state of alarm:

- A long-term loan of EUR 20 million, with a five-year final maturity, was arranged with Banco Cooperativo Español in June.
- Also, four ICO-secured financing transactions were renewed in order to provide the Acerinox Group with sufficient liquidity to mitigate the economic effects of Covid-19. In this connection, two credit facilities were renewed, one with Banco Sabadell, amounting to EUR 80 million, and the other with BBVA, amounting to EUR 50 million. In addition, a three-year loan amounting to EUR 100 million was arranged with Banco Santander in June 2020 and drawn down in full on 1 July 2020, and another three-year loan, amounting to EUR 10 million, was arranged with Bankinter in October 2020. A new ICO-secured credit facility, amounting to EUR 45 million, was also arranged with Bankia.
- Lastly, in order to continue to guarantee the Group's liquidity, short-term credit facilities totalling EUR 244 million and USD 105 million were renewed.

In 2020 the amount of fees and commissions recognised in profit or loss in relation to the loan arranged with Sabadell, which was derecognised from liabilities, amounted to EUR 176 thousand.

The most noteworthy financing transactions in 2019 were as follows:

- Renewal of the syndicated factoring agreement between several Acerinox Group subsidiaries and Abanca, BBVA, Banca March, Banco Sabadell, Bankia, Bankinter, BMCE International, CaixaBank and Santander Factoring y Confirming for EUR 370 million until 30 June 2021, with the possibility of automatic renewal for a further year.
- Also, in the first half of 2019 four new loan agreements were entered into, namely: a three-year bullet loan agreement with Bankinter for EUR 15 million; a five-year loan agreement with CaixaBank for EUR 50 million, with a three-year grace period; another with Bankia for EUR 160 million, of which EUR 120 million were used to repay the previous loan, disbursed on 28 June 2019 with final maturity on 28 June 2024, with a three-year grace period and a repayment schedule of five six-monthly instalments of EUR 32 million each; and one with Unicaja for EUR 40 million (of which EUR 25 million were also used to repay the previous loan).
- In addition, the loan arranged with Kutxabank for EUR 65 million, of which EUR 15 million consisted of new debt, was refinanced, with an extension of its maturity until 2024 and improved financing conditions.

Regarding debt renegotiations, the Group assessed the significance of the modifications made to determine whether they were substantially different, in accordance with the criteria established in the accounting policy defined in **Note 4.5.3**, and recognised the effects of certain of the new agreements as an extinguishment and the simultaneous recognition of a new loan. In 2020 the amount of fees and commissions recognised in profit or loss in

relation to the loan agreements entered into with Bankia, Kutxabank and Unicaja, which were derecognised from liabilities, amounted to EUR 266 thousand.

Non-current borrowings subject to achievement of ratios

a) Ratios linked to earnings

Currently, no loan agreement entered into by Acerinox, S.A. contains covenants linked to ratios that take into account the Group's results.

b) Ratios linked to equity

Three loans arranged in the first half of 2020 for the acquisition of VDM, specifically those arranged with BBVA, CaixaBank and the ICO, amounting to EUR 80 million each, are subject to compliance with the aforementioned financial ratios relating to maintaining minimum consolidated equity levels.

In addition to those three loans, there are three other financing agreements subject to the achievement of financial ratios also relating to the maintenance of minimum consolidated equity levels, namely, the loan arranged in March 2017 with Banca March for EUR 50 million and transferred 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 Spanish Official Credit Institute (ICO) for EUR 100 million. This type of ratio is standard market practice in financing with these maturities, as the loan arranged with Banca March has a term of seven years, the EIB loan has a term of ten years and the ICO loan has a term of eight years.

At 2020 year-end (as in 2019) Acerinox, S.A. had achieved all the ratios required under the aforementioned agreements.

9.2.7 Investments in Group companies and associates

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

FULLY CONSOLIDATED COMPANIES	2020					
	COUNTRY	OWNERSHIP INTEREST			Holder of direct ownership interest	AUDITOR
		Value of investment (thousands of euros)	% of direct ownership	% of indirect ownership		
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	327	100%		ACERINOX, S.A.	PWC
ACERINOX ARGENTINA, S.A.	Buenos Aires - Argentina	598	90%	10%	ACERINOX, S.A.	Estudio Canil
ACERINOX AUSTRALASIA (PTY) LTD.	Sydney - Australia	385	100%		ACERINOX, S.A.	
ACERINOX BENELUX, S.A. - N.V.	Brussels - Belgium	209	100%		ACERINOX, S.A.	PWC
ACXDO BRASIL REPRESENTAÇÕES, LTDA	Sao Paulo - Brazil	373	100%	0,001%	ACERINOX, S.A.	
ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7.545	100%		ACERINOX, S.A.	PWC
ACERINOX COLOMBIA, S.A.S.	Bogotá, D.C. - Colombia	68	100%		ACERINOX, S.A.	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45.496	100%		ACERINOX, S.A.	PWC
ACERINOX EUROPA, S.A.U.	Algeciras - Spain	34.1381	100%		ACERINOX, S.A.	PWC
ACERINOX FRANCE, S.A.S.	Paris - France	18.060	99,98%	0,02%	ACERINOX, S.A.	PWC
ACERINOX INDIA PVT LTD.	Mumbai - India	155	100%		ACERINOX, S.A.	ISK & Associates
ACERINOX ITALIA, S.R.L.	Milan - Italy	78.844	100%		ACERINOX, S.A.	Collegio Sindicale - Studio Revisori Associati
ACERINOX METAL SANAYI VE TICARET L.S.	Gümüşsuyu / Istanbul - Turkey	150	99,73%	0,27%	ACERINOX, S.A.	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai - United Arab Emirates	10	100%		ACERINOX, S.A.	AlSharid Auditing and Management Consultancy
ACERINOX PACIFIC, LTD.	Wan Chai - Hong Kong	7.466	100%		ACERINOX, S.A.	PWC
ACERINOX POLSKA, SP Z O.O.	Warsaw - Poland	25.174	99,98%	0,02%	ACERINOX, S.A.	PWC
ACERINOX RUSSIA LLC	Saint Petersburg - Russia	100	100,00%		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 SHANGHAICO., LTD.	Shanghai - China	1.620	100%		ACERINOX, S.A.	Shanghai ShenZhou DaTong
ACERINOX (SEA), PTE LTD.	Singapore - Singapore	193	100%		ACERINOX, S.A.	PWC
ACERINOX UK, LTD.	Birmingham - United Kingdom	28.444	100%		ACERINOX, S.A.	PWC
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPessoal, LDA.	Trofa - Portugal	15.828	100%		ACERINOX, S.A.	PWC
BAHRU STAINLESS, SDN. BHD.	Johor - Malaysia	0	98,15%		ACERINOX, S.A.	PWC
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	159.697	76%		ACERINOX, S.A.	PWC
CORPORACIÓN ACERINOX PERÚ, S.A.C.	Lima - Peru	314	100%		ACERINOX, S.A.	
INOXRE, S.A.	Luxembourg	1.224	100%		ACERINOX, S.A.	PWC
INOXCENTER CANARIAS, S.A.U.	Telde (Gran Canaria) - Spain			100%	INOXCENTER	PWC
INOXCENTER, S.L.U.	Barcelona - Spain	17.758	100%		ACERINOX, S.A.	PWC
INOXFIL, S.A.	Igualada (Barcelona) - Spain			100%	ROLDAN, S.A.	PWC
INOXIDABLES DE EUSKADI, S.A.U.	Vitoria - Spain			100%	ACERINOX EUROPA, S.A.U.	PWC

FULLY CONSOLIDATED COMPANIES	2020					
	COUNTRY	OWNERSHIP INTEREST		% of indirect ownership	Holder of direct ownership interest	AUDITOR
		Value of investment (thousands of euros)	% of direct ownership			
INOXP LATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Trofa - Portugal			100%	ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	
METALINOX BILBAO, S.A.U.	Galdakao (Vizcaya) -	3,718	100%		ACERINOX, S.A.	PWC
NORTH AMERICAN STAINLESS, INC.	Kentucky - US	575,472	100%		ACERINOX, S.A.	PWC
NORTH AMERICAN STAINLESS CANADA, INC.	Canada			100%	NORTH AMERICAN STAINLESS, INC.	PWC
NORTH AMERICAN STAINLESS MÉXICO, S.A. DE C.V.	Apodaca - N.L. Mexico			100%	NORTH AMERICAN STAINLESS, INC.	PWC
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS, LTD.	Kentucky - US	15	100%		ACERINOX, S.A.	
ROLDAN, S.A.	Ponferrada - Spain	17,405	99.77%		ACERINOX, S.A.	PWC
VDM METALS HOLDING GMBH	Werdohl - Germany	313,315	100.00%		ACERINOX, S.A.	PWC
VDM METALS INTERNATIONAL GMBH	Werdohl - Germany			100.00%	VDM METALS HOLDING GMBH	PWC
VDM METALS GMBH	Werdohl - Germany			100.00%	VDM METALS HOLDING GMBH	PWC
VDM (SHANGHAI) HIGH PERFORMANCE METALS TRADE CO. LTD.	Shanghai - China			100.00%	VDM METALS GMBH	Pan-China Certified Public
VDM HIGH PERFORMANCE METALS NANTONG CO. LTD.	Nantong - China			100.00%	VDM METALS HOLDING GMBH	Pan-China Certified Public
VDM METALS AUSTRALIA (PTY) LTD.	Mulgrave - Australia			100.00%	VDM METALS GMBH	
VDM METALS AUSTRIA GMBH	Brunn am Gebirge -			100.00%	VDM METALS GMBH	
VDM METALS BENELUX B.V.	Zwijndrecht - Netherlands			100.00%	VDM METALS GMBH	BDO
VDM METALS CANADA LTD.	Vaughan - Canada			100.00%	VDM METALS GMBH	
VDM METALS DE MÉXICO, S.A. DE C.V.	Naucaupan de Juárez - Mexico			100.00%	VDM METALS GMBH	Grant Thornton
VDM METALS FRANCE S.A.S.	Saint-Priest - France			100.00%	VDM METALS GMBH	
VDM METALS ITALIA S.R.L.	Sesto San Giovanni -			100.00%	VDM METALS GMBH	
VDM METALS JAPAN K.K.	Tokyo - Japan			100.00%	VDM METALS GMBH	
VDM METALS KOREA CO. LTD.	Seoul - Korea			100.00%	VDM METALS GMBH	
VDM METALS UK LTD.	Claygate - Esher - UK			100.00%	VDM METALS GMBH	BDO
VDM METALS USA LLC	Florham Park - USA			100.00%	VDM METALS GMBH	PWC
TOTAL		1,682,731				

At 31 December 2019, the Company's investments in Group companies were as follows:

		2019					
FULLY CONSOLIDATED COMPANIES	COUNTRY	OWNERSHIP INTEREST			Underlying carrying amount of direct ownership interest	HOLDER OF OWNERSHIP INTEREST	AUDITOR
		Value of investment (thousands of euros)	% of direct ownership	% of indirect ownership			
ACERINOX (SCHWEIZ) A.G.	Mellingen - Switzerland	327	100%		2.697	ACERINOX, S.A.	PWC
ACERINOX ARGENTINA, S.A.	Buenos Aires - Argentina	598	90%	10%	621	ACERINOX, S.A.	Chinen, Morbelli y Asociados
ACERINOX AUSTRALASIA (PTY) LTD.	Sydney - Australia	385	100%		625	ACERINOX, S.A.	
ACERINOX BENELUX, S.A. - N.V.	Brussels - Belgium	209	100%		1045	ACERINOX, S.A.	PWC
ACX DO BRASIL REPRESENTAÇÕES, LTDA	Sao Paulo - Brazil	373	100%	0,00%	354	ACERINOX, S.A.	
ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7.545	100%		5.485	ACERINOX, S.A.	PWC
ACERINOX COLOMBIA, S.A.S.	Bogotá, D.C. - Colombia	68	100%		553	ACERINOX, S.A.	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45.496	100%		23.405	ACERINOX, S.A.	PWC
ACERINOX EUROPA, S.A.U.	Algeciras - Spain	341.381	100%		321.190	ACERINOX, S.A.	PWC
ACERINOX FRANCE, S.A.S.	Paris - France	18.060	99,98%	0,02%	6.545	ACERINOX, S.A.	PWC
ACERINOX INDIA PVT LTD.	Mumbai - India	155	100%		187	ACERINOX, S.A.	M/s ISK & Associates
ACERINOX ITALIA, S.R.L.	Milan - Italy	78.844	100%		42.614	ACERINOX, S.A.	Collegio Sindacale - Studio Revisori Associati
ACERINOX METAL SANAYI VE TICARET L.S.	Gümüşsuyu / Istanbul - Turkey	150	99,73%	0,27%	979	ACERINOX, S.A.	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai - United Arab Emirates	10	100%		938	ACERINOX, S.A.	Al Sharid Auditing and Management Consultancy
ACERINOX PACIFIC, LTD.	Wan Chai - Hong Kong	7.467	100%		1.277	ACERINOX, S.A.	PWC
ACERINOX POLSKA, SP. Z O.O.	Warsaw - Poland	25.174	99,98%	0,02%	26.145	ACERINOX, S.A.	PWC
ACERINOX RUSSIA LLC	Saint Petersburg - Russia	100	100,00%		534	ACERINOX, S.A.	
ACERINOX SCANDINAVIA AB	Malmö - Sweden	3.1909	100%		24.430	ACERINOX, S.A.	PWC
ACERINOX S.C. MALAYSIA, SDN. BHD.	Johor - Malaysia	19.476	100%		-4.628	ACERINOX, S.A.	PWC
ACERINOX SHANGHAICO., LTD.	Shanghai - China	1.620	100%		4.245	ACERINOX, S.A.	Shanghai Shen Zhou Da Tong
ACERINOX (SEA), PTE LTD.	Singapore - Singapore	193	100%		1.487	ACERINOX, S.A.	PWC
ACERINOX UK, LTD.	Birmingham - United Kingdom	28.444	100%		27.627	ACERINOX, S.A.	PWC
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPessoal, LDA.	Maia - Portugal	15.828	100%		14.832	ACERINOX, S.A.	PWC
BAHRU STAINLESS, SDN. BHD.	Johor - Malaysia	86.329	98,15%		-15.727	ACERINOX, S.A.	PWC
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	175.147	76%		172.904	ACERINOX, S.A.	PWC
CORPORACIÓN ACERINOX PERÚ, S.A.C.	Lima - Peru	314	100%		-10	ACERINOX, S.A.	
INOXRE, S.A.	Luxembourg	1.224	100%		1.225	ACERINOX, S.A.	PWC
INOXCENTER CANARIAS, S.A.U.	Telde (Gran Canaria) - Spain			100,00%	0	INOXCENTER	PWC
INOXCENTER, S.L.U.	Barcelona - Spain	17.758	100%		8.441	ACERINOX, S.A.	PWC
INOXFIL, S.A.	Igualada (Barcelona) - Spain			99,77%	0	ROLDAN, S.A.	PWC
INOXIDABLES DE EUSKADIS A.U.	Vitoria - Spain			100%	0	ACERINOX EUROPA, S.A.U.	PWC
INOXP LATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPessoal, LDA.	Maia - Portugal			100%	0	ACEROL PORTUGAL	PWC
METALINOX BILBAO, S.A.U.	Galdakao (Vizcaya) - Spain	3.718	100%		18.699	ACERINOX, S.A.	PWC
NORTH AMERICAN STAINLESS, INC.	Kentucky - US	545.339	100%		1.854.036	ACERINOX, S.A.	PWC
NORTH AMERICAN STAINLESS CANADA, INC.	Canada			100%	0	NORTH AMERICAN STAINLESS, INC.	PWC
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS, LTD.	Kentucky - US	15	100%		16	ACERINOX, S.A.	
NORTH AMERICAN STAINLESS MÉXICO, S.A. DE C.V.	Apoaca - N.L., Mexico			100%	0	NORTH AMERICAN STAINLESS, INC.	Deloitte
ROLDAN, S.A.	Ponferrada - Spain	17.405	99,77%		53.561	ACERINOX, S.A.	PWC
TOTAL		1.471.061					

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

	COUNTRY	OWNERSHIP INTEREST		Underlying carrying amount of direct ownership interest
		Value of investment	% of direct ownership	
ASSOCIATES				
BETINOKS	Turkey	0	25%	0
MOL Katalysator technik GmbH	Germany	0		20%
Evidal Schmöle Verwaltungsgesellschaft mbH	Germany	0		50%

At 31 December 2019, Acerinox, S.A. held a 25% ownership interest in the Turkish company.

The activities of the Group companies are as follows:

- Acerinox, S.A.: holding company of the Acerinox Group. The Company provides legal, accounting and advisory services to all the Group companies and carries out financing activities within the Group.
- Acerinox Europa, S.A.U.: manufacture and marketing of flat stainless steel products.
- North American Stainless, Inc.: manufacture and marketing of flat and long stainless steel products.
- Columbus Stainless (Pty) Ltd.: manufacture and marketing of flat stainless steel products.
- Bahru Stainless, Sdn. Bhd.: cold rolling and marketing of flat stainless steel products.
- Roldan, S.A.: manufacture and marketing of long stainless steel products.
- Inoxfil, S.A.: manufacture and marketing of stainless steel wire.
- VDM Holding Metals GmbH: holding company of the group of companies that make up VDM metals.
- VDM Metals International GmbH, wholly owned by VDM Holding Metals GmbH, performs the VDM Group's research and development functions, purchases raw materials, manages the supply chain, manages metal product hedges and trading, distributes products of the VDM Group and also has a Quality Department.
- VDM Metals GmbH is the entity which owns the production plants and is responsible for transforming raw materials into high-performance alloys.
- Inox Re, S.A.: reinsurance company.
- Inoxplate, Comercio de productos de Aço Inoxidáveis, Unipessoal Lda: owner of the industrial building in which the Group company in Portugal -Acerol, Comércio e indústria de Aços inoxidáveis- carries on its operating activities, for the lease of which it receives income.
- North American Stainless Financial Investment, Inc.: provision of foreign trade advisory services.
- The rest of the companies, which are direct investees of either Acerinox, S.A. or the VDM subgroup, engage in the marketing of stainless steel products or high-performance alloys.

None of the Group companies and associates are officially listed.

Changes in investments in Group companies and associates

The changes in investments in Group companies and associates in 2020 and 2019 were as follows:

(Amounts in thousands of euros)

Company	2020	2019
Capital increases/reductions		
Bahru Stainless, Sdn. Bhd. Acerinox Shanghai Co., Ltd.		296,663
Acquisitions		
VDM Metals Holding, GmbH Metalinox Bilbao, S.A.U. Roldan, S.A. Acerinox (Schweiz) A.G.	313,315	
Other contributions		
Bahru Stainless, Sdn. Bhd.		62
North American Stainless	134	156
Columbus Stainless	49	57
Total	313,498	296,938

Changes in 2020

As explained in **Note 1** to these financial statements for 2020, on 17 March 2020 Acerinox, S.A. signed a closing memorandum formalising the agreement for the acquisition of all the shares of VDM Metals Holding GmbH (VDM), representing 100% of the voting rights, following approval of the share purchase by the competition authorities of the United States, the EU and Taiwan on 13 December 2019, 25 February 2020 and 9 March 2020, respectively. These approvals represented the closing condition established in the agreement to perform the transaction.

With this transaction, the Acerinox Group plans to diversify towards sectors with greater value added, and it represents an opportunity to grow in new markets and sectors such as aerospace, the chemical industry, the medical industry, hydrocarbons, renewable energies, water treatment and emissions control, since these represent the main markets of the newly acquired Group.

VDM Metals Holding GmbH, which has its registered office in Germany, is the parent of the group of companies that compose the VDM Group, a world leader in the production of special alloys and high-performance stainless steel. The VDM Group has five factories in Germany, two in the US and five service centres. It also has a portfolio of around 1,700 customers and more than two thousand employees. Within its production chain, it has a product portfolio which includes flat products (sheets and strips), long products (bars and wire), tubing material and pieces for forging, with high nickel content. VDM also operates a commercial distribution business dealing in semi-finished goods and metal components. All the products are made of high-performance metal alloys with high nickel content, which requires the use of state-of-the-art technologies with high-temperature corrosive treatment processes. VDM is a leader in R&D+i activities.

VDM will be included in the Acerinox Group as a new division at the same level as the other major production subsidiaries, North American Stainless (US), Columbus (South Africa), Acerinox Europa and Roldan (Spain), and Bahru Stainless (Malaysia).

The acquired business generated revenue and profit after tax for the Group amounting to EUR 613,618 thousand and EUR 8,754 thousand, respectively, in the period from the acquisition to 31 December 2020. Had the acquisition taken place on 1 January 2020, the VDM Group's revenue and profit for the period ended 31 December 2020 would have amounted to EUR 748,358 thousand and EUR 10,856 thousand, respectively.

The detail of the consideration transferred, the fair value of the net assets acquired and goodwill is as follows:

	Thousands of euros
Cash paid	313,315
Total consideration transferred	313,315
Fair value of net assets acquired	263,486
GOODWILL	49,829

There is no contingent consideration depending on future events or compliance with certain conditions in exchange for control of the acquired business.

The Group recognised costs of EUR 16,380 thousand related to the transaction, of which EUR 14,736 thousand were recognised as expenses in 2020 and EUR 1,644 thousand were recognised in 2019.

Goodwill represents the excess of the cost of acquisition of the interest in the VDM Group over the fair value of the identifiable net assets of the acquiree at the acquisition date (assets, liabilities and contingent liabilities). The most significant factors that gave rise to the recognition of the goodwill were the Group's diversification, access to new markets with better margins, possible future synergies and the technical experience of VDM's employees. Goodwill is not tax-deductible.

At the reporting date of these financial statements, the measurement process had ended. The Group completed the fair value measurement of all the assets acquired and liabilities assumed and obtained the final independent valuer's report.

The detail of the acquiree's assets and liabilities measured at fair value at the date of the business combination is as follows:

	Fair value (thousands of euros)	Carrying amount (thousands of euros)
Non-current assets		
Intangible assets	48,940	13,889
Property, plant and equipment	254,722	147,502
Right-of-use assets	10,411	10,411
Investments accounted for using the equity method	390	16
Deferred tax assets	24,631	24,631
Other non-current financial assets	756	756
TOTAL NON-CURRENT ASSETS	339,850	197,205
Current assets		
Inventories	390,504	389,695
Trade and other receivables	78,312	75,674
Other current financial assets	2,437	2,437
Current income tax assets	3,793	3,793
TOTAL CURRENT ASSETS (excluding cash)	475,046	471,599
Non-current liabilities		
Bank borrowings	-120,386	-120,386
Long-term provisions	-172,066	-166,033
Deferred tax liabilities	-78,758	-33,080
Other non-current financial liabilities	-7,579	-7,579
TOTAL NON-CURRENT LIABILITIES	-378,789	-327,078
Current liabilities		
Bank borrowings	-4,519	-4,519
Trade and other payables	-192,488	-192,488
Current income tax liabilities	-5,887	-5,887
Other current financial liabilities	-9,479	-9,479
TOTAL CURRENT LIABILITIES	-212,373	-212,373
TOTAL NET ASSETS ACQUIRED	223,734	129,353
Cash paid	313,315	
Cash and cash equivalents of the acquiree	-39,752	-39,752
Net cash flows paid in the acquisition	273,563	

(*) "Trade and other receivables" includes an allowance for doubtful debts amounting to EUR 855 thousand.

As a result of the recognised increases in carrying amount with respect to its tax bases, a deferred tax liability of EUR 45,678 thousand was recognised.

The Acerinox Group performed a purchase price allocation (PPA) on the assets, liabilities and contingent liabilities based on their fair values through an independent expert, who measured them using various accepted valuation methods.

The fair values recognised were not affected by the pandemic. The Group expects to recover the cash flows from the second half of 2021 and beyond, especially from 2022 onwards. The Group took into account the impact of Covid-19 on the estimation of future cash flows when analysing impairment of goodwill in its consolidated financial statements.

In relation to the acquisition, Acerinox, S.A. has received a guarantee from the former owner for an amount of EUR 15,000 thousand, valid for a period of 12 months from the acquisition date, to cover possible partial repayments of the price initially paid and possible repayments for transactions defined as prohibited under the purchase and sale agreement. This guarantee has not been recognised for accounting purposes.

The acquiree holds ownership interests in various entities, as shown in the table below, which are included from the acquisition date in the consolidated financial statements of the Acerinox Group:

Company	Country	% Ownership
VDM Metals GmbH	Germany	100%
VDM Metals International GmbH	Germany	100%
VDM-Unterstützungskasse GmbH	Germany	100%
VDM Metals UK Ltd	UK	100%
VDM Metals Benelux B.V.	Netherlands	100%
VDM Metals France S.A.S.	France	100%
VDM Metals Austria GmbH	Austria	100%
VDM Metals Italia S.r.l.	Italy	100%
VDM Metals Canada Ltd.	Canada	100%
VDM Metals Australia (Pty) Ltd.	Australia	100%
VDM Metals Japan K.K.	Japan	100%
VDM (Shanghai) High Performance Metals Trad. Co. Ltd.	China	100%
VDM Metals de México, S.A. de C.V.	Mexico	100%
VDM Metals USA LLC.	US	100%
VDM Metals Korea Co. Ltd.	South Korea	100%
VDM High Performance Metals Nantong Co. Ltd.	China	100%
MOL Katalysator-technik GmbH	Germany	20.45%
Evidal Schmöle Verwaltungsgesellschaft GmbH	Germany	50%

Changes in 2019:

The following capital increase took place in 2019:

Bahru

At its meeting held on 26 February 2019, the Board of Directors of Acerinox, S.A. resolved to carry out a capital increase at Bahru Stainless, with no cash contribution, through the conversion into capital of USD 332.5 million from the loan granted by Acerinox, S.A. to its subsidiary. Acerinox, S.A.'s ownership interest in Bahru Stainless was 97% prior to the capital increase.

The Annual General Meeting of Bahru was held on 22 July and approved the capital increase. In turn, the non-controlling shareholder took part in the capital increase through a cash contribution of USD 3 million, which diluted its ownership interest to 1.85%.

Acerinox, S.A. recognised an increase in its investments in Group companies amounting to EUR 296,663 thousand, equal to the fair value of the loan converted into capital, and which did not differ significantly from its carrying amount at that date.

Other contributions

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

Equity position

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

(Amounts in thousands of euros)

GROUP COMPANIES	Share capital	Reserves	Other equity items	Profit (Loss) from operations	Profit (Loss) from continuing operations	Total shareholders' equity
ACERINOX (SCHWEIZ) A.G.	648	2.062	0	-309	-335	2.375
ACERINOX ARGENTINA, S.A.	7	581	0	595	230	818
ACERINOX AUSTRALASIA (PTY) LTD.	377	252	0	-56	-56	573
ACERINOX BENELUX, S.A. - N.V.	211	833	0	379	281	1.325
ACX DO BRASIL REPRESENTAÇÕES, LTDA	107	143	0	45	68	318
ACERINOX CHILE, S.A.	4.917	449	0	488	482	5.848
ACERINOX COLOMBIA, S.A.S.	42	442	0	-9	7	491
ACERINOX DEUTSCHLAND GMBH	45.000	-21.595	0	1.640	1.309	24.714
ACERINOX EUROPA, S.A.U.	62.000	259.190	0	-57.590	-65.111	256.079
ACERINOX FRANCE, S.A.S.	265	6.280	0	-121	-172	6.373
ACERINOX INDIA PVT LTD.	114	53	0	-70	-71	96
ACERINOX ITALIA, S.R.L.	40.000	2.614	0	1.575	1.126	43.740
ACERINOX METAL SANAYII VE TICARET LIMITED SIRKETI	44	677	0	350	418	1.139
ACERINOX MIDDLE EAST DMCC (DUBAI)	11	847	0	70	72	930
ACERINOX PACIFIC, LTD.	10.084	-8.910	0	-202	-199	975
ACERINOX POLSKA, SP Z O.O.	21.931	2.411	0	388	808	25.150
ACERINOX RUSSIA LLC.	46	362	0	81	155	563
ACERINOX SCANDINAVIA AB	28.403	-2.969	0	116	-88	25.346
ACERINOX SC MALAYSIA, SDN. BHD.	31.617	-35.928	0	1.333	394	-3.917
ACERINOX SHANGHAI CO., LTD.	2.410	802	0	1.514	1.143	4.355
ACERINOX (SEA), PTE LTD.	232	1.152	0	8	-32	1.352
ACERINOX UK, LTD.	22.247	3.899	0	401	369	26.515
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPessoal, LDA.	15.000	-168	0	-155	-25	14.807
BAHRU STAINLESS, SDN. BHD.	582.544	-502.133	113	-74.321	-86.396	-5.985
COLUMBUS STAINLESS (PTY) LTD.	138.720	60.365	146	-21.590	-20.212	178.873
CORPORACIÓN ACERINOX PERÚ, S.A.C.	218	-227	0	86	68	59
INOX RE, S.A.	1.225	0	0	653	762	1.987
INOXCENTER CANARIAS, S.A.U.	270	1.816	0	-230	-367	1.719
INOXCENTER, S.L.U.	492	7.949	0	3.450	-5.280	3.161
INOXFIL, S.A.	4.812	2.543	0	-2.289	-4.688	2.667
INOXIDABLES DE EUSKADI, S.A.U.	2.705	4.824	0	0	-41	7.488
INOXIMATE - COMERCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPessoal, LDA.	11.043	1.840	0	156	121	13.004
METALINOX BILBAO, S.A.U.	72	18.627	0	0	1	18.700
NORTH AMERICAN STAINLESS, INC.	473.649	450.631	371	266.216	214.141	1.138.421
NORTH AMERICAN STAINLESS CANADA, INC.	4.890	35.411	0	4.741	3.613	43.914
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS, LTD.	16	-8.149	0	8.149	8.149	16
NORTH AMERICAN STAINLESS MÉXICO, S.A. DE C.V.	20.373	10.354	0	3.356	1.782	32.509
ROLDAN, S.A.	11.936	41.748	0	1.120	-8.530	45.154
VDM Metals Group	25	161.539	0	20.106	8.754	170.318

The equity position of the Group companies at 31 December 2019, obtained from the separate financial statements furnished by the respective companies, is as follows:

(Amounts in thousands of euros)

GROUP COMPANIES	Share capital	Reserves	Profit (Loss) from operations	Profit (Loss) from continuing operations	Total shareholders' equity
ACERINOX (SCHWEIZ) A.G.	645	1.953	196	99	2.697
ACERINOX ARGENTINA, S.A.	10	648	3	32	690
ACERINOX AUSTRALASIA (PTY) LTD.	375	218	32	32	625
ACERINOX BENELUX, S.A. - N.V.	211	269	833	565	1.045
ACX DO BRASIL REPRESENTAÇÕES, LTDA	152	188	8	14	354
ACERINOX CHILE, S.A.	5.026	353	522	106	5.485
ACERINOX COLOMBIA, S.A.S.	48	370	212	135	553
ACERINOX DEUTSCHLAND GMBH	45.000	-22.973	1.893	1.378	23.405
ACERINOX EUROPA, S.A.U.	62.000	313.214	-64.981	-54.024	321.190
ACERINOX FRANCE, S.A.S.	265	5.257	1.127	1.024	6.546
ACERINOX INDIA PVT LTD.	128	118	-56	-59	187
ACERINOX ITALIA, S.R.L.	40.000	13.109	1.627	-10.495	42.614
ACERINOX METAL SANAYII VE TICARET LIMITED SIRKETI	60	401	610	521	982
ACERINOX MIDDLE EAST DMCC (DUBAI)	12	708	220	218	938
ACERINOX PACIFIC, LTD.	10.968	-9.745	75	54	1.277
ACERINOX POLSKA, SP Z O.O.	23.492	2.276	432	382	26.150
ACERINOX RUSSIA LLC.	60	482	66	-8	534
ACERINOX SCANDINAVIA AB	27.281	-3.894	1.521	1.043	24.430
ACERINOX SC MALAYSIA, SDN. BHD.	33.948	-37.954	846	-622	-4.628
ACERINOX SHANGHAI CO., LTD.	2.472	710	1.391	1.063	4.245
ACERINOX (SEA), PTE LTD.	250	846	485	391	1.487
ACERINOX UK, LTD.	23.507	3.686	839	434	27.627
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPessoal, LDA.	15.000	-561	437	393	14.832
BAHRU STAINLESS, SDN. BHD.	636.441	-378.190	-162.464	-191.309	98.810
COLUMBUS STAINLESS (PTY) LTD.	158.552	92.557	-30.814	-23.604	227.505
CORPORACIÓN ACERINOX PERÚ, S.A.C.	293	-237	-53	-66	-10
INOX RE, S.A.	1.225	0	-398	0	1.225
INOXCENTER CANARIAS, S.A.U.	270	1.689	166	127	2.086
INOXCENTER, S.L.U.	492	6.864	2.345	1.085	8.441
INOXFIL, S.A.	4.812	2.883	-536	-340	7.355
INOXIDABLES DE EUSKADI, S.A.U.	2.705	4.318	728	506	7.529
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPessoal, LDA.	11.843	1.724	149	116	13.683
METALINOX BILBAO, S.A.U.	72	17.838	1.032	789	18.699
NORTH AMERICAN STAINLESS, INC.	517.644	1.092.621	289.399	243.771	1.854.036
NORTH AMERICAN STAINLESS CANADA, INC.	5.341	33.358	7.202	5.321	44.020
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS, LTD.	18	-9.709	9.707	9.707	16
NORTH AMERICAN STAINLESS MÉXICO, S.A. DE C.V.	22.254	7.950	4.036	3.360	33.564
ROLDAN, S.A.	11.936	37.843	3.808	3.905	53.684

Impairment losses

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

Since Acerinox, S.A. is a holding company, its assets comprise mainly ownership interests in, and balances with, Group companies. The Company assesses whether there is objective evidence of impairment on a yearly basis. Such evidence is deemed to exist when the carrying amount of the investee is lower than the value of the investment recognised in Acerinox, S.A.'s financial statements less any unrealised gains, or when the investee reports sustained losses over several years. In such cases, the Company calculates the recoverable amount of the investment, understood to be the higher of fair value less costs of disposal and the present value of the future cash flows from the investment. In 2020 several Group companies showed indications of impairment, as their equity was lower than the amount of the investment. A list of the entities analysed is provided in a table below.

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

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

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

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

The projections reflect these circumstances each year, in addition to the best estimates performed by management. In this connection, other significant assumptions such as exchange rates and raw material prices are extrapolated using highly conservative criteria, always tied to the most recent values recorded in the pertinent markets.

The factories prepare the budget taking the 2021 budget as a starting point and maintaining the bases for calculation established therein. Each factory estimates the performance of its domestic and export production and sales, individual product margins and prices, based at all times on the cost structure established in the 2021 budget and on the guidelines set out in the approved Strategic Plan.

The budgets for the other commercial subsidiaries are also prepared on the basis of the 2021 budget. The projection for the remaining years is performed by maintaining the estimated margins, variable costs per tonne and fixed costs, and by increasing the tonnes sold according to the budget of each supplier (Group factories). In any event, the estimates of the subsidiaries are reviewed in accordance with management's expected sales targets for each market.

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

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

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

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

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

The detail of the companies that showed indications of impairment and of the key assumptions used to determine the recoverable amount is as follows:

Millions of euros	2020				2019			
	WACC before tax	WACC after tax	EBIT ⁽¹⁾	g	WACC before tax	WACC after tax	EBIT ⁽¹⁾	g
Acerinox Europa, S.A.U.	8.5%	6.8%	2.8%	1.8%	7.0%	5.8%	4.4%	2.5%
Columbus Stainless (Pty) Ltd.	17.2%	13.4%	3.7%	4.7%	16.5%	12.8%	2.8%	2.5%
Bahru Stainless, Sdn. Bhd. ⁽²⁾	---	9.3%	1.6%	---	---	9.8%	2.4%	---
Acerinox Italia, S.r.l.	8.7%	7.0%	3.1%	1.8%	8.1%	6.7%	3.1%	2.5%
Acerinox Deutschland GmbH	7.3%	5.9%	1.0%	1.8%	4.9%	4.3%	0.9%	2.5%
Acerinox Scandinavia, AB	6.6%	5.4%	1.6%	1.3%	5.3%	4.7%	1.6%	2.5%
Acerinox UK, Ltd.	7.7%	6.5%	1.8%	1.9%	6.6%	5.7%	1.8%	2.5%
Acerinox S.C. Malaysia, Sdn. Bhd.	9.5%	8.2%	5.2%	2.1%	9.7%	8.3%	5.2%	2.5%
Acerinox France, S.A.S.	8.0%	6.5%	2.1%	1.8%	5.5%	4.7%	2.1%	2.5%
Inoxcenter, S.L.U.	8.2%	6.8%	3.2%	1.8%	6.8%	5.8%	2.6%	2.5%
Roldan, S.A.	8.6%	6.8%	3.4%	1.8%	---	---	---	---
Acerol Portugal, Lda.	8.3%	7.0%	2.1%	1.8%	7.8%	6.7%	2.1%	2.5%
Acerinox Chile, S.A.	9.1%	7.5%	4.3%	3.0%	10.3%	8.1%	4.3%	2.5%
Acerinox Pacific, Ltd. ⁽³⁾	7.6%	6.7%	---	1.9%	6.8%	6.1%	---	2.5%
Inoxfil, S.A.	8.2%	6.8%	4.5%	1.8%	6.8%	5.8%	2.7%	2.5%

(1) Five-year budgeted average EBIT margin. EBIT is defined as profit or loss from operations and expressed as a margin or percentage of revenue.

(2) The post-tax WACC is used to calculate the recoverable amount based on fair value.

(3) Since Acerinox Pacific, Ltd. is a broker, the EBIT-to-sales ratio is not a suitable performance metric.

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

- Bahru Stainless, Sdn. Bhd.: the value of the Company's investment, amounting to EUR 86,329 thousand, was written down in full.
- Columbus Stainless (Pty) Ltd.: an impairment loss of EUR 15,498 thousand was recognised on the Company's investment.

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

The impairment tests performed on the companies on which it was necessary to recognise impairment losses, namely, the Bahru Stainless, Sdn. Bhd. and Columbus Stainless, Ltd. factories, and the company considered to be the most significant, Acerinox Europa, S.A.U., are detailed below:

Bahru Stainless, Sdn. Bhd.

This is the Acerinox Group's most recently built factory, located in Johor, Malaysia. It operates mainly in markets of the ASEAN region, where there is a significant price differential with other international markets due largely to the overcapacity still existing in the Chinese market and the resulting pressure on the international market, particularly in the Asia-Pacific region. In addition, the various ASEAN countries, and Asian countries in general, reacted to Chinese overcapacity by instituting anti-dumping or protectionist measures in their local markets.

The situation continued to worsen in the Asian markets in 2020 as a result of the production surpluses from China and Indonesia, which caused a continuous drop in prices. The impact of Covid-19 in China caused a reduction in consumption and in prices, but less so in production. Inventories at the Wuxi and Foshan warehouses remained above normal levels.

By industry, for the third consecutive year China experienced a downturn in the automotive industry, on this occasion a more moderate decrease of -2.0% in comparison with 2019 (-7.5%), according to CAAM (China Association of Automobile Manufacturers), in contrast with the continued excellent performance of the construction industry, which grew by +7.0% (2019: +9.9%), according to data from the NBS (National Bureau of Statistics).

In conclusion, in view of the uncertain evolution of the global Covid-19 pandemic, the uncertainty in the Asian market resulting from the excess installed capacity, the low prices sustained in recent years and the growing instability in international trade flows caused by the numerous international protectionist measures, the Group considered that the projected cash flows of Bahru were subject to a high level of uncertainty.

In light of all these constraints, the Group decided to once again request the support of the independent valuation firm that it had previously engaged in 2019. Together with this firm, the Group adapted the main assumptions of the budgeted cash flows and the impairment test calculations.

In this connection, the independent valuation firm provided assistance in estimating the recoverable amount (based on fair value less costs of disposal) in the context of an impairment test analysis from the perspective of a market participant.

To estimate the fair value of Bahru Stainless, an income approach was used, based on a discounted cash flow (DCF) analysis using projections adapted to the study perspective. In this connection, the initial estimates were adjusted on the basis of performance indicators and market assumptions.

The suitability of the market comparable taken as a reference is demonstrated by the margins achieved in the second half of the year, once activity had resumed at the factory following the forced closure by the Malaysian government as a result of the evolution of the Covid-19 pandemic.

Within the possible range of post-tax discount rates (WACC), 9.25% was used based on the beta under the approach of a market participant. A finite life (26 years) was also considered, projecting maintenance investments only. In addition to the projected investments, the projected statement of profit or loss includes maintenance expenses arising during the finite life. The projected finite life, until 2046, envisages both rises and falls in the budgeted gross margin, taking into account the current uncertainty.

Tax loss and tax credit carryforwards were also considered, in addition to the availability of rights to unused land.

In 2020 impairment tests were conducted in both June and December, with the support of the same independent firm. At 30 June, as a result of the valuations performed, the Group recognised an impairment loss of EUR 70,426 thousand on the investment in Bahru Stainless.

The impairment test conducted at 31 December 2020 reflects a recoverable amount of EUR 393 thousand (2019: EUR 237,313 thousand), in comparison with a carrying amount of EUR 15,903 thousand (2019: EUR 86,329 thousand). Consequently, the recoverable amount of the investment fell short of the carrying amount by EUR 15,510 thousand (2019: a shortfall of EUR 237,313 thousand). Due to the low value of the investment that would

remain following the recognition of this impairment loss, and in view of the current climate of uncertainty, the Company opted to write down the investment in Bahru Stainless, amounting to EUR 15,903 thousand, in full.

Consequently, impairment losses of EUR 86,329 thousand were recognised in 2020 (EUR 70,426 thousand already recognised in June plus EUR 15,903 thousand recognised at 31 December 2020), as a result of which the value of the investment in Bahru Stainless was reduced to zero.

The post-tax discount rate (WACC) of 9.25% (2019: 9.75%) and the budgeted EBIT margin (profit or loss from operations as a percentage of revenue) of 1.6% (2019: 2.4%) were considered to be key assumptions in the impairment test.

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. It also supplies semi-finished flat products to other Group factories.

The South African economy declined by 6.0% year-on-year in the third quarter of 2020, easing a record fall of 17.5% in the second quarter. The South African government recently approved an aid package to support the local ferrochrome industry. Among the measures envisaged in the package was the imposition of an export tax on chrome ore. This measure will stimulate local stainless steel production.

Base prices had a mixed performance across the various markets, remaining more or less stable in Europe and North America, but experiencing a sharper fall in Asia due to the production surpluses from China and Indonesia.

Columbus has diversified its product mix in view of the lack of local production, entering new niche markets for nickel-free steel. This diversification will allow for a major improvement in the use of installed production capacity, better absorption of fixed costs and, in short, improved margins.

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) and Oxford Economics publications.

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 Company 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:

	2020	2019
Budgeted EBIT margin (*)	3.7%	2.8%
Weighted average growth rate, g (**)	4.7%	5.1%
Pre-tax discount rate (***)	17.2%	16.5%
Post-tax discount rate (***)	13.4%	12.8%

(*) Five-year budgeted average EBIT margin. EBIT is defined as profit or loss from operations and expressed as a margin or percentage of revenue.

(**) For greater objectivity, the inflation of the South African rand was used as a reference for both periods. Rate used to extrapolate cash flows beyond the budgetary period.

(***) Discount rate: weighted average cost of capital (WACC).

The average EBIT margin stated for this budgetary period was achieved in various prior periods, specifically in the 2014-2017 period (3.8%), when the current diversified production mix, which is improving the company's margins, was not yet included.

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

With respect to the terminal value, adjustments were performed to obtain flows to perpetuity, depreciation and amortisation were matched to the investments and changes in working capital were also calculated based on average amounts, deemed consistent in the long term, increased by the growth rate (g). The growth rate (g), like the discount rate, is estimated on the basis of the South African rand and calculated in accordance with the expected long-term inflation in that currency. At the terminal value, the EBIT margin considered is lower than the average for the explicit budgetary period and similar to that of the impairment test conducted in 2019, prior to the pandemic.

Other assumptions are the ZAR/EUR exchange rate (18 ZAR/EUR) and the price of raw materials (USD 15,000/t), which are established when drawing up the budget. Both are extrapolated and kept constant during the period of analysis. The variables used in 2019 were 16.28 ZAR/EUR for the exchange rate and USD 13,700/t for the price of the raw materials.

Due to the uncertain environment clouding the markets in which Columbus operates, the Group analysed the probability of occurrence of the key assumptions, adjusting the estimated budgets, as well as those of the terminal year, to normalised values that mainly take into account the results obtained in the past, in addition to the company's new production mix. The residual value considered in the test represents 41% of the total recoverable amount.

The impairment test conducted at 31 December 2020 reflects a recoverable amount of EUR 159,698 thousand (2019: EUR 175,147 thousand), which is lower than the carrying amount of EUR 175,195 thousand (2019: EUR 279,712 thousand) by EUR 15,498 thousand (2019: impairment of EUR 104,565 thousand). It was therefore necessary to recognise this impairment loss on the investment in Columbus Stainless (Pty) Ltd.

Acerinox Europa, S.A.U.

Acerinox Europa was the first integrated stainless steel factory in the world and 2021 will mark the fifty-year anniversary of the moment the first stone was laid for its construction. It will celebrate this anniversary in the midst of a digital transformation process aimed at maintaining the company's position as one of the most technologically advanced factories in the industry. Boasting a melting shop capacity of one million tonnes, a privileged location and its own seaport, Acerinox Europa mainly supplies flat products to Europe and material for long products to other plants in the Group's manufacturing network.

The new investments made in the plant in recent years have enabled it to increase its competitiveness thanks to improved efficiency and an extended range of solutions and products for its customers. In recent years, the factory has continued to achieve new quality standards, consolidating its competitiveness.

In Europe, apparent consumption of flat products dropped by around 14% in 2020. Following the standstill experienced in the second quarter due to the Covid-19 pandemic, which entailed a fall of 30%, the second half of the year saw a recovery, with improved performance in northern Europe and in industries such as the domestic appliance and construction industries.

Due to the growing pressure of third-country imports, the European Union has been opening investigations and imposing safeguard measures against such imports. These measures are summarised as follows:

- Anti-dumping duties for hot-rolled products from China (up to 19%), Indonesia (up to 17%) and Taiwan (up to 7.5%). These duties were implemented provisionally in April and definitively in October.
- The commencement of an anti-dumping investigation for imports of cold-rolled products from India and Indonesia was announced on 30 September. Provisional measures are expected to be imposed in this connection in the second quarter of 2021.

As the safeguards were not designed for a bear market, they did not entirely curb imports, which maintained a 25% penetration level in the case of cold-rolled flat products, while the penetration level of hot-rolled flat products dropped from 40% to 17% as a result of the aforementioned anti-dumping measures.

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

The key assumptions of the budgets prepared in 2020 envisage a recovery in line with the market growth estimated by SMR (Steel & Metals Market Research) in its latest review.

With respect to prices, the situation of the backlog is taken into consideration when making the estimates. In addition, the efficiency plans implemented by the Group and the plans to reduce fixed costs were also factors considered in the preparation of the budgets.

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

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

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

	2020	2019
Budgeted EBIT margin (*)	2.8%	4.4%
Weighted average growth rate (**)	1.8%	2.5%
Pre-tax discount rate (***)	8.5%	7.0%
Post-tax discount rate applied (***)	6.8%	5.8%

(*) Five-year budgeted average EBIT margin. EBIT is defined as profit or loss from operations and expressed as a margin or percentage of revenue.

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

(***) Discount rate applied: weighted average cost of capital (WACC).

The average EBIT margin stated for this budgetary period was achieved and surpassed in various prior periods, most recently in the 2014-2018 period (3.1%).

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

With respect to the terminal value, adjustments were performed to obtain flows to perpetuity, depreciation and amortisation were matched to the investments and changes in working capital were also calculated based on average amounts, deemed consistent in the long term, increased by the growth rate (g). The growth rate (g) was estimated on the basis of expected long-term inflation. The residual value considered in the test represents 78% of the total recoverable amount. At the terminal value, the EBIT margin considered remains in line with that of the impairment test conducted in 2019, prior to the pandemic.

The impairment test conducted at 31 December 2020 reflects a recoverable amount of EUR 413,081 thousand (2019: EUR 986,727 thousand), which exceeds the carrying amount of the investment, totalling EUR 341,381 thousand (2019: EUR 341,381 thousand), by EUR 71,700 thousand (2019: an excess of EUR 645,346 thousand). Consequently, it was not necessary to recognise any impairment losses.

Other companies

For the other companies, mainly trading companies and/or subsidiaries of the main factories, as indicated above, a budgetary exercise was also performed for the relevant period, in line with the budgets of the Group factories that supply the materials necessary for the Group's sales activities. The results of the tests conducted in 2020, together with their key assumptions, are detailed below:

Millions of euros	2020						
	WACC before tax	WACC after tax	EBIT ⁽¹⁾	g	Recoverable amount	Carrying amount of investment	(-) Impairment
Acerinox Italia, S.r.l.	8.7%	7.0%	3.1%	1.8%	88,567	78,844	9,723
Acerinox Deutschland GmbH	7.3%	5.9%	1.0%	1.8%	60,408	45,496	14,912
Acerinox Scandinavia, AB	6.6%	5.4%	1.6%	1.3%	58,952	31,909	27,043
Acerinox UK, Ltd.	7.7%	6.5%	1.8%	1.9%	41,704	28,444	13,260
Acerinox S.C. Malaysia, Sdn. Bhd.	9.5%	8.2%	5.2%	2.1%	24,235	19,475	4,760
Acerinox France, S.A.S.	8.0%	6.5%	2.1%	1.8%	29,029	18,060	10,969
Inoxcenter, S.L.U.	8.2%	6.8%	3.2%	1.8%	21,960	17,758	4,202
Roldan, S.A.	8.6%	6.8%	3.4%	1.8%	73,970	17,405	56,566
Acerol Portugal, Lda.	8.3%	7.0%	2.1%	1.8%	19,914	15,828	4,086
Acerinox Chile, S.A.	9.1%	7.5%	4.3%	3.0%	12,242	7,545	4,697
Acerinox Pacific, Ltd.	7.6%	6.7%	---	1.9%	8,615	7,467	1,149
Inoxfil, S.A.	8.2%	6.8%	4.5%	1.8%	15,326	6,247	9,078

Summary of impairment losses recognised in 2020

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

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

Impairment losses recognised in 2019

In 2019 the Company recognised impairment losses of EUR 237,313 thousand on Bahru Stainless, Sdn. Bhd. and EUR 104,565 thousand on its investment in Columbus Stainless (Pty) Ltd., since the recoverable amounts of these investments were lower than their carrying amounts.

The detail of the changes in impairment losses on investments in Group companies and associates in 2019 is as follows:

	Cumulative balance at 31/12/18	Charge for the year	Reversal for the year	Cumulative balance at 31/12/19
Acerinox S.C. Malaysia, Sdn. Bhd.	18,081			18,081
Acerinox Pacific, Ltd.	19,358			19,358
Betinoks Palanmaz Çelik, A.S.	354			354
Bahru Stainless, Sdn. Bhd.	155,454	237,313		392,767
Columbus Stainless (Pty) Ltd.		104,565		104,565
TOTAL	193,247	341,878	0	535,125

Dividends

In 2020 the Company received dividends amounting to EUR 782,295 thousand, as detailed below:

	2020	2019
Acerinox Shanghai Co. Ltd.	935	1,015
North American Stainless Financial Investments, Ltd.	8,154	9,786
North American Stainless, Inc.	773,206	824,549
TOTAL	782,295	835,350

Dividends from Group companies are recognised under "Revenue".

9.2.8 Other disclosures

At 31 December 2020 and 2019:

There were no firm commitments to purchase financial assets.

There were no financial assets pledged as security for liabilities or contingent liabilities.

No guarantees had been received on financial or non-financial assets.

When Columbus Stainless was incorporated, Acerinox signed a Shareholders Agreement in December 2001 with the three South African partners, Highveld Steel and Vanadium Corporation, Ltd., Samancor, Ltd. and IDC, which held ownership interests therein.

In Clause 9 of that agreement it was stipulated that in the event of a change of control at Acerinox, S.A., by virtue of which a shareholder acquired shares of Acerinox, S.A. that afforded it a majority of votes at the General Meeting or on the Board, the shareholders would be able to exercise a put option on their ownership interests vis-à-vis Acerinox, S.A.

In the 18 years that have passed, two of the three partners who signed the agreement, Highveld and Samancor, have renounced their shareholdings, and the third, IDC, a state entity supporting industrial development in South Africa, has increased its ownership interest from 12% to 24%, given its interest in supporting the creation of wealth, the maintenance of employment and the status of the stainless steel industry as a strategic industry for the country. IDC recently declared that this was a strategic and long-term interest.

Consequently, the exercise of this option, with respect to the aforementioned assumption, is highly unlikely for the only minority shareholder of Columbus Stainless, since its permanence is not determined by the presence of Acerinox, as it was in the case of the other shareholders, but by support to the national industry.

Information on the nature and level of risk of financial instruments

The Company is exposed to various financial risks, mainly: market risk (foreign currency risk, interest rate risk); credit risk; and liquidity risk. However, since the main activity of the Group to which it belongs is the manufacturing and marketing of stainless steel, the Company is also indirectly exposed to the risks inherent to the industry. The Company aims to minimise the potential adverse effects on its financial profitability through the use of derivative financial instruments, where appropriate to the risks, and by taking out insurance policies. The Company does not acquire financial instruments for speculative purposes.

9.3.1 Direct risks

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

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

9.3.1.1 Foreign currency risk

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

Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date at the exchange rates then prevailing. Any exchange differences that arise from such translation are recognised in profit or loss. To avoid fluctuations in the statement of profit and loss due to changes in exchange rates, and to ensure the expected cash flows, the Company uses derivative financial instruments to hedge most of its financial transactions performed in currencies other than the euro.

Since most of the financial transactions performed in a currency other than the functional currency of the Company are hedged, 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.

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

Where necessary, the Company uses other types of financial derivatives such as cross-currency swaps to control foreign currency risk in financial transactions. At 2020 year-end, no derivatives of this nature had been arranged, as no financing had been arranged in currencies other than the functional currency.

Although 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 does not formally document the relationship and, therefore, most of the currency forwards arranged by the Group do not qualify as cash flow hedges. Accordingly, they cannot be recognised in accordance with the policy set out in **Note 4.5.6**.

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

Note 9.2.2 details the financial instruments arranged by the Company to hedge this type of risk at 31 December 2020 and 2019.

9.3.1.2 Interest rate risk

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

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

In 2020 the Group arranged five long-term loans to purchase VDM. In order to reduce the risk of interest rate fluctuations, the Group arranged interest rate hedges amounting to EUR 160 million, equal to the amount of the new loans arranged with CaixaBank and the Spanish Official Credit Institute ("ICO"). Also, the Group arranged three new fixed-rate loans totalling EUR 190 million with BBVA, Sabadell and Liberbank.

In addition, in order to guarantee the Group's liquidity, Acerinox executed two long-term fixed-rate financing transactions in Spain with Banco Santander and Bankinter for an amount of EUR 110 million, secured by the ICO.

As in 2019, in 2020 the Group continued to reduce the cost of its short-term loans by renegotiating their reference interest rates. In this connection, the Group performed two other financing transactions (also fixed-rate) with Banco Sabadell and Banco Cooperativo Español amounting to EUR 145 million.

In 2019, in order to reduce the risk of floating interest rate changes, the Group arranged interest rate hedges amounting to EUR 210 million, equal to the amount of the new loans arranged with Bankia and CaixaBank. Also, the Group entered into three new fixed-rate loan agreements with Bankinter, Kutxabank and Unicaja amounting to EUR 120 million.

Note 9.2.2 details the financial instruments arranged by the Group to hedge this type of risk at 31 December 2020 and 2019.

In relation to the Company'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 1.8 million lower (EUR 1.58 million lower in 2019) due to higher borrowing costs on floating-rate debt. The effect on the Group's equity of such an increase in interest rates across the entire interest rate curve would have been an increase of EUR 17.9 million (2019: an increase of EUR 15.85 million), since the higher borrowing costs would have been comfortably offset by increases in the values of its interest rate hedging derivatives held at the reporting date.

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

The risk arising from changes in the price of securities held in listed companies relates to the portfolio of shares currently held by the Company in Nippon Steel & Sumitomo Metal Corporation (Nippon). The Company does not hedge this risk with derivative financial instruments. The impact of the fluctuations in listed securities in 2020 is explained in **Note 9.2.4**.

9.3.1.4 Liquidity risk

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

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

Although access to liquidity has improved considerably over the last two years, the Group has ensured its liquidity and flexibility through existing long-term loans and financing facilities for amounts exceeding the quantities required at any given time. Also, the Group has maintained liquidity with respect to 2019 through several financing and credit transactions in Spain performed with the banks with which the Group usually works, secured by the ICO.

The Group's cash is centrally managed in order to optimise resources. The Group's net debt is primarily concentrated within the Parent of the Group (more than 90% of total gross debt at year-end).

Based on its cash flow estimates and considering its investment plans, the Group has sufficient funding to meet its obligations, and maintains a sufficient level of undrawn credit facilities, together with high levels of liquidity, to hedge liquidity risk. In 2020 and 2019 no defaults occurred on the principal or interest of the Group's various financing facilities.

Even considering the fact that the effects of Covid-19 on the global economy are still difficult to quantify, the Group's financial strength guarantees that its financing will not be affected under any circumstances. Thanks to the strategy undertaken in recent years, the Acerinox Group's liquidity position is optimal for facing the current scenario.

At 31 December 2020, the Company had arranged credit facilities with banks with a maximum available limit of EUR 2,014 million (2019: EUR 1,691 million), of which EUR 1,514 million had been drawn down at 31 December 2020 (2019: EUR 1,231 million). The fair value of the current borrowings is equal to their carrying amount.

The most noteworthy financing transactions performed in 2020 and 2019 are detailed in **Note 9.2.6**.

The high levels of bank borrowings to guarantee medium-term liquidity, together with the ongoing effort to reduce working capital, continue to result in high levels of cash at the Company. Cash and cash equivalent balances are available and there is no restriction on their use.

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

In this connection, the most noteworthy financing transactions in 2020 consisted of the arrangement of five long-term loans amounting to EUR 350 million to acquire VDM, entered into with BBVA, CaixaBank, ICO, Sabadell and Liberbank. Also worthy of note were the renegotiation of a portion of the debt and the signing of new loan agreements with the Group's banks, which were secured by the ICO to ensure liquidity. The volume of these transactions was EUR 255 million and includes transactions relating to pre-existing and new loans. The transactions relating to the pre-existing loans include the improvements in the financial conditions offered by Banco Sabadell amounting to EUR 125 million, and the transactions relating to the new loans include the signing of a loan agreement for EUR 20 million with Banco Cooperativo Español and two ICO-secured loan agreements, for EUR 100 million with Banco Santander and EUR 10 million with Bankinter. These financing transactions are explained in **Note 12.2.3**.

Of note in 2019 was the renewal of the syndicated factoring agreement amounting to EUR 370 million. Also, a large portion of the existing debt was renegotiated and new loan agreements were signed for the purpose of extending the maturity of those loans and reducing costs. The total volume of these transactions was EUR 330 million and

included transactions relating to pre-existing and new loans. The transactions relating to the pre-existing loans included the improvements in Kutxabank's financial conditions, and the transactions relating to the new loans included the signing of a loan agreement for EUR 160 million with Bankia (of which EUR 120 million were used to repay the previous loan), a loan for EUR 40 million with Unicaja (of which EUR 25 million were also used to repay the previous loan) and two loan agreements with Bankinter and CaixaBank for EUR 15 million and EUR 50 million, respectively.

9.3.1.5 Credit risk

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

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

9.3.2 Indirect risks

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

9.3.2.1 Price risk

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

1. Risk arising from regional crises

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

2. Risk of changes in raw material prices

When explaining the Group's exposure to this risk, a distinction must be made between the stainless steel division and the high-performance alloys division since, although both of the Group's divisions use metals listed on the London Metal Exchange as raw materials, the performance of demand and the way in which raw material price changes affect the markets are substantially different in each division.

2.1 Raw materials used for the stainless steel division

Stainless steel is an iron alloy with a minimum chromium content of 10.5%, which also contains other metals such as nickel or molybdenum to give it specific properties. Due to fluctuations in the prices of raw materials used in the manufacturing process, as both nickel and molybdenum are listed on the London Metal Exchange, stainless steel prices can be very volatile, since these fluctuations in raw material prices are reflected, to the extent possible, in the selling price by means of the "alloy surcharge".

The cost of raw materials accounts for approximately 65-70% of the total product cost, of which the cost of nickel represents approximately 40-50%. Nickel price volatility has a direct and significant effect on the cost of stainless steel. Therefore, the strategy in relation to setting selling prices and the repercussion of such fluctuations is one of the most critical functions and requires significant market knowledge. In Europe, South Africa and the United States, selling prices usually comprise a base price and a variable component known as the alloy surcharge. The alloy surcharge is a mathematical formula, calculated on a monthly basis by each of the market's stainless steel producers, that takes into account changes in the prices of certain raw materials (particularly nickel, chromium and molybdenum) and fluctuations in the EUR/USD exchange rate. The application of this alloy surcharge allows nickel price fluctuations on the London Metal Exchange to be passed on to customers during the order manufacturing phase, as well as fluctuations in the prices of other raw materials and in the EUR/USD exchange

rate. This natural hedge is applied to 90% of the Group's sales (a portion of the sales in Europe, America and South Africa).

The manufacturing process is planned on the basis of the existing customer backlog. The Group's manufacturing period is 15 days, allowing it to link the cost of raw materials with the selling price to the customer through the aforementioned alloy surcharge. Strict control over inventories and the adaptation of the production process to market circumstances help to mitigate the risk of raw material price fluctuations.

In 2020 the mitigating effect of the alloy surcharge on the risk of price changes performed differently in the United States and in Europe. In the North American market, the alloy surcharge was observed by the market and contributed towards price stability, as evidenced by the consistency of the margins maintained by North American Stainless throughout the year.

Conversely, in Europe the traditional base price + alloy surcharge model was replaced by an effective price system. The price trend was not determined by fluctuations in raw material prices but rather by the double adverse impact of Covid-19 on consumption and, as in 2019, the tariff barriers in the various markets. These barriers affected import flows into Europe, and neither the provisional safeguard measures established by the European Commission in July 2018 nor the definitive measures that entered into force in February 2019 had the envisaged effect in a bear market.

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. In its production process, VDM also uses other listed metals such as copper, cobalt, aluminium and molybdenum. Metal content represents two thirds of the total product cost and the selling price of those products is ten times higher than that of stainless steel. The manufacturing period lasts around three to four months until the products are billed and, accordingly, the Group must purchase metals several months before they are sold. Due to the proportion of the total product cost represented by the metals, customers always demand set prices and VDM guarantees a set price for the customer on receiving the orders, thus assuming the full raw material price volatility risk. To this end, VDM has a metal trading department which is responsible for managing this risk by arranging derivatives on the LME (London Metal Exchange). These derivatives hedge the risks relating to the metal content of the manufactured products. In the case of metals not listed on the LME, VDM undertakes natural hedges through its physical stock.

At 31 December 2020, the derivative instruments arranged for metals used by the Group did not qualify for hedge accounting and, therefore, any changes in the measurement of such derivatives at the reporting date were recognised in profit or loss under "Other Operating Income" or "Other Operating Expenses".

A 20% increase in the price of the listed metals, which the Group hedges through forward purchases and sales, would impact the measurement of the derivatives with additional gains of EUR 12.5 million; conversely, a 20% decrease in the price of those metals would have a negative impact of EUR -12.5 million on the Group's results, as hedge accounting would not apply.

Hedge accounting is applied on a voluntary basis, and a separate decision on whether to apply it is taken on a case-by-case basis for each transaction. To avoid the volatility caused by the measurement of these derivatives with respect to the Group's profit or loss, an analysis was conducted of the economic model and the hedging relationships to evaluate the possible application of hedge accounting to these derivatives. Accordingly, for new derivatives arranged on or after 1 January 2021, the relationships shall be documented and a model has been implemented to ensure the effectiveness of the hedge. Therefore, from that date the Group will begin to apply hedge accounting to recognise these financial instruments.

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 reduce the risk arising from the fact that independent wholesalers control the majority of the market, the Acerinox Group has developed a sales network that enables it to supply end customers on a continuous basis, by means of warehouses and service centres through which the Group's production is channelled. This policy has enabled the Group to obtain a significant market share among end customers, enabling it to stabilise its sales and, therefore, reduce this risk.

2.4. Risk of overstatement of inventories

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

The measurement 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.

Conclusion:

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

9.4 Insurance

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

Sufficient coverage has been arranged for the Group's factories through material damage and loss-of-profit insurance policies, which account for over 56.38% of the Acerinox Group's insurance expenditure. Also, all assets under construction are covered by the insurance policies taken out by the respective suppliers as well as the global building and assembly policy.

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

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

9.5 Cash

The detail of the amount of cash at 31 December 2020 and 2019 is as follows:

(Amounts in thousands of euros)

	2020	2019
Cash on hand	16	31
Cash at banks	180,899	4,403
TOTAL	180,915	4,434

NOTE 10 - EQUITY

10.1 Share capital and share premium

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

There were no changes in share capital in 2020.

The share capital at 31 December 2020 and 2019 therefore consisted of 270,546,193 ordinary shares of EUR 0.25 par value each, yielding capital of EUR 67,637 thousand. The shares have been fully subscribed and paid.

The Annual General Meeting held on 11 April 2019 approved a reduction of the capital of Acerinox, S.A. by EUR 1,380,337.50 through the redemption of 5,521,350 treasury shares. On 9 May the Board of Directors resolved to execute this resolution. Effective from 13 June, the redeemed shares were delisted from the Madrid and Barcelona Stock Exchanges.

All the Company's shares are listed on the Madrid and Barcelona stock exchanges.

At 31 December 2020, the only shareholders with an ownership interest equal to or exceeding 10% of the share capital of Acerinox, S.A. were Corporación Financiera Alba, S.A., with 19.35% in both 2020 and 2019, and Nippon Steel & Sumitomo Metal Corporation, with 15.81% in both 2020 and 2019.

With respect to the share premium, the shareholders at the Annual General Meeting held on 22 October 2020 approved a reimbursement of shareholder contributions out of the share premium, amounting to EUR 0.10 per share, which resulted in a reduction of the share premium and a payment to shareholders of EUR 27,055 thousand.

The shareholders at the Annual General Meeting held on 11 April 2019 approved a reimbursement of shareholder contributions out of the share premium, amounting to EUR 0.20 per share, which resulted in a reduction of the share premium and a payment to shareholders of EUR 54,090 thousand.

The share premium has the same restrictions and may be used for the same purposes as the voluntary reserves of the Parent, including its conversion into share capital.

10.2 Reserves

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

(Amounts in thousands of euros)

	Legal reserve	Voluntary reserve and prior years' losses	Redeemed shares reserve	Property, plant and equipment revaluation reserve	TOTAL RESERVES
Balance at 31 December 2018	13,399	246,577	3,475	5,243	268,694
Capital increase					0
Allocation of prior years' losses		-125,600			-125,600
Dividend with a charge to reserves		-81,136			-81,136
Redemption of treasury shares		-49,680			-49,680
Balance at 31 December 2019	13,399	-9,839	3,475	5,243	12,278
Capital increase					0
Treasury share transactions					0
Distribution of prior years' profits	128	330,480			330,608
Redemption of treasury shares					
Dividend with a charge to reserves					0
Balance at 31 December 2020	13,527	320,641	3,475	5,243	342,886

10.2.1 Legal reserve

Appropriations were made to the legal reserve in accordance with Article 274 of the Spanish Limited Liability Companies Law, which requires that 10% of net profit for each year be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. At 31 December 2020, the Company had appropriated an amount equal to 20% of its share capital to this reserve (2019: 19.81%).

10.2.2 Voluntary reserves

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

10.2.3 Redeemed shares reserve and property, plant and equipment revaluation reserve

In accordance with Royal Decree-Law 7/1996, of 7 June, on urgent tax measures and measures to foster and deregulate the economy, the Company revalued its items of property, plant and equipment. The amount of the property, plant and equipment revaluation reserve reflects the revaluation gains, net of tax at 3%.

The tax authorities had a three-year period from 31 December 1996 in which to conduct a tax audit. Since such an audit did not take place, the aforementioned balance could be used to eliminate losses or increase the Company's share capital. After ten years had passed, the depreciated or transferred revaluation gains were taken to unrestricted reserves, or the revalued items were derecognised. The outstanding balance relates to land.

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

10.3 Treasury shares

At 2020 year-end the Group held 93,320 treasury shares amounting to EUR 1,062 thousand.

In order to improve the earnings per share by reducing the number of shares issued in the four years (2013-2016) in which the dividend was paid via a scrip dividend, the meeting of the Board of Directors of Acerinox held on 19 December 2018, making use of the authorisation granted for a period of five years by the General Meeting of the Company held in June 2014, and under the provisions of Article 17 of Regulation (EU) No. 596/2014 on market abuse, approved a First Share Buy-Back Programme with the aim of reducing the share capital of Acerinox, S.A.

through the redemption of treasury shares. The maximum investment would be EUR 66 million and the maximum number of shares to be acquired could not exceed 5,521,350, representing 2% of the Company's capital.

Under the buy-back programme, the shares had to be purchased at market price and under the price and volume conditions set out in Article 3 of 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 price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out.

The Company would not purchase on any trading day more than 25% of the average daily volume of the shares on the trading venue on which the purchase is carried out. The average daily volume of the Company's shares for the purposes of the foregoing calculation would be based on the average daily volume traded during the twenty business days preceding the date of each purchase. This limit would apply for the entire duration of the programme.

The maximum term of the approved plan was from 21 December 2018 to 20 March 2019, inclusive.

Acerinox, S.A. reserved the right to terminate the Programme if, prior to its expiry date, shares had been acquired for a purchase price that reached the maximum investment price or the maximum number of shares covered by the Programme. It could also be terminated early in the event of any other circumstance that made doing so advisable.

At 31 December 2018, 368,320 shares had been purchased and the remaining shares were purchased in 2019 for a total of EUR 51 million, bringing the total number to 5,521,350.

Following the capital reduction approved by the General Meeting through the redemption of 5,521,350 treasury shares, the treasury shares at 2019 year-end amounted to 93,320 shares with a total value of EUR 1,062 thousand.

No shares were acquired in 2020 for the multi-year remuneration plan or the long-term incentive plan established for the Group's senior executives and CEO.

10.4 Earnings (Losses) per share

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

(Amounts in thousands of euros)

	2020	2019
Net earnings	655,352	438,828
Weighted average number of ordinary shares outstanding	270,546,193	272,992,909
Basic earnings per share (in euros)	2.42	1.61

Although there were other equity instruments that gave access to capital at 31 December 2020, as indicated in **Note 14.3**, these do not have a significant effect on the calculation of earnings per share and, therefore, diluted earnings or losses per share are the same as basic earnings or losses per share.

10.5 Dividends paid

Following the enactment by the Spanish Cabinet of Royal Decree 463/2020, of 14 March, declaring a state of alarm, and the subsequent enactment of Royal Decree-Law 11/2020, of 31 March, the Board of Directors of Acerinox, S.A., at its meeting held on 13 April 2020, resolved to call off the Annual General Meeting that had been scheduled to take place in a single session at the Company's registered office (calle Santiago de Compostela, no. 100, 28035, Madrid) on 22 April 2020 at 12:00 p.m. Under the aforementioned legislation, the Board of Directors opted to call off the Annual General Meeting in a show of responsibility towards the Company, its shareholders, employees, customers and suppliers, and towards the Spanish company as a whole. The Annual General Meeting finally took place telematically on 22 October.

The shareholders at the aforementioned Annual General Meeting approved the distribution of a cash dividend of EUR 0.40 (gross) per share outstanding, with a charge to unrestricted reserves. This dividend of EUR 108,218 thousand was paid on 2 December 2020.

The shareholders at the Annual General Meeting held on 11 April 2019 approved the distribution of a cash dividend of EUR 0.30 (gross) per share outstanding, with a charge to unrestricted reserves. This dividend of EUR 81,136 thousand was paid on 5 June 2019.

NOTE 11 - FOREIGN CURRENCY BALANCES AND TRANSACTIONS

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

(Amounts in thousands of euros)

	2020		2019	
	USD	MYR	USD	MYR
Trade and other receivables	201		65	
Payable to suppliers and other payables				
Loans to Group companies	284,939	17,360	296,120	18,681
Bank borrowings				
Loans from Group companies	284,813		454,179	

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

(Amounts in thousands of euros)

	2020		2019	
	Realised exchange differences	Unrealised exchange differences	Realised exchange differences	Unrealised exchange differences
Trade receivables and loans to Group companies	26,715	1,463	-11,342	425
Bank borrowings	-660		-304	
Payable to suppliers and loans from Group companies	8,921	-47,191	36,237	-41,825
TOTAL	34,976	-45,728	24,591	-41,400

Losses are shown as positive figures and gains as negative.

These exchange differences were offset by the gain arising from the changes in fair value of financial instruments (currency forwards), amounting to EUR -9,005 thousand (2019: a gain of EUR -4,566 thousand). The differences between the two amounts are due mainly to the interest rate differentials between the currencies involved in the currency forward arranged.

NOTE 12 – TAX MATTERS

Acerinox, S.A. files consolidated tax returns. At 31 December 2020 and 2019, the consolidated tax group was made up of: Acerinox, S.A., Acerinox Europa, S.A.U., Roldan, S.A., Inoxfil, S.A., Inoxcenter, S.L.U. and Inoxcenter Canarias, S.A.U.

12.1 Legislative amendments

The legislative amendments enacted in 2020 relate mainly to exceptional measures implemented as a result of the pandemic. Most of these measures are temporary and attempt to alleviate the impact of Covid-19 by offering the possibility of deferring tax payments.

Besides these temporary measures, the Spanish General State Budget Law for 2021 (Law 11/2020, of 30 December) was published in the Official State Gazette in Spain on 31 December 2020. This Law includes, among other measures, an income tax amendment affecting the tax exemption for dividends received from Group companies in certain circumstances. With respect to the Company, the exemption applicable to dividends obtained from qualifying subsidiaries will be limited, for tax periods beginning on or after 1 January 2021, to 95% of the amount of the dividends. Acerinox, S.A. will now be taxed on 5% of the dividends that it receives from its subsidiaries, which will be treated as non-deductible expenses relating to management of the ownership interest. In 2020 North American Stainless, Inc. distributed a dividend of USD 948 million (EUR 773 million) to the Parent.

With respect to 2019, the Protocol amending the 1990 Convention between the United States of America and the Kingdom of Spain for the Avoidance of Double Taxation entered into force on 27 November 2019. The protocol amends several articles of the existing Convention, including the article referring to withholding tax on dividends and interest. Under this amendment, dividends are not taxed at source when the parent has held at least 80% of the voting shares in the preceding 12 months. The Group meets a series of requirements also established for the application of this exemption. In December Acerinox, S.A. received a tax-free dividend of USD 770 million (EUR 701 million) from North American Stainless, Inc.

12.2 Income tax expense

The detail of the income tax expense recognised is as follows:

(Amounts in thousands of euros)

	2020	2019
Prior years' adjustments	-276	1
Adjustments for double taxation treaties	0	10,808
Impairment of tax assets	-4,298	-60,732
Current tax for the year	54	516
Deferred tax	3,612	-4,103
Total income tax	-908	-53,510

Note 12.3.1 explains the recoverability analyses conducted by the Group in 2020, which led to the recognition of an impairment loss of EUR 4,298 thousand (2019: EUR 60,732 thousand).

The termination of the mutual agreements between Spain and Italy for 2007 to 2009 and 2011 to 2013, which completely eliminated double taxation between the two countries, took place in 2019. The initial transfer pricing adjustments proposed by the Italian authorities in relation to transactions with Spanish companies were reduced by 51% and were accepted in full by Spain. This led to a tax refund of EUR 5.8 million in Spain (EUR 5.5 million at Acerinox, S.A.) and the recognition of tax assets amounting to EUR 5.9 million (EUR 5.3 million at the Company), which were recognised as income in 2020.

The amount recognised under "Other Taxes" in the statement of profit or loss includes the taxes paid abroad as a result of the withholdings made on the payment of interest and dividends, the detail of which is as follows:

(Amounts in thousands of euros)

	2020	2019
Withholdings on dividends	102	13.496
Withholdings on interest and other income	1.108	2.528
Other taxes	1.210	16.024

The Company received dividends from its subsidiaries in the amount of EUR 782 million (2019: EUR 835 million), of which EUR 781 million were exempt from taxation (2019: EUR 701 million).

Withholdings on interest payments are deductible from income tax under the double taxation conventions, and they reduce the income tax expense.

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

(Amounts in thousands of euros)

2020	Statement of profit or loss			Income and expense recognised directly in equity		
Income and expense for the year			655,352			-4,429
	Increase	Decrease	Net balance	Increase	Decrease	Net balance
Income tax	2,118		2,118	-1,476		-1,476
Permanent differences	102,035	774,140	-672,105			0
Temporary differences			0			
- arising in the year	2,314	4,808	-2,494	6,569	663	5,906
- arising in prior years	12,191	32	12,159			0
Tax loss before offset of tax losses			-4,970			1
Offset of prior years' tax losses			218			
Tax loss			-4,752			1
2019	Statement of profit or loss			Income and expense recognised directly in equity		
Income and expense for the year			438,828			-5,765
	Increase	Decrease	Net balance	Increase	Decrease	Net balance
Income tax	69,534		69,534	-1,922		-1,922
Permanent differences	342,112	825,565	-483,453			0
Temporary differences			0			0
- arising in the year	2,333	4,834	-2,501	5,430	1,528	3,902
- arising in prior years	12,191	60,490	-48,299			0
Tax loss before offset of tax losses			-25,891			-3,785
Offset of prior years' tax losses			2,056			
Tax loss			-23,835			-3,785

The permanent differences include:

- Increases, consisting mainly of the impairment losses recognised on investments made in 2020 and 2019, as detailed in **Note 9.2.7**. Law 16/2013, of 29 October, repealed Article 12.3 which allowed impairment losses on investments in Group companies to be deducted.
- Decreases, consisting mainly of the dividends received from companies subject to the exemption for the avoidance of double taxation.

The most significant temporary differences are as follows:

- Arising in the year:

Increases:

- An adjustment of EUR 1,760 thousand was included in 2020 in relation to the contributions made to insurance companies to cover the obligations assumed with respect to certain employees (2019: EUR 1,749 thousand).
- EUR 553 thousand, arising from the long-term incentive plan approved in 2020, were also included (2019: EUR 584 thousand).

Decreases:

- Goodwill: a negative adjustment of EUR 3,917 thousand was made to the tax base under Transitional Provision Fourteen of the Spanish Income Tax Law. Since 2019 this deduction has reverted to being 5%, following the elimination of the 1% limitation in force in the preceding two years.
- EUR 891 thousand for payments made to employees as a result of obligations assumed.

- Arising in prior years:

Increases:

- In 2020 and 2019 reversals of tax impairment losses recognised prior to 2013 were included as increases. A new limitation was established from 2016, requiring all impairment losses that were tax deductible to be reversed within a maximum period of five years. EUR 12,191 thousand were reversed in 2020 and 2019.

Decreases:

- Decreases in 2019 included mainly the deduction of finance costs that had not been deducted in prior years under the limitation established in Article 16 of Spanish Income Tax Law 27/2014, of 27 November, amounting to EUR 60,458 thousand (2018: EUR 24,100 thousand).

Following is a reconciliation of the tax expense to the accounting profit for 2020 and 2019:

(Amounts in thousands of euros)

	2020		
	Recognised in profit or loss	Recognised directly in equity	Total recognised income and expense
Income and expense for the year	655,352	-4,429	650,923
Income tax	908	-1,476	-568
Other taxes	1,210		1,210
Profit before tax	657,470	-5,905	651,565
Income tax using the local tax rate ((a) +(b) at 25%)	-164,368	1,476	-162,892
<u>Effect on tax charge:</u>			
Tax credits			
Prior years' adjustments	-276		-276
Tax deductions			
Adjustments for double taxation treaties			
Unrecognised tax assets	-1,188		-1,188
Tax incentives not recognised in profit or loss	1,197		1,197
Effect of permanent differences on the tax base	168,025	-1,476	166,549
Impairment of tax assets	-4,298		-4,298
Total income tax for the year	-908		-908

The tax incentives not recognised in the statement of profit or loss relate mainly to double taxation tax credits.

(Amounts in thousands of euros)

	2019		
	Recognised in profit or loss	Recognised directly in equity	Total recognised income and expense
Income and expense for the year	438,828	-5,765	433,063
Income tax	53,510	-1,922	51,588
Other taxes	16,024		16,024
Profit before tax	508,362	-7,687	500,675
Income tax using the local tax rate ((a) +(b) at 25%)	-127,091	1,922	-125,169
<i>Effect on tax charge:</i>			
Tax credits			
Prior years' adjustments	1		1
Tax deductions			
Adjustments for double taxation treaties	10,808		10,808
Unrecognised tax assets			
Tax incentives not recognised in profit or loss	2,641		2,641
Effect of permanent differences on the tax base	120,863	-1,922	118,941
Impairment of tax assets	-60,732		-60,732
Total income tax for the year	-53,510		-53,510

12.3 Deferred taxes

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

(Amounts in thousands of euros)

	Deferred tax assets	Deferred tax liabilities
Balance at 31 December 2018	76.136	19.000
Temporary differences for the year recognised in the statement of profit or loss.	-14.770	-2.069
Adjustment of the tax rates under the tax reform, taken to profit or	5.330	
Temporary differences relating to prior years' adjustments	1	
Agreements for the elimination of double taxation		
Temporary differences taken directly to equity		
- Changes in fair value of financial instruments	697	-1.225
- Changes in the actuarial valuation of defined benefits	-60.732	
Tax losses and tax credits	8.599	
Balance at 31 December 2019	15.261	15.706
Temporary differences for the year recognised in the statement of profit or loss.	345	-2.069
Adjustment of the tax rates under the tax reform, taken to profit or		
Temporary differences relating to prior years' adjustments	-165	
Prior years' adjustments	110	
Temporary differences taken directly to equity		
- Changes in fair value of financial instruments	902	-574
- Changes in the actuarial valuation of defined benefits		
Tax losses and tax credits	1.199	
Impairment of tax assets	-4.298	
Balance at 31 December 2020	13.355	13.063

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

(Amounts in thousands of euros)

	2020			2019		
	Assets	Liabilities	Net balance	Assets	Liabilities	Net balance
Goodwill		14.688	-14.688		13.709	-13.709
Investments in Group companies and associates					3.048	-3.048
Available-for-sale financial assets	1.574	-852	2.426	1.574	-278	1.852
Non-deductible finance costs						
Non-deductible depreciation and amortisation charge	39		39	48		48
Other liabilities relating to pensions and other incentives	5.069	-773	5.842	4.707	-773	5.480
Financial instruments	2.831		2.831	1.928		1.928
Tax loss carryforwards				4.363		4.363
Tax benefits carryforwards	3.842		3.842	2.641		2.641
Deferred tax assets/liabilities	13.355	13.063	292	15.261	15.706	-445

Although the Spanish Income Tax Law (Law 27/2014) provides that tax loss carryforwards do not have a time limit for offset, pursuant to Royal Decree-Law 3/2016, companies whose revenue exceeds EUR 60 million may only use 25% of their taxable profit for the year to offset prior years' losses. Although the Company generated new tax assets amounting to EUR 1.2 million in 2020 as a result of the tax loss carryforwards, it decided not to recognise them for accounting purposes.

At 31 December 2020, the Company had tax loss carryforwards amounting to EUR 66,218 thousand. None of these tax assets were recognised at 2020 year-end. Just EUR 4,363 thousand of the EUR 66,218 thousand available had been recognised at 31 December 2019.

The Company files consolidated tax returns and, accordingly, when assessing the recoverability of its tax assets, takes into account the results of the whole tax group. Following the recoverability analyses performed at the end of the year, which are explained in the next section, the Group wrote down all the tax assets which had been recognised, amounting to EUR 4,298 thousand at 2020 year-end (2019 year-end: EUR 60,732 thousand).

In 2019 the Company was able to deduct for tax purposes the finance costs not deducted in previous years. The Spanish Income Tax Law establishes limitations which prevent finance charges from being deducted when they exceed a certain percentage of the adjusted profit from operations. The profit from operations of the Spanish tax group enabled these costs to be deducted in 2020, due to the repatriation of dividends from subsidiaries to the Parent.

The Group has tax assets not recognised for accounting purposes arising from temporary differences amounting to EUR 159.2 million (2019: EUR 133.8 million) as a result of impairment losses recognised for accounting purposes that had not been deducted for tax purposes. These tax assets arise from the impairment losses recognised for accounting purposes on Acerinox, S.A.'s investments in certain of its investees that are not deductible until the investments giving rise to the related temporary difference are settled.

12.3.1 Analysis of the recoverability of deferred tax assets

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

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

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

In preparing budgets, management considers the financial and macroeconomic circumstances and those of the stainless steel market itself, adapted to the entity's operating environment. Parameters such as expected growth, use of installed production capacity, prices, etc. are projected on the basis of the forecasts and reports of independent experts, as well as historical figures and the targets set by management. Relevant key assumptions such as exchange rates and raw material prices are extrapolated using highly conservative criteria, always tied to the most recent values recorded in the pertinent markets at the date of the analysis.

Tax assets arising from unrecovered tax losses within the consolidated tax group amounted to EUR 143 million at 31 December 2019. In 2020, due to the economic crisis arising from the pandemic, the companies forming part of the Spanish consolidated tax group generated tax losses of EUR 73.9 million, the related tax assets of which, amounting to EUR 18,468 thousand, the Group opted not to recognise. Additionally, in 2019, due to the poor performance of the markets, particularly in Europe, and the unprecedented drop in prices as a result of the rise in imports, losses were also incurred by a number of the Group's Spanish companies. The mutual agreements reached by the Spanish and Italian tax authorities in 2019, which completely eliminated double taxation and enabled the initial adjustments proposed in Italy to be reduced, also increased the tax losses in Spain, which led to an increase of EUR 6 million in deferred tax assets.

It is important to note that there are significant restrictions on the use of tax losses in Spain. In the case of the Spanish tax group, just 25% of the taxable profit generated in a given year can be used to offset prior years' losses.

The uncertainty arising from the pandemic, which has led to an unprecedented crisis in many industries, together with the weakness of the markets due to inefficient safeguards, caused the estimates of growth in future years to be downgraded. The Group took into account all these circumstances and the adjustments to the macroeconomic forecasts in preparing the five-year budgets.

In Europe, the main market for the Group's Spanish factories, apparent consumption of flat products dropped by around 14% in 2020, following the stoppage experienced in the second quarter due to Covid-19, during which period consumption dropped by 30%. Additionally, in view of the growing pressure of third-country imports, the European Union has been opening investigations and imposing safeguard measures against such imports.

The key assumptions considered in the preparation of the budgets are based on demand estimates, raw material and selling prices, exchange rates, consumer price increases and the Company's strategy itself. With respect to demand, demand estimates by the ISSF (International Stainless Steel Forum) and SMR (Steel & Metals Market Research) forecast a V-shaped recovery for the stainless steel industry. Regarding prices, sources such as CRU predict price increases from 2021. Lastly, the efficiency plans implemented by the Group, the conversion of fixed costs into variable costs and the reduction in staff costs as a result of the staff restructuring process implemented in 2019 were also factors considered in the preparation of the budgets. Based on the foregoing considerations, and in view of the uncertainty regarding the general recovery of the economy, the estimates for future years reflect improving operating margins, despite being well below estimates made in 2019.

In view of all the above, the five-year budgets prepared by management and extrapolated to a ten-year period, considering the estimated yields and historical margins, only justify the recovery of EUR 40 million over the next ten years and all the tax credit carryforwards. Accordingly, the Group recognised an impairment loss of EUR 4.3 million as an expense under "Income Tax" in the consolidated statement of profit or loss for 2020. Also, the Group was unable to recognise the tax assets amounting to EUR 1.2 million relating to the tax losses generated in 2020.

Since there is no time limitation on the recoverability of these tax assets for tax purposes, if circumstances were to reverse in a future year and the budgets enabled the recovery of the assets within a reasonable period to be justified, the Group could once again recognise those deferred tax assets.

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. Clearly, in 2020, as the tax asset was written down to the limit indicated in the estimates, any budget shortfall would cause a further reduction in the tax assets. Among the possible ten-year projection scenarios, the Group selected that which it deems the most reasonable on the basis of historical factors. If the projected earnings for the next ten years were to decrease by 10%, the recovery period for the recognised tax assets would increase to eleven years instead of ten.

12.4 Current tax

Current tax assets recognised at 2020 year-end amounted to EUR 29,362 thousand (2019 year-end: EUR 35,244 thousand).

The asset balance includes mainly the balance receivable in Spain as a result of the tax return for 2019, filed in July 2020, which gave rise to a tax refund of EUR 29,360 thousand which had not yet been collected at year-end. The balance receivable arises from the minimum tax prepayment of 23% of the earnings generated in the period, as established by Spanish legislation. This minimum 23% tax prepayment became applicable when the Parent received a dividend of EUR 134 million in April 2019.

Balances receivable from Group companies, amounting to EUR 1,250 thousand, were generated in 2020 as a result of the consolidated tax regime. These balances arose from the calculation of the consolidated tax payable, amounting to EUR 1,208 thousand (2019: receivables of EUR 1,317 thousand and payables of EUR 901 thousand). The receivables from companies belonging to the consolidated tax group as a result of the offset of tax loss carryforwards between Group companies amount to EUR 12,311 thousand (2019: EUR 13,410 thousand), while the payables in this connection amount to EUR 166 thousand (2019: EUR 1,307 thousand).

12.5 Tax audits and years open for review

Pursuant to the Spanish Income Tax Law, tax loss carryforwards declared in the tax returns for years open for review become statute-barred ten years from the day following the final day of the period established for filing the tax return or self-assessment for the tax period in which the right to offset arose. Once this period has elapsed, taxpayers must demonstrate that the tax loss carryforwards 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 Mercantile Registry within the aforementioned period.

At 31 December 2020 and 2019, Acerinox, S.A. and the companies in the consolidated tax group had all the taxes applicable to them open for review by the tax authorities in relation to the following years:

Type of tax	2020	2019
Income tax	2017 to 2020	2017 to 2019
VAT	2017 to 2020	2017 to 2019
Customs duties	2019 to 2020	2018 to 2019
Personal income tax withholdings	2017 to 2020	2017 to 2019

On 17 October 2018, a notification was received regarding the commencement of tax audits of Acerinox, S.A., Acerinox Europa, S.A.U., Inoxcenter, S.L.U. and Roldan, S.A. for the following taxes and periods:

Income tax	2013 to 2016
VAT	10/2014 to 12/2016
Personal income tax withholdings	10/2014 to 12/2016
Non-resident income tax withholdings	10/2014 to 12/2016

On 12 February 2020, Acerinox Europa, S.A.U., Inoxcenter, S.L.U. and Roldan, S.A. signed the tax assessments on an uncontested basis with respect to all the aforementioned taxes. Also, on 25 June Acerinox, S.A. signed the tax assessments relating to individual taxes on an uncontested basis, as well as those relating to income tax under the consolidated tax regime. The tax assessments resulted in an income tax charge of EUR 110 thousand plus interest of EUR 9 thousand for 2013 to 2016. No penalties were imposed. With respect to VAT, the tax assessments included adjustments under the deductible proportion rule amounting to EUR 220 thousand of VAT payable plus interest of EUR 53 thousand for the whole of the audited period.

On 3 February 2020, the Group company Acerinox Europa, S.A.U. was notified of the commencement of a tax audit relating to import duties and import VAT for 2018. On 15 July the tax assessments were signed on an uncontested basis, without adjustments, bringing this procedure to an end.

12.6 Tax receivables and payables

At 31 December 2020 and 2019, the Company had the following tax receivables and payables:

	2020		2019	
	Receivables	Payables	Receivables	Payables
Accrued social security taxes payable/refundable	7	112	5	101
Personal income tax withholdings		365		344
Tax on income from movable property		14,925		
Income tax				86
VAT	363	75	751	
TOTAL	370	15,477	756	531

NOTE 13 – INCOME AND EXPENSES

13.1 Staff costs

The detail of "Staff Costs" is as follows:

(Amounts in thousands of euros)

	2020	2019
Wages, salaries and similar expenses	12.886	11.569
Social security costs	1.100	1.029
Other employee benefit costs	277	289
Staff costs	14.263	12.887

13.2 Revenue and other operating income

The detail of revenue is as follows:

(Amounts in thousands of euros)

	2020	2019
Dividends received from Group companies	782.295	835.350
Services rendered	23.744	21.869
Interest on loans to Group companies	18.798	31.128
Revenue	824.837	888.347

"Other Operating Income" in the statement of profit or loss includes mainly lease income amounting to EUR 326 thousand (2019: EUR 334 thousand).

13.3 Outside services

The detail of outside services is as follows:

(Amounts in thousands of euros)

	2020	2019
Repairs and upkeep	824	1,069
Independent professional services and other	13,215	4,781
Utilities	64	70
Travel expenses	72	460
Communications expenses	908	749
Insurance	258	171
Advertising	163	158
Other	1,928	1,357
Outside services	17,432	8,816

"Independent Professional Services" includes services relating to the outsourcing of administrative tasks of the Group's European commercial subsidiaries, the costs of which were passed on to the various companies affected. EUR 8,623 thousand, arising from the acquisition of the VDM Group, were also included under this heading.

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

NOTE 14 - PROVISIONS AND CONTINGENCIES

14.1 Long-term provisions

No long-term provisions had been recognised at 31 December 2020 or 2019.

14.2 Contingent liabilities

Guarantees

At 31 December 2020, the Company had provided guarantees totalling EUR 1.8 million to third parties, mainly public authorities and suppliers (2019: EUR 3.3 million).

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

14.3 Share-based payment transactions

At its meeting held on 22 March 2018, the Board of Directors of Acerinox, S.A. approved a multi-year remuneration or long-term incentive (LTI) plan enabling the CEO and senior executives of the Acerinox Group to receive a portion of their variable remuneration in the form of treasury shares of Acerinox, S.A. The target amount is 30-50% of their base salary, subject to a personal limit of 200% of the respective target. This plan was subsequently submitted to, and approved by, the shareholders of Acerinox at the General Meeting held on 10 May 2018.

The approved LTI plan consists of three three-year cycles. The First Cycle of the plan ran from 1 January 2018 to 31 December 2020. The Second Cycle commenced on 1 January 2019 and ends on 31 December 2021, and the Third Cycle commenced on 1 January 2020 and ends on 31 December 2022.

On 1 January 2020, the third three-year cycle of the multi-year remuneration plan came into force. The second cycle had entered into force on 1 January 2019.

Under the remuneration plan, 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.

Upon conclusion of the first cycle and authorisation for issue of the financial statements for 2020, the Company has 30 days in which to determine the number of shares to be delivered to each of the employees signed up to the plan. Upon delivery of the shares, the accounting difference between the equity item cancelled and the treasury shares delivered is recognised with a charge to the Parent's reserves.

The Company presumes that the services are to be provided over the irrevocability or vesting period as consideration for the future delivery of the shares. Accordingly, the services rendered are recognised on a straight-line basis over the period in which the rights to receive those shares become irrevocable.

The Company measures the goods or services received, as well as the corresponding increase in equity, at fair value on the date the equity instruments are granted.

To calculate this theoretical number of shares, the shares of Acerinox, S.A. are measured at their quoted price 30 trading days prior to commencement of the plan, and their subsequent increase or decrease in value is assumed by the employee. The resulting number of Performance Shares is used as the basis for determining the actual number of Acerinox, S.A. shares to be delivered (if any) at the end of each cycle, depending on the extent to which objectives are achieved and subject to compliance with the requirements set out in the regulations governing each plan.

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, which would represent 0.08% of the share capital of Acerinox, S.A. at the end of the three cycles.

The expense incurred in 2020 amounted to EUR 736 thousand (2019: EUR 859 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 2,208 thousand (2019: EUR 1,472 thousand).

14.4 Employee benefits and other obligations

The Company has assumed retirement commitments vis-à-vis its senior executives, giving rise to obligations of EUR 14.8 million (2019: EUR 13.1 million). Since these obligations were appropriately insured in both 2020 and 2019, and their estimated amount was covered by cash flows arising from the insurance policies taken out for this purpose, no liabilities were recognised in this connection.

The assumptions used to calculate the fair value are detailed below:

Mortality table	PERM/F-2000P
CPI	1.50%
Salary increase rate	1.50%
Social security growth rate	1.50%
Retirement age	65 years
Valuation method	Projected unit credit

NOTE 15 - RELATED PARTY BALANCES AND TRANSACTIONS

15.1 Related parties

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

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

All the transactions performed with related parties are carried out on an arm's length basis.

15.2 Balances and transactions with Group companies

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

(Amounts in thousands of euros)

	2020	2019
COMPANY	Receivables	Receivables
Acerinox Australasia (Pty) Ltd.	5	2
Acerinox do Brasil Representações Ltda.	15	7
Acerinox Benelux, S.A.-N.V.	6	6
Acerinox Argentina, S.A.	224	187
Acerinox Chile, S.A.	35	29
Acerinox Colombia, S.A.S.	3	2
Acerinox Deutschland GmbH	112	109
Acerinox Europa, S.A.U.	3,466	3,042
Acerinox France, S.A.S.	45	44
Acerinox India Pte. Ltd.	17	4
Acerinox Italia S.r.l.	93	92
Acerinox Metal Sanayii Ve Ticaret, Ltd Sirketi	27	13
Acerinox Middle East Dmcc	28	15
Acerinox Pacific, Ltd.	7	11
Acerinox Polska, Sp. Z o.o.	55	48
Acerinox Russia LLC	7	5
Acerinox Scandinavia, AB	64	71
Acerinox (Schweiz) Ag.	11	12
Acerinox S.C. Malaysia, Sdn. Bhd.	718	487
Acerinox Shanghai Co. Ltd.	102	79
Acerinox (S.E.A.) Pte. Ltd.	10	9
Acerinox UK, Ltd.	66	77
Acerol Comercio e Industria de Aços Inoxidáveis Unipessoal, Ltda.	63	70
Bahru Stainless, Sdn. Bhd.	517	745
Columbus Stainless (Pty) Ltd.	2,604	2,095
Corporación Acerinox Peru, S.A.C.	25	15
Inoxcenter, S.L.U.	164	122
Inoxcenter Canarias, S.A.U.	5	4
Inoxfil, S.A.	168	79
Inoxidables Euskadi, S.A.	51	51
Metalinox Bilbao, S.A.U.	32	23
North American Stainless, Inc.	1,342	1,141
Roldan, S.A.	345	281
VDM Metals Holding GmbH	89	
TOTAL	10,521	8,977

The detail of the short- and long-term loans granted to Group companies and associates at 31 December 2020 and 2019 is as follows:

(Amounts in thousands of euros)

	Short-term loans granted		Long-term loans granted	
	2020	2019	2020	2019
Acerinox Europa, S.A.U.	376,835	354,930		
Acerinox Deutschland GmbH		9,607		
Acerinox (S.E.A.) Pte. Ltd.				
Acerinox S.C. Malaysia, Sdn. Bhd.	17,359	18,681		
Bahru Stainless, Sdn. Bhd.	22	37	284,818	295,976
Columbus Stainless (Pty) Ltd.				
Corporación Acerinox Peru, S.A.C.	99	107		
Worten Canarias, S.L.	91	94		
Inoxcenter, S.L.U.	1,105	491	30,000	30,000
Roldan, S.A.	2,445	2,479		
TOTAL	397,956	386,426	314,818	325,976

The detail of the short- and long-term loans received from Group companies and associates at 31 December 2020 and 2019 is as follows:

(Amounts in thousands of euros)

	Short-term loans received		Long-term loans received	
	2020	2019	2020	2019
Acerinox Europa, S.A.U.		884		
Inox Re, S.A.	77	82	33,500	33,500
Inoxcenter Canarias, S.A.U.				
Inoxcenter, S.L.U.	291	1,574		
Inoxfil, S.A.	166	141		
North American Stainless, G.P.	284,813	200		453,979
Roldan, S.A.	0	282		
Acerinox Scandinavia, AB	3	3		
TOTAL	285,350	3,166	33,500	487,479

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

The transactions performed with Group companies are as follows:

(Amounts in thousands of euros)

	2020	2019
Revenue from services provided and other operating income	23,744	21,869
Interest income	18,798	31,128
Income from equity investments	782,295	835,350
Borrowing costs	-5,861	-11,928

“Interest Income” includes mainly the interest at market rates charged by the Company on the loans granted to Group

companies.

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

15.3 Transactions and balances with associates

The Company did not perform any transactions or recognise any balances with associates in 2020 or 2019.

15.4 Directors and key management personnel

The remuneration received in 2020 by the six senior executives (2019: four), who did not hold positions on the Board of Directors of Acerinox, S.A., amounted to EUR 2,601 thousand, of which EUR 1,739 thousand relate to salaries, EUR 96 thousand to attendance fees, EUR 703 thousand to variable remuneration based on the results of the previous year and EUR 63 thousand to remuneration in kind. In 2019 the four senior executives received EUR 2,693 thousand, of which EUR 1,599 thousand related to salaries, EUR 108 thousand to attendance fees, EUR 917 thousand to variable remuneration based on the previous year’s results and EUR 69 thousand to remuneration in kind.

In 2020 the members of the Board of Directors of Acerinox, S.A., including those who also hold senior executive positions and sit on the Boards of Directors other Group companies, earned EUR 2,431 thousand in fixed allowances, attendance fees, and fixed and variable salaries (the latter based on the previous year’s results), of which EUR 1,316 thousand related to salaries and fixed allowances of directors, EUR 637 thousand to attendance fees, EUR 463 thousand to variable remuneration based on the previous year’s results and EUR 15 thousand to remuneration in kind. In 2019 the remuneration received amounted to EUR 2,596 thousand, of which EUR 1,391 thousand related to salaries and fixed allowances of directors, EUR 565 thousand to attendance fees, EUR 625 thousand to variable remuneration based on the previous year’s results and EUR 15 thousand to remuneration in kind.

There are obligations arising from certain senior executive retirement benefit arrangements amounting to EUR 14.8 million (2019: 13.1 million), of which EUR 5 million correspond to the CEO (2019: EUR 4.5 million). In 2020 and 2019 these obligations were duly covered by insurance contracts, to which EUR 1,760 thousand and EUR 1,749 thousand, respectively, were contributed in those years. There are no obligations to proprietary or independent directors of Acerinox, S.A. At 31 December 2020, no advances or loans had been granted to the members of the Board of Directors or senior executives, and there were no balances receivable from or payable to them.

In relation to the multi-year remuneration or long-term incentive (LTI) plan, the terms and conditions of which are detailed in **Note 15.1.3**, the expense incurred in 2020 in relation to the CEO and senior executives, the balancing entry of which is recognised under “Other Equity Instruments”, amounts to EUR 554 thousand, of which EUR 206 thousand relate to the CEO (2019: EUR 584 thousand, of which EUR 241 thousand relate to the CEO).

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

The Group has taken out a third-party liability insurance policy which covers the directors and senior executives, as well as Group employees. The premium paid in 2020 amounted to EUR 510 thousand (2019: EUR 157 thousand).

In 2020 and 2019 the members of the Board of Directors did not perform any transactions with the Company or with Group companies that were outside the normal course of business or were not on an arm’s length basis.

15.5 Significant shareholders

In 2019 Corporación Financiera Alba, a shareholder of Acerinox, S.A., ceased to form part of the March Group and, therefore, Banca March ceased to be a related party for the Group.

The dividends received by Acerinox, S.A. from Nippon Steel & Sumitomo Metal Corporation amounted to EUR 60 thousand (2019: EUR 236 thousand).

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

NOTE 16 - OTHER DISCLOSURES

16.1 Average number of employees in the year

	2020		2019	
	Men	Women	Men	Women
Senior Vice President	7		6	
Director	4	4	2	4
Manager	13	2	13	3
Analyst / Supervisor	10	11	10	11
Specialist	3	2	3	2
Administrative staff	1	13	5	13
TOTAL	38	32	39	33

At 31 December 2020, the Company was not complying with the provisions of the Spanish General Law on the Rights and Social Integration of Disabled Persons, since its only disabled employee ceased to provide services for the Company in December 2020. This position was covered by another person in January 2021.

16.2 Breakdown, by gender, of personnel and directors at 31 December 2020 and 2019

	2020		2019	
	Men	Women	Men	Women
Board members	8	4	10	3
Senior Vice President	7		6	
Director	4	4	2	4
Manager	14	3	13	3
Analyst / Supervisor	10	11	9	11
Specialist	4	2	4	2
Administrative staff	1	13	5	13
TOTAL	48	37	49	36

16.3 Fees paid to auditors

The shareholders at the Annual General Meeting held on 22 October 2020 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 2020.

The detail of the fees and expenses incurred for the respective services rendered in 2020 and 2019 is as follows:

(Amounts in thousands of euros)

	2020	2019
Audit services	182	139
Audit-related services	66	65
TOTAL	248	204

The amounts detailed in the foregoing table include the total fees for services rendered in 2020 and 2019, irrespective of when they were billed.

“Other audit-related services” includes the limited review of the interim condensed consolidated financial statements as at 30 June 2020 and 2019, the report on agreed-upon procedures regarding the system of Internal Control over Financial Reporting (ICFR) and the report on agreed-upon procedures relating to the achievement of the financial ratios required by the ICO.

NOTE 17 - EVENTS AFTER THE REPORTING PERIOD

Amendments to the Spanish National Chart of Accounts

Royal Decree 1/2021, amending the Spanish National Chart of Accounts in order to adapt it to International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), was published on 30 January 2021. This Royal Decree is applicable to reporting periods beginning on or after 1 January 2021.

The main amendments relate to the following:

- Financial instruments: incorporation of the classification and measurement concepts established in IFRS 9. This has no impact on the Company.
- Recognition of revenue from the supply of goods or the provision of services, adopting the criteria of IFRS 15.
- Measurement of inventories: introduction of measurement at fair value less costs to sell at intermediaries who trade in listed raw materials.

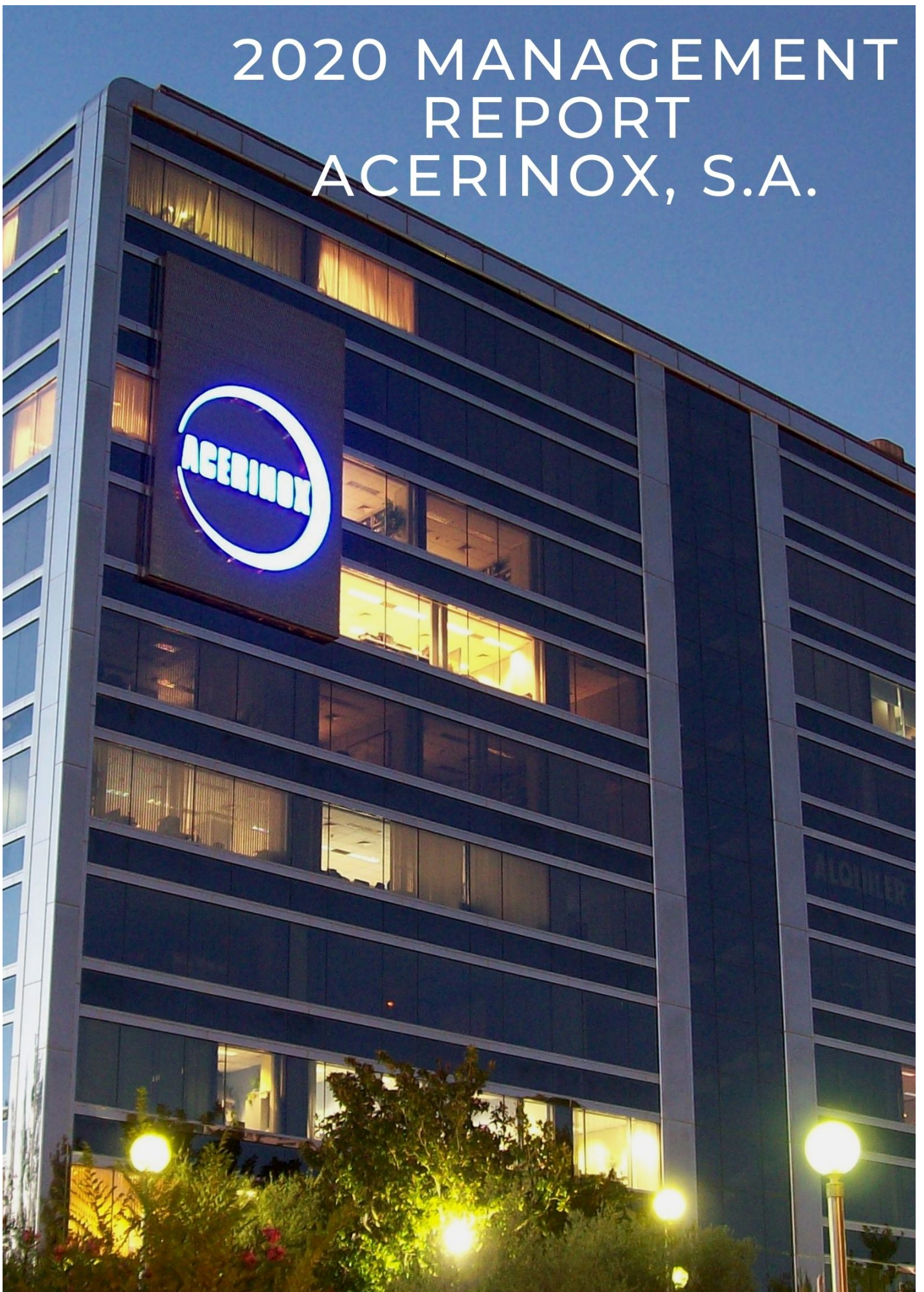
The Group has been applying EU-IFRSs to its consolidated financial statements since 2003 and makes the necessary adjustments to the separate financial statements in order to adapt the accounting under the Spanish National Chart of Accounts to International Standards in cases where there are discrepancies.

The Company does not expect the approved amendments to give rise to any impact.

Capitalisation of the loan granted to Bahru Stainless

At its meeting held on 15 December 2020, the Board of Directors resolved to carry out a capital increase at Bahru Stainless, with no cash consideration, through the conversion into capital of USD 349.5 million from the loan granted by Acerinox, S.A. to its subsidiary. The Malaysian entity is following the legal procedures to perform this capital increase.

2020 MANAGEMENT REPORT ACERINOX, S.A.



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1. Acerinox, S.A.

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

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

On 31 December 2020, Acerinox's share capital totalled EUR 67,636,548.25, and is represented by 270,546,193 shares with a nominal value of EUR 0.25 per share. All of the shares are listed on the official stock markets in Madrid and Barcelona, and are traded on the Continuous Market.

Acerinox held the General Shareholders' Meeting by electronic means on 22 October 2020. The agreements approved in the Meeting included a shareholder remuneration of EUR 0.50 per share to each of the shares outstanding, with the first payment of EUR 0.40, with a charge to reserves, being made on 2 December 2020, and the second payment of EUR 0.10, through a share premium refund, being made on 3 December 2020.

2. Balance sheet

ASSETS

Million €	Dec 20	2019	Variation
Non-current assets	2,029.16	1,833.21	10.7%
Current assets	904.91	436.74	107.2%
- Inventories	0.00	0.00	0.0%
- Debtors	40.35	45.04	-10.4%
<i>Trade debtors</i>	10.52	8.98	17.2%
<i>Other debtors</i>	29.83	36.06	-17.3%
- Cash and other current assets	864.56	391.71	120.7%
TOTAL ASSETS	2,934.07	2,269.95	29.3%

LIABILITIES

Million €	Dec 20	2019	Variation
Equity	1,056.23	539.85	95.7%
Non-current liabilities	1,372.69	1,526.96	-10.1%
- Interest-bearing loans and borrowings	1,317.71	1,017.79	29.5%
- Other non-current liabilities	54.97	509.18	-89.2%
Current liabilities	505.15	203.14	148.7%
- Interest-bearing loans and borrowings	196.49	189.65	3.6%
- Trade creditors	1.37	1.68	-18.6%
- Other current liabilities	307.28	11.81	2502.6%
TOTAL EQUITY AND LIABILITIES	2,934.07	2,269.95	29.3%

Million €	January - December		
	2020	2019	Variation
Net sales	824.84	888.35	-7.1%
Gross margin	824.84	888.35	-7.1%
% over sales	100.0%	100.0%	
Gross operating result / EBITDA	787.89	867.47	-9.2%
% over sales	95.5%	97.7%	
EBIT	787.20	866.79	-9.2%
% over sales	95.4%	97.6%	
Result before taxes	657.47	508.36	29.3%
Result after taxes	655.35	438.83	49.3%

3. Human Resources

At 31 December 2020, the Parent of Acerinox had a total of 73 employees, of which 40 were male and 33 were female.

The 2020 figures are very similar to those for 2019. By professional category, in 2020 Acerinox, S.A. had a total of 7 members of senior management, 8 directors, 17 managers, 21 analysts, 6 specialists and 14 administrative staff.

Below is a table summarising the Company's average data:

	2020		2019	
	Men	Women	Men	Women
Senior Vice President	7		6	
Director	4	4	2	4
Manager	14	3	13	3
Analyst	10	11	9	11
Specialist	4	2	4	2
Administrative staff	1	13	5	13
Total	40	33	39	33

This document is not required to include the full Statement of Non-Financial Information, which is presented as a separate document and which has been published for your reference.

4. Stock market evolution

On 31 December 2020, Acerinox's share capital totalled EUR 67,636,548.25, and is represented by 270,546,193 shares with a nominal value of EUR 0.25 per share.

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

At 31 December 2020, Acerinox had a total of 36,200 shareholders:

	Number of shares	% Share capital
Corporación Financiera Alba, S.A.	52,337,949	19.35%
Nippon Steel Stainless Steel Corporation	42,774,066	15.81%
Danimar 1990, S.L.	12,175,083	4.50%
Industrial Development Corporation	8,809,294	3.26%
Treasury shares	93,420	0.03%
Remaining investors	154,356,381	57.05%

The percentage of domestic shareholders was 40% and foreign shareholders was 60%.

If anything has characterised the evolution of the stock market in 2020 it has been volatility: the first six months of the year were earmarked by COVID-19 with great uncertainty across the world and the markets, and the second six months of the year were bullish due to positive macro news and confidence in the control of the pandemic.

Of the European indices, only the German Dax and the Swedish OMX remained positive. The IBEX 35 decreased by 15%, lagging behind the major European indices. In Wall Street, with technology companies dominating, new records were set.

Evolution of the main global indices in 2020:

	% 2020
NASDAQ-100 Index	43.64%
CSI 300	27.21%
S&P 500	16.26%
Nikkei	16.01%
DJ Industrial	7.25%
Germany DAX (TR)	3.55%
Euro STOXX 50	-5.14%
Ftse MIB	-5.42%
France CAC 40	-7.14%
FTSE 100	-14.34%
IBEX 35	-15.45%

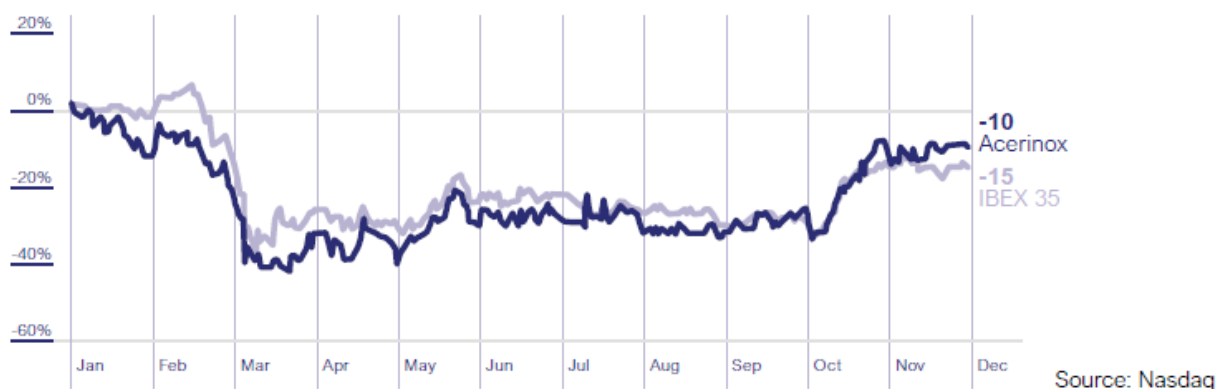
Source: Nasdaq

Only nine IBEX companies ended the year in the black, including Solaria, Siemens Gamesa, Iberdrola and Acciona, which shows the Spanish index's commitment to renewable energies. Sabadell, IAG and Telefónica ended the year at the bottom of the selective index.

Acerinox was no stranger to this situation and ended the year with a decrease of 10%. The price of Acerinox shares was very similar to that of the IBEX35, although the cyclical shift of investors following the vaccine announcements, anticipating the economic recovery, meant that Acerinox's end-of-year performance was better than that of the IBEX.

In November and December Acerinox shares rose by 33%.

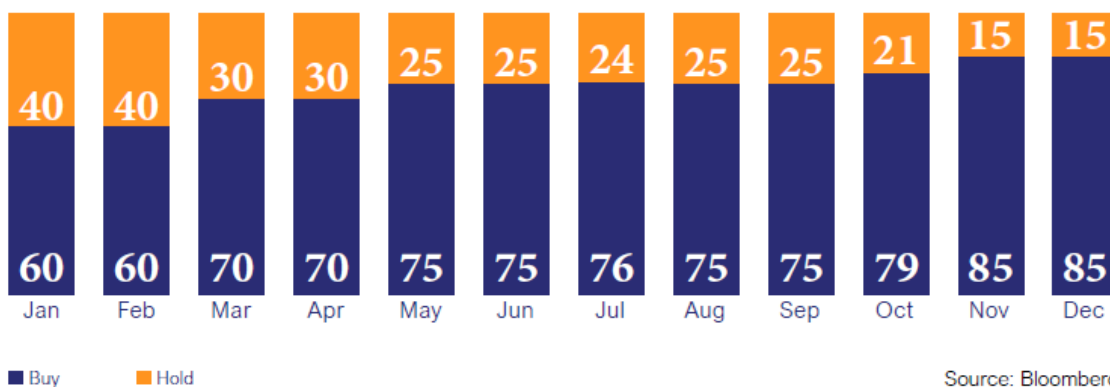
Stock market evolution of Acerinox and the IBEX 35 - Daily percentage data, 2020



This is the second consecutive year that Acerinox has outperformed the IBEX 35.

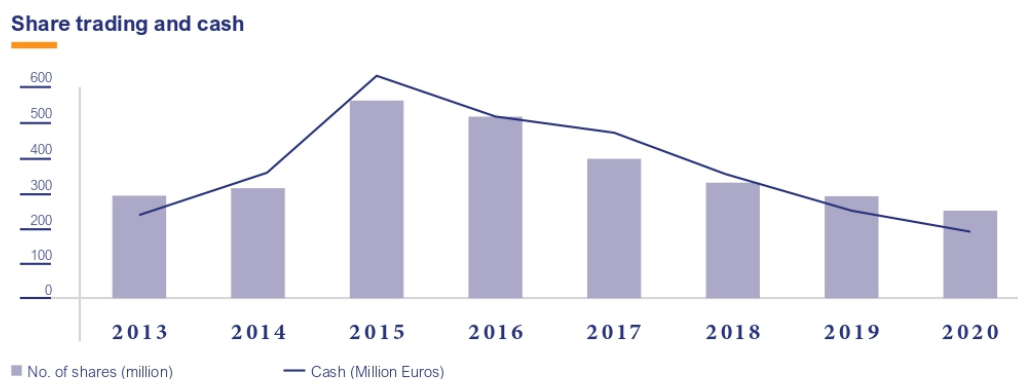
The evolution of analysts' recommendations was positive throughout the year, increasing from 60% buy recommendations to 85% at year-end. There were no "Sell" recommendations from analysts following Acerinox in 2020. The following chart shows the evolution of recommendations throughout the year (Source: Bloomberg):

Evolution of recommendations throughout the year



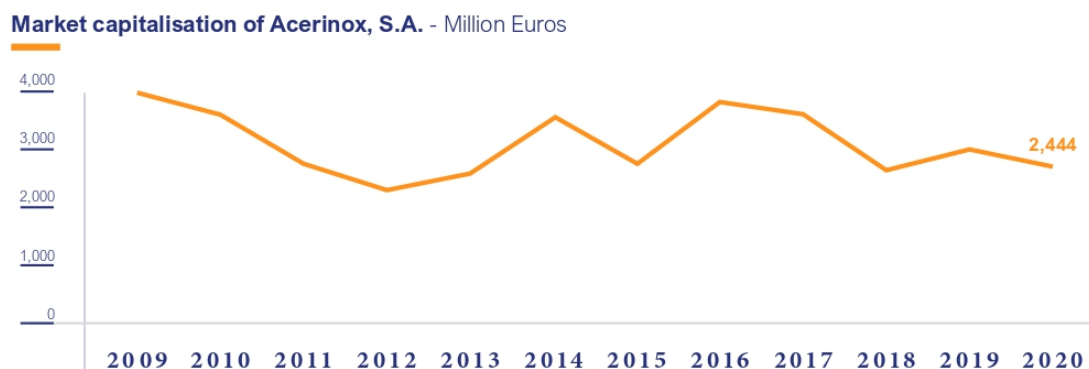
In 2020, Acerinox shares were traded on the 257 days that the Continuous Market was open. The total number of shares traded amounted to 236,177,023, equivalent to 0.87 times the number of shares that make up the share capital, with an average daily trading of 918,976 shares.

The volume traded in 2020 totalled EUR 1,805,294,383.78, a figure which represents a daily average of EUR 7,024,491.



Capitalisation

At 31 December 2020, Acerinox's market capitalisation totalled EUR 2,444 million (10% lower than in 2019).



Shareholder remuneration

Acerinox held the General Shareholders' Meeting by electronic means on 22 October. The agreements approved in the Meeting included a shareholder remuneration of EUR 0.50 per share to each of the shares outstanding, with the first payment of EUR 0.40, with a charge to reserves, being made on 2 December 2020, and the second payment of EUR 0.10, through a share premium refund, being made on 3 December 2020.

Shareholder remuneration: EUR 135,273,096

Average period of payment to suppliers

In relation to the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements, the average period of payment to suppliers and the additional information required is as follows:

	2020	2019
Average period of payment to suppliers	51 days	51 days
Ratio of transactions settled	52 days	51 days
Ratio of transactions not yet settled	30 days	56 days
<i>Data in thousand Euros</i>	Amount	Amount
Total payments made	27,633	15,856
Total payments outstanding	1,028	1,411

5. Risks

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

This policy is available on the Group's website:

<https://www.acerinox.com/opencms901/export/sites/acerinox/.content/galerias/galeria-descargas/OtrosDocumentos/General-Policy-for-Risk-Management-and-Control-at-Acerinox-S.A.-a-ndits-Group-of-Companies.pdf>

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

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

- The strategic objectives determined by the Group to be achieved
- Full guarantees for the shareholders to be provided
- The Group's results and reputation to be protected
- The interests of the Group's key Stakeholders to be defended
- Business stability and financial solidity in a sustained manner over time to be guaranteed

The main risks are as follows:

- **Economic cycles**
- **Trade barriers**
- **Competition**
- **Strategic plans**
- **Cybersecurity**
- **Customers**
- **Legislative changes, Environment and CO2 Emissions**
- **Legislation**
- **Overcapacity**
- **Commodity price volatility**
- **Financial**
- **Reputational risks**

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

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

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

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

The main opportunities include:

- The possibility of introducing products in emerging markets, for example in hydrogen production and its entire value chain or in already firmly established renewable energies.
- The cost savings associated with the consumption of electricity from renewable sources.
- Improvements in the efficiency of the supply network.
- Implementation of the Best Available Techniques (BATs) for iron, steel and ferrous metals enables the incorporation of energy efficiency improvement measures in the production chain, with the subsequent reduction of consumption and emissions.
- Strong market positioning through the offering of a low-emission product with a high recycling rate (it is a fully recyclable product).

6. R&D&I

In 2020 the Parent did not carry out any R&D&I activities.

7. The Environment

Committed to the environment

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

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

The identification and management of environmental risks is essential for Acerinox. More information can be found in section 5. Risks in this report. In addition to legislative obligations, the Group's own factories have environmental risk control procedures in place, with the corresponding assessment of probability and severity.

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

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

8. Corruption and bribery

Fight against corruption and bribery

Acerinox is committed to zero tolerance towards corruption, bribery, fraud or other similar illegal activities in all its actions. The Board ensures compliance with the policies via the Chief Compliance Officer with the crime prevention model, which was approved by the Board itself, and the complaints channels as means of detection. If a breach is detected, the Crime Prevention Model provides for the application of the sanctions established in the labour regulations.

Information and measures to combat corruption and bribery within the Group are based fundamentally on the provisions of the Code of Conduct and Best Practices and the Crime Prevention Model, which set out the Group's commitments and ethical responsibilities and also constitute the main tools for regulatory compliance and criminal prevention, establishing the measures to prevent money laundering. In 2020, no corruption cases arose.

In 2020 the Board of Directors of Acerinox, S.A. approved Instructions for the establishment of the Bribery Prevention Programme, which follows the structure of the ISO 37001 standard on Anti-Bribery Management Systems.

9. Diversity and Equality

A diversity that enriches

At the Acerinox Group, diversity and equality are understood as the sum of different potentials that allow the Group to multiply opportunities and achieve unique results, competing successfully in the markets in which it operates. The industrial sector, and especially the steel industry, has traditionally been male-dominated and, therefore, less female-dominated.

In order to close this gap, the Group is working on a cultural change to help achieve a gender balance in both operational positions in production and in leadership positions, with the aim of fostering a pool of talent. In 2020 a qualitative leap was made in this area with the approval of the Acerinox Group's Equality Plan, which is based on eight lines of action that provide the backbone for the actions to be carried out.

The actions that arise from these lines include: disseminating Acerinox's commitment internally and externally; designing a job position levelling system for exempt employees based on their contribution to the business; providing training in the field of Equality in the company, promoting women's professional careers through the acquisition of skills and abilities, among many others. These actions implemented by Acerinox in the field of equality are aimed at guaranteeing and promoting equal treatment and opportunities in a real and effective way among all the Group's professionals.

The Group's diversity is based on the support of the Board of Directors and senior management, who incorporate this concept as a strategic priority. The challenges of recent years, the digital transformation, the coexistence between different generations and an increasingly uncertain and volatile environment have led the company to pay special attention to strategic diversity management. Not only focusing on age, gender, race or disability, but also on interests, habits, hobbies, personal and family situations, opinions, etc.

To this end, Acerinox has proposed to continue strengthening the diversity and inclusion strategy for the 2020-2025 period, basing itself on: being a benchmark in diversity, promoting a company with a culture of diversity, emphasising the creation of processes that reinforce these objectives, eliminating possible biases and developing diversity management at a social level. These challenges will not only help the Group to put its employees at the centre, but they will also help to understand diversity in all its variables, enabling Acerinox to enhance knowledge sharing and creativity to achieve greater competitiveness and efficiency.

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

For Acerinox, the ability to make the most of the available talent becomes a business opportunity. Thus, diversity management is a strategic pillar and a fundamental criterion in the Group's decisions.

In order to corroborate all these principles, the 2020 figures are mentioned below as evidence:

- Although women have not historically been drawn towards studies and jobs related to the industry in the same proportion as men, the percentage of women is higher than the average for our sector, having experienced a **16.27%** increase in female incorporations in the Group in 2020.

<https://www.youtube.com/watch?v=IFz1JnfBOXM&t=83s>

- Despite inheriting the historical shortage of female vocations in the industry, Acerinox does not see a glass ceiling for women when they approach positions of responsibility. In fact, the percentage of female executives reaching Director is **4 times higher** than the percentage of women at entry level.
- In a traditionally male sector, Acerinox has been committed for many years to promoting women's careers, with an increase of **19.6 %** in the percentage of women hired compared to 2019.
- During recent crises and restructuring processes, the over-45s have become part of the vulnerable groups in terms of employment. However, Acerinox has always been particularly determined not to discriminate against an individual on the basis of age, as evidenced by senior talent over the age of 50 accounting for almost 30% of the workforce.
- Also worthy of note is Acerinox's commitment to youth employment (which has been hard hit by crises) and to offering a full professional career from the start until retirement. This wide range of opportunities for colleagues from up to 5 decades apart and with 64 nationalities spread across all continents, offers generational and cultural diversity that enriches both personally and professionally.
- Acerinox promotes the care, respect and inclusion of people with different abilities in the workplace. The Group's plants employ 241 people with a disability recognised by local legislation.

10. Corporate Governance

Corporate Governance

The assessment of the Board and its committees is carried out every three years by an external consultant and during the remaining years by the internal services, although following as much as possible the same methodology as the aforementioned consultant in order to be able to make comparisons. These processes generate action plans with identified areas for improvement, which the Board implements and regularly monitors and audits. The assessment for 2020 was carried out by an independent expert, KPMG. As a result of the conclusions and with the help of the expert, an action and improvement plan was prepared to drive forward the few actions in the areas where it is considered that there may still be progress to be made.

Unsurprisingly, given the complicated year, the governing bodies of Acerinox, S.A. met a total of 41 times, excluding the General Shareholder's Meeting. This increase in corporate activity was not due to the fact that a specific body increased its attention to the governance of the Company, but rather that all the governing bodies of the Group, without exception, increased their number of meetings. In fact, the difficulties of economic life in 2020 prompted closer monitoring of the business in a changing environment.

In 2020, the governing bodies, as well as the Company's management, had to deal with transport stoppages in many countries, the closing of factories by government order, ongoing collective bargaining, the acquisition and subsequent integration of the German company VDM, with a total of 18 companies, and their subsequent assimilation and integration process. This growth has gone hand in hand with an increase in the quantity and quality of the information that has reached the various bodies, either at the discretion of Management or at the request of the Directors.

The 2020 Annual Corporate Governance Report of Acerinox, S.A. forms part of the Management Report and, from the date of publication of the financial statements, is available on the Spanish National Securities Market Commission's website and on the Acerinox website.

The Board of Directors and its Committees

In 2020 the number of Directors decreased as a result of the resignation in August of the Proprietary Directors of NIPPON STEEL STAINLESS STEEL CORPORATION, heir company of Nisshin Steel, one of the founders of Acerinox in 1970, which has recently been absorbed by a third company. The Directors Mr Hattori and Mr Ikeda communicated their resignations and their reasons to the Board in a letter sent through the Chairman, which gave rise to the corresponding Relevant Information Disclosure.

Mr Braulio Médel also stepped down from the Board, as he has reached the statutory retirement age and is no longer eligible for re-election. Mr Médel served three terms as Independent Director, following his first appointment in 2008.

As a result of the aforementioned, the number of the members of the Board of Directors decreased to twelve, although the maximum number foreseen in the Articles of Association has not changed.

Acerinox's Articles of Association and Regulation for the General Meeting of Shareholders were modified. This was due to several reasons, the most urgent of which was to incorporate without undue delay the changes that would facilitate the holding of General Shareholder's Meetings in the future by electronic means. Acerinox also wished to incorporate into these policies the amendments required by recent regulatory changes.

Following the Recommendations of the Code of Good Governance and the most solid corporate trends, at the end of 2020 the Board resolved to create a new Committee dedicated to Sustainability denominated the Sustainability Committee, whose function is to be the specialised working body on this matter and to assist the Board of Directors in this area. Ms Rosa M^a García Piñeiro, Independent Director, was appointed as the Chair of the Committee. Ms Garcia has extensive experience in this field, as well as in the industry in general, and is the fourth female to chair a Committee following Belén Romana, Laura Abasolo and Laura G. Molero, current Chair of the Appointments, Remuneration and Corporate Governance Committee.

The shareholders' decision at the General Shareholder's Meeting to appoint Ms Leticia Iglesias, a person with extensive experience in auditing and financial control, resulted in the number of women on the Board totalling four at the date of reporting (33.3%). In the same General Shareholders' Meeting, Mr Francisco Javier García Sanz, who has held numerous positions in the automotive world both in General Motors and subsequently in the VAG Group (Volkswagen), was appointed as an Independent Director.

Internal regulation

Together with the aforementioned amendments to the Articles of Association and the Regulation for the General Meeting of Shareholders, the Board of Directors modified its own Regulations and approved the new wording of the Policy for the Selection of Directors and the General Policy for Communication, Contact and Engagement with Shareholders, Institutional Investors, Asset Managers, Financial Intermediaries and Proxy Advisers of Acerinox, S.A. and its Group of Companies, as a consequence of the entry into force of the Shareholders' Involvement Directive.

Similarly, a new wording of the Internal Regulation for Conduct in the Security Markets was approved to adapt this regulation to the new standards in this area and to include therein the content of the former General Policy of Conduct in Treasury Shares.

Changes to the Board of Directors

Appointments: Francisco Javier García Sanz and Leticia Iglesias Herranz

Step-downs: Ryo Hattori, Mitsuo Ikeda and Braulio Medel

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

The Executive Committee: The Executive Committee, made up of eight members, held eight meetings in 2020.

The Audit Committee: The Audit Committee, made up of four Directors, held ten meetings in 2020.

The Appointments, Remuneration and Corporate Governance Committee: The Appointments, Remuneration and Corporate Governance Committee, made up of four Directors, held nine meetings in 2020.

The Sustainability Committee The Sustainability Committee, made up of five Directors, held one meeting in 2020, which was its inaugural meeting.

Composition of the Board of Directors



**Rafael
Miranda Robredo**
Chairman

Mr Rafael Miranda Robredo, of Spanish nationality, has been a member of the Board of Directors and Chairman of Acerinox since April 2014. An Industrial Engineer from ICAI, Honorary President of the Management Progress Association, Honorary President of Eurelectric, member of several Boards of Directors and advisor to numerous foundations and institutions. He is also a Director of Brookfield Asset Management, Nicolás Correa and Parkia.

During his professional career, Rafael Miranda has occupied many prestigious positions such as CEO of Endesa and Vice-President of the Industrial Division of Campofrío. His professional career has made him a

reference in the business community both for his role in the modernisation of the electric system and for his efficient managing of major companies. He has received the Grand Cross of the Civil Merit, the Grand Cross of Isabel la Católica as well as being named Commander of the Order Bernardo O'Higgins (Chile).

Condition

- Member of the Board of Directors and President since 23 April 2014, re-elected in 2018. Owner of 28,592 shares (31 December 2018)
- External Independent



**Bernardo
Velázquez Herreros**
CEO

Mr Bernardo Velázquez Herreros, an Industrial Engineer through ICAI, is the Acerinox CEO and member of the Executive Committee and the Sustainability Committee. Since he joined the Marketing Department of Acerinox in 1990, he has risen through successive positions of growing responsibility within the company, gaining in-depth experience in the international stainless steel trade.

On his return to Spain in 2005, following his experiences in Mexico and Australia, he took up the positions of Assistant Managing Director, Chief Information Officer and Corporate Planning Director. In 2007 he was named Managing Director, a position he held until his appointment as CEO in July 2010.

Mr Velázquez is currently Chairman of Acerinox Europa S.A.U. (Spain) and North American Stainless (USA). He is also Chairman of UNESID (Spanish Association of Iron and Steel Companies), Chairman of the International Stainless Steel Forum (ISSF), as well as a board member of World Steel (International Association of Steel Manufacturers). He was also Chairman of the Stainless Steel Eurofer's Group

Condition

- Member of the Board of Directors since 2010, re-elected in 2014 and 2018. CEO since 2010. Owner of 19,995 shares (31 December 2018).
- Executive Director



**Laura
González Molero**
Independent

Ms Laura González Molero, of Spanish nationality, has been an Independent Director since 2017, member of the Audit Committee since 2017 and Chair of the Appointments, Remuneration and Corporate Governance Committee since 2018. She holds a degree in Pharmacy, Industrial speciality, from the University Complutense of Madrid and an Executive MBA from IE Business School.

Ms González Molero is currently the Chair of APD (Management Progress Association). She has developed her professional career in chemical-pharmaceutical international companies, holding the positions of Chief Executive Officer and President of Merck España, President of Bayer Latin America and Independent Director of Calidad Pascual. She is currently Independent Director of Adecco Foundation (NGO), Bankia, Ezentis Group and Viscofan.

Condition

- Member of the Board of Directors since 2017
- External Independent



**Rosa María
García Piñeiro**
Independent

Ms Rosa M^a García Piñeiro, of Spanish nationality, has been an Independent Director since 2017, Chair of the Sustainability Committee since 2020 and member of the Executive Committee since March 2018. She is an Industrial Engineer and holds a Masters in Industrial Organisation and Management from the University of Vigo and the National University of Ireland, as well as a Master in Environmental Engineering from the Environmental Organisation School of Madrid and an Executive MBA from Haute École de Commerce, among others.

Ms. García Piñeiro is Vice-President of Global Sustainability of Alcoa and President of Alcoa Foundation. She was also President of Alcoa Spain. She is a Member of the Board of Directors of ENCE Energía y Celulosa.

Condición

- Member of the Board of Directors since 2017
- External Independent



**Donald
Johnston**
Independent

Mr. Donald Johnston, of North American and British nationality, has been an Independent Director and member of the Executive Committee since 2015 and Chairman of the Audit Commission since 2018, being part thereof since 2014. He has a Bachelor of Arts in Political Sciences from Middleburg College and a Master of Arts in International Economy and Latin American Studies from Johns Hopkins University. Mr. Johnston is currently an Independent Director of Merlin Properties Socimi and Independent Director of Sabadell Bank.

During his career, he has held positions such as those of European President of the M&A Group of Deutsche Bank, Director of the Bankers Trust International Fund and Member of the Board of its Global Executive Committee. He has also worked as Managing director in Salomon Brothers offices in New York and London. Mr. Johnson has more than 35 years of experience in investment banking in the United States, Europe and Latin America.

Condition

- Member of the Board of Directors since 29 October 2014, re-elected in 2019. Owner of 6 shares (31 december 2018).
- External Independent



**Francisco Javier
García Sanz**
Independent

Mr Francisco Javier García Sanz, of Spanish nationality, is an Independent Director and member of the Executive Committee and the Appointments, Remuneration and Corporate Governance Committee since 2020.

He holds a Degree in Business Administration and an Honorary Doctorate from the University of Stuttgart (2008), and has been awarded the Grand Cross of the Order of Civil Merit.

He currently sits on the Boards of Directors of Criteria Caixa and Hochtief AG.

García Sanz was Executive Director of Global Purchasing at General Motors Corporation in Detroit (USA). Subsequently, he joined the Volkswagen Group, where he became the Vice President, and the Executive Vice President of SEAT, S.A., becoming a Director in 1997 and Chairman of the Board in 2007. Mr García Sanz has also held the position of President of the Spanish Association of Car and Lorry Manufacturers (ANFAC). In 2009 he was appointed Chairman of the Wolfsburg Football Team, a position he held until 2018.

Condición

- Member of the Board of Directors since 2020
- External Independent



**Leticia
Iglesias Herraiz**
Independent

Ms Leticia Iglesias Herraiz, of Spanish nationality, is an Independent Director and member of the Audit Committee since 2020.

She holds a Degree in Economics and Business Sciences from the Universidad Pontificia de Comillas (ICADE), and she is a member of the Spanish Official Register of Auditors (ROAC) of the Ministry of Economy and Finance.

Iglesias Herraiz is currently an Independent Director of AENA SME, S.A., LAR España Real Estate SOCIMI, ABANCA Corporación Bancaria, S.A., and ABANCA Servicios Financieros, E.F.C. S.A. During her professional career, she has been an Independent Director of Banco Mare Nostrum, S.A. (BMN), in addition to holding the position of CEO at the Spanish Institute of Chartered Accountants (ICJCE) and Deputy Director of the Spanish National Securities Market Commission (CNMV).

Condición

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



**Pablo
Gómez Garzón**
Proprietary

Mr Pablo Gómez Garzón holds a degree in Business Administration from the University College of Financial Studies of Madrid (CUNEF) and is currently a member of the Investments Department of Corporación Financiera Alba S.A and, simultaneously, Observer Director of Verisure. Pablo Gómez has been a member of the Audit Committee since 2019 and a member of the Sustainability Committee since 2020.

Previously, he had developed his professional activity in the Merger and Acquisition Departments of BNP Paribas in Madrid and London as well as is ABN Amro in Madrid. He has been a member of the Board of Directors of Clínica Baviera, ACS Servicios y Concesiones, and ACS Servicios, Comunicaciones y Energía.

Condition

- Member of the Board of Directors since 30 May 2002
- External Proprietary representing Corporación Financiera Alba S.A



**Tomás
Hevia Armengol**
Proprietary

Mr. Tomás Hevia Armengol, of Spanish nationality, was appointed as Proprietary Director representing Corporación Financiera Alba in December 2016 and has been a member of the Executive Committee since 2017. He has a degree in Business Administration and Law from Universidad Pontificia de Comillas of Madrid and an MBA from IESE Business School of the University of Navarra. Mr. Tomás Hevia is currently a member of the Investments Department of Corporación Financiera Alba.

He previously developed his professional career in the Mergers and Acquisitions Department and the Equity Capital Markets Department of the Royal Bank of Scotland and ABN AMRO in Madrid and London. He is a member of the Board of Directors of Ebro Foods and Artá Capital SGEIC, S.A, He is also a member of the Investment Committee of Parques Reunidos and has been a member of the Board of Directors of Clínica Baviera, ACS Servicios y Concesiones, Dragados and Antevenio.

Condition

- Member of the Board of Directors since 2017
- External Proprietary representing Corporación Financiera Alba, S.A.



**Marta
Martínez Alonso**
Independent

Ms Marta Martínez Alonso, of Spanish nationality, has been an Independent Director since 2017, a member of the Sustainability Committee since 2020 and a member of the Audit Committee from 2018 to 2020. Marta Martínez Alonso holds a degree in Mathematical Sciences from the University Complutense of Madrid and studied a PADE course (Senior Management Programme) at IESE.

Ms Martínez Alonso is currently, General Manager of IBM for Europe, Middle East and Africa. Also in IBM, she has been President of IBM Spain, Portugal, Greece and Israel, previously General Manager for Global Technology Services and was executive in the telecommunications sector for Spain and Portugal since her incorporation in 2003.

Condition

- Member of the Board of Directors since 2017
- External Independent



**Santos Martínez-Conde
Gutiérrez-Barquín**
Proprietary

Mr Santos Martínez-Conde Gutiérrez-Barquín, of Spanish nationality, has been a member of the Board since 2002, as well as being a member of the Executive Committee and the Appointments, Remuneration and Corporate Governance Committee. He is a Civil Engineer, has a Master in Business Administration from ICADE and a Diploma in Nuclear Technology from ICAI.

Mr Martínez-Conde is currently a Director of Corporación Financiera Alba, S.A., Indra Sistemas, S.A. and CIE Automotive, S.A. He has also held the position of Chief Executive Officer of Corporación Financiera Alba, S.A. and has been a Board Member of Bolsas Mercados Españolas SA as well as of numerous companies, both listed and unlisted, in various sectors.

He has developed the rest of his professional career in Sener Técnica Naval e Industrial, S.A., Técnicas Reunidas, S.A., Bestinver, S.A., Corporación Borealis, S.A. y Banco Urquijo, S.A.

Condition

- Member of the Board of Directors since 30 May 2002. Re-elected in 2006, 2010, 2014 and 2018. Owner of 8,741 shares (31 December 2016).
- External Proprietary representing Corporación Financiera Alba, S.A.



Ignacio
Martín San Vicente
Independent

Mr Ignacio San Vicente, of Spanish nationality, is an Independent Director and is a member of the Executive Committee and the Sustainability Committee. He is an Industrial Engineer from the Superior Technical School of Industrial Engineers of San Sebastián.

He has developed his professional career in the industrial sector, in which he has worked in positions of responsibility such as Executive President of Gamesa and Chief Executive Officer of CIE Automotive. He previously held managing positions at companies such as GSB Group, GKN Driveline and Alcatel. He is currently Director of Repsol, Bankoa and Indra.

Condition

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



Luis
Gimeno Valledor
Secretary

Mr Luis Gimeno Valledor, of Spanish nationality, holds a degree in Law from the Autonomous University of Madrid. He has been a member of the Government Legal Service since 1986, from which he is currently on a voluntary leave of absence.

Mr Gimeno was appointed Director-General of Public service in 1996 and Director General of Taxation of the Madrid Autonomous Region in 1998, where he remained until 2000. From 200 to 2008 he worked as a lawyer for Cuatrecasas, a firm in which he was an Equity Partner.

In 2008 he joined the Acerinox Group as Secretary General, acting as Board Secretary since 2016.

Between 1996 and 2008 he was lecturer at the University San Pablo/CEU and Instituto de Empresa consecutively.

Condition

- Secretary to the Board of Directors

Senior Management Committee

At 31 December 2020, the Acerinox Senior Management Committee was composed by the following people:

- Bernardo Velázquez **Chief Executive Officer**
- Hans Helmrich **Chief Operating Officer**
- Daniel Azpitarte **Integration Director of the High Performance Alloys project**
- Miguel Ferrandis **Chief Financial Officer**
- Oswald Wolfe **Director of Institutional Relations, Sustainability and Communication**
- Luis Gimeno **Secretary-General**
- Fernando Gutiérrez **CEO of Acerinox Europa & Raw Materials Director**
- Cristóbal Fuentes **CEO of NAS**
- Lucien Matthews **CEO of Columbus Stainless**
- Mark Davis **CEO of Bahru Stainless**

General Shareholders' Meeting.

The General Shareholders' Meeting was held on 22 October 2020 in Madrid, Spain, under the chairmanship of Mr Rafael Miranda Robredo. For the first time in the Group's history and as a result of the COVID-19 pandemic, the General Shareholders' Meeting was held by electronic means. The 2020 General Shareholders' Meeting, which celebrated the 50th anniversary, experienced considerable changes due to the context in which it took place.

It was the first time in the Group's history that a General Shareholders' Meeting was held fully by electronic means. This was because the meeting initially convened for the end of February was impossible to hold due to the state of alarm in Spain that restricted meetings in the city where it was to be held, forcing it to be postponed. It was a good decision, since although it was held - in October - and by electronic means, without the attendance of shareholders, the delay made it possible to gain visibility of the economy and to take decisions, in particular to maintain the dividend, with the economic indicators indicating that the global economy, and above all those of the Group, were already on the road to recovery.

The meeting was a success in terms of participation and its smooth running, thanks to the fact that our teams adapted very quickly to the situation and were able to use technologies that were previously unknown to them.

The General Shareholders' Meeting was held on 22 October 2020 in Madrid, Spain, under the chairmanship of Mr Rafael Miranda Robredo. For the first time in the Group's history and as a result of the COVID-19 pandemic, the General Shareholders' Meeting was held by electronic means.

The General Shareholders' Meeting was attended by 875 shareholders present and represented, holding 169,614,567 shares and representing 62.69% of the subscribed capital with voting rights.

	Votes in favour %	Votes against %
1. Approval of the financial statements	92.932	0.002
2. Approval of the Statement of Non-Financial Information	93.104	0.058
3. Distribution of the results	99.270	0.727
4. Approval of the management of the Board of Directors	92.844	0.002
5. Approval of the dividends	99.154	0.843
6. Approval of the distribution of the share premium	99.723	0.274
7.1. Ratification and appointment of Ms Leticia Iglesias Herraiz as Independent Director.	92.586	0.519
7.2. Appointment of Mr Francisco Javier García Sanz as Independent Director.	92.785	0.375
8. Reappointment of the auditor	93.103	0.058
9. Authorisation to the Board of certain powers regarding bonds, obligations and convertible debentures	37.086	30.855
10. Authorisation to the Board to acquire treasury shares	92.263	0.673
11. Authorisation to the Board of Directors for the acquisition of shares of ACERINOX, S.A. for the payment of the Third Cycle (2020-2022) of the First Multiannual Remuneration Plan or Long Term Incentive Plan (LTI) established for Executive Directors and the remaining members of the Group's Senior Management.	92.713	0.436
12. Vote on the Annual Report on Remuneration of Directors of ACERINOX, S.A.	92.071	0.916
13. Approval of the Second Multiannual Remuneration Plan or Long Term Incentive Plan (LTI) for 2021-2025 for Executive Directors and members of the Acerinox Group's Senior Management.	90.726	2.11
14. Amendment of the Company's Articles of Association	---	
15. Amendment of the Regulation for the General Meeting of Shareholders.	---	
16. Delegation for the execution, correction, and authorisation of the resolutions adopted at the General Shareholders' Meeting	---	

17. Information from the Chairman on the most relevant aspects regarding Corporate Governance of the Company.	---	
18. Appointment of comptrollers to approve the Minutes of the Shareholders' Meeting	---	

Main Executives of the Group's Companies

Top Executives of the Industrial Companies

- Acerinox Europa: FERNANDO GUTIÉRREZ
- North American Stainless: CRISTÓBAL FUENTES
- Columbus Stainless: JOHAN STRYDOM
- Bahru Stainless: MARK DAVIS
- Roldán: JORGE RODRÍGUEZ
- Inoxfil: ÁNGEL BRUÑÉN
- VDM: NICLAS MÜLLER

Executives of the stainless steel division's commercial companies

SPAIN

- Inoxcenter: LUIS GUTIÉRREZ
- Inoxidables de Euskadi: JOSÉ CRUZ DE VICIOLA

AFRICA

- Acerinox Egypt: MOHAMED KOTB

ASIA

- Acerinox South East Asia (Singapore): IRENE TEO LIN LING
- Acerinox India (India): PRATIK KACHCHHI
- Acerinox SC. Malaysia (Malaysia): BARRY FOO
- Acerinox SA. Shanghai (China): MARY XU
- Acerinox Indonesia SA. (Indonesia): AMELIA CHRISTINA SODIK
- Acerinox SEA (Vietnam): HANG TRAN THI THANH

- Acerinox SEA (Thailand): PRAWIT LERTWIMONRAT
- Acerinox SEA (Philippines): ENRIQUE DAVID B. SANTIAGO
- Acerinox Pacific (Korea): JUNGHO CHOI
- Acerinox Pacific (Hong Kong): JACKY LAW
- Acerinox Pacific (Taiwan): SAMUEL TAM
- Acerinox Middle East (United Arab Emirates): FERNANDO GOMEZ

AMERICA

- Acerinox Argentina (Argentina): JOSÉ CARLOS RODRÍGUEZ
- Acerinox Brasil (Brazil): ÍÑIGO PRADO
- Acerinox Chile (Chile): JAIME DEL DIEGO
- Acerinox Colombia (Colombia): GONZALO DEL CAMPO
- Acerinox SA. Venezuela (Venezuela): GONZALO DEL CAMPO
- Acerinox Perú (Peru): MARÍA CECILIA NÚÑEZ DE TOLEDO
- NAS México (Mexico): EDGAR GARZA
- NAS Canada (Canada): ROGER MANSFIELD

EUROPE

- Acerinox Deutschland (Germany): JOACHIM MAAS
- Acerinox Benelux (Belgium): ANEL VILJOEN
- Acerinox France (France): JAAN ROXAN
- Acerinox Italia (Italy): GIOVANNI DE CARLI
- Acerinox Polska (Poland): PILAR SENISE
- Acerinox Scandinavia (Sweden): JAN GJERLAUG
- Acerinox Schweiz (Switzerland): IVANA WENDEL
- Acerinox UK (United Kingdom): PABLO CANTLE
- Acerinox Russia (Russia): ROMAN BUTYRIN
- Acerinox Metal Sanayi (Turkey): BULENT BOLAYIR
- Acerol (Portugal): DANIEL SILLERO

OCEANIA

- Acerinox Australasia (Australia): CLAUDIO LEÓN DE LA BARRA

Executives of the high performance alloys division's commercial companies

- VDM Metals Group

DR. NICLAS MÜLLER

DANIEL AZPITARTE ZEMP

FRANK MORRIS

ROLF SCHENCKING

- VDM Metals Canada Ltd.

JOSHUA ROBERTS

- VDM Metals de México S.A. de C.V.

DR. KARL LINTERMANN'S FANDER

- VDM Metals GmbH – Representative

Office in the Russian Federation

ANDREY ZALIZNYAK

- VDM Metals USA, LLC

TONY ELFSTROM

GEORGE KRAMER

AXEL OEHLERS

- VDM Metals Austria GmbH

DR. SASCHA KREMMER

- VDM Metals Australia Pty. Ltd.

LUTZ TORIEDT

- VDM Metals Benelux B.V.

JOS VAN LITH

- VDM Metals Japan K.K.

EDUARD GABRIC

- VDM Metals France S.A.S.

ERIC VIDAL

- VDM Metals Korea Co. Ltd.

SEUNG CHUN CHANG

- VDM Metals Italia S.r.l.

PEDRO ROCCA

- VDM High Performance Metals Trading Co., Ltd. (China)

- VDM Metals U.K. Ltd.

DAVID MUNASINGHE

BAOJUN LI

10. Events after the reporting period

With regard to the most significant events after the reporting period, an amendment to the Spanish National Chart of Accounts occurred relating to financial instruments, the recognition of revenue and the measurement of inventories. The Company does not expect the approved amendments to give rise to any impact.

Furthermore, the loan granted to Bahru Stainless was capitalised. The Malaysian entity is following the legal procedures to perform this capital increase.