



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.

Acerinox, S.A. and subsidiaries

Report on limited review

Interim condensed consolidated financial statements for
the six-month period ending on 30 June 2021

Interim consolidated management report



Report on limited review of interim condensed consolidated financial statements for the six-month period ending on 30 June 2021

To the shareholders of Acerinox, S.A

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements (hereinafter, the interim financial statements) of Acerinox, S.A. (hereinafter, “the parent company”) and its subsidiaries (hereinafter, “the Group”), which comprise the balance sheet as at June 30, 2021, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity, statement of cash flow and related notes, all condensed and consolidated, for the six-month period then ended. The parent company’s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, “Interim Financial Reporting”, as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of review

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

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended June 30, 2021 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, “Interim Financial Reporting”, as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007

Emphasis of matter

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and therefore, the accompanying interim financial statements should be read together with the consolidated annual accounts of the Group for the year ended December 31, 2020. Our conclusion is not modified in respect of this matter.

Other matters

Interim consolidated management report

The accompanying interim consolidated management report for the six-month period ended June 30, 2021 contains the explanations which the parent company's directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions in Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this management report is in agreement with that of the interim financial statements for the six-month period ended June 30, 2021. Our work is limited to checking the interim consolidated management report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Acerinox, S.A. and its subsidiaries' accounting records.

Preparation of this review report

This report has been prepared at the request of the Board of Directors in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of October 23, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007 of October 19.

PricewaterhouseCoopers Auditores, S.L.

Originally in Spanish signed by
Jon Toledano Irigoyen

July 28, 2021

ACERINOX, S.A. AND SUBSIDIARIES

Interim condensed consolidated financial statements for the six-month period ending on 30 June 2021

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Figures in thousands of euros at 30 June 2021 and 31 December 2020)

	Note	30-Jun-21	31-Dec-20
ASSETS			
Non-current assets			
Goodwill	9	51,064	51,064
Other intangible assets	9	48,134	49,576
Property, plant and equipment	10	1,818,461	1,821,931
Investment property	10	13,184	13,326
Right-of-use assets	11	14,748	15,252
Investments accounted for using the equity method		390	390
Financial assets at fair value through other comprehensive income	13	11,058	8,151
Deferred tax assets		100,241	107,273
Other non-current financial assets	13,15	3,201	2,571
TOTAL NON-CURRENT ASSETS		2,060,481	2,069,534
Current assets			
Inventories	12	1,503,528	1,182,488
Trade and other receivables	13,15	769,597	507,006
Other current financial assets	13,15	16,081	22,661
Current tax assets		7,551	34,302
Cash and cash equivalents		991,011	917,118
TOTAL CURRENT ASSETS		3,287,768	2,663,575
TOTAL ASSETS		5,348,249	4,733,109

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

(Figures in thousands of euros at 30 June 2021 and 31 December 2020)

	Note	30-Jun-21	31-Dec-20
LIABILITIES			
Equity			
Share capital	17	67,637	67,637
Share premium		268	258
Reserves		1,512,095	1,585,881
Profit for the year		202,621	49,049
Translation differences		-78,733	-131,919
Other equity instruments	23	3,109	2,170
Shares of the Parent	17	-1,062	-1,062
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		1,705,935	1,572,014
Non-controlling interests		50,451	42,966
TOTAL EQUITY		1,756,386	1,614,980
Non-current liabilities			
Deferred income		11,167	12,911
Issue of bonds and other marketable securities	13,15	74,700	74,650
Bank borrowings	13,15	1,291,849	1,335,039
Non-current provisions		186,094	196,761
Deferred tax liabilities		177,517	179,044
Other non-current financial liabilities	13,15	22,688	28,561
TOTAL NON-CURRENT LIABILITIES		1,764,015	1,826,966
Current liabilities			
Bonds and other marketable securities	13, 14	3,493	1,634
Bank borrowings	13, 14	459,158	278,034
Trade and other payables	13	1,313,509	987,559
Current tax liabilities		45,815	6,142
Other current financial liabilities	13,15	5,873	17,794
TOTAL CURRENT LIABILITIES		1,827,848	1,291,163
TOTAL LIABILITIES		5,348,249	4,733,109

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

2. INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Figures in thousands of euros at 30 June 2021 and 2020)

	Note	30-Jun-21	30-Jun-20
Revenue	21	3,065,804	2,331,131
Other operating income	21	14,117	3,574
In-house work on non-current assets	21	871	1,347
Changes in inventories of finished goods and work in progress		175,591	-47,804
Procurements		-2,199,494	-1,548,503
Staff costs		-288,260	-248,543
Depreciation and amortisation charge	9,10,11	-88,010	-88,489
Other operating expenses		-390,587	-326,512
Impairment of property, plant and equipment	10		-42,548
PROFIT FROM OPERATIONS		290,032	33,653
Finance income		1,693	5,899
Finance costs		-22,171	-20,533
Exchange differences		-2,396	1,621
Remeasurement of financial instruments at fair value		1,406	1,793
Share of results of companies accounted for using the equity method			
Negative difference in consolidation			
PROFIT FROM ORDINARY ACTIVITIES		268,564	22,433
Income tax	18	-64,328	-24,095
Other taxes		-268	-730
PROFIT (LOSS) FOR THE YEAR		203,968	-2,392
<u>Attributable to:</u>			
NON-CONTROLLING INTERESTS		1,347	-4,559
NET PROFIT ATTRIBUTABLE TO THE GROUP		202,621	2,167
<i>Basic and diluted earnings per share (in euros)</i>		<i>0.75</i>	<i>0.01</i>

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

3. INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Figures in thousands of euros at 30 June 2021 and 2020)

	<u>30-Jun-21</u>	<u>30-Jun-20</u>
A) PROFIT (LOSS) PER INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	203,968	-2,392
B) OTHER COMPREHENSIVE INCOME - ITEMS NOT RECLASSIFIED TO PROFIT OR LOSS	11,177	-2,900
1. Arising from measurement of equity instruments at fair value through other comprehensive income	2,833	-3,866
2. Arising from actuarial gains and losses and other adjustments	13,452	
3. Tax effect	-5,108	966
C) OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	60,485	-42,583
1. Arising from cash flow hedges		
- Revaluation gains (losses)	5,412	-4,689
- Amounts transferred to profit or loss	1,766	1,318
2. Translation differences		
- Revaluation gains (losses)	55,396	-40,035
- Amounts transferred to profit or loss		
3. Tax effect	-2,089	823
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	275,630	-47,875
a) Attributable to the Parent	271,687	-33,216
b) Attributable to non-controlling interests	3,943	-14,659

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

4. INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The changes in the reported period were as follows:

(Figures in thousands of euros at 30 June 2021 and 2020)

	Equity attributable to shareholders of the Parent							TOTAL	Non-controlling interests	TOTAL EQUITY
	Share capital	Share premium	Reserves (including profit or loss for the year)	Other equity instruments	Translation differences	Valuation adjustments	Treasury shares			
Total equity at 31/12/20	67,637	258	1,648,480	2,170	-131,919	-13,550	-1,062	1,572,014	42,966	1,614,980
Year-to-date profit (loss) at June 2021	0	0	202,621	0	0	0	0	202,621	1,347	203,968
Cash flow hedges (net of tax)						5,089		5,089		5,089
Measurement of equity instruments (net of tax)						2,125		2,125		2,125
Actuarial adjustments to employee benefit obligations (net of tax)						9,052		9,052		9,052
Translation differences					52,800			52,800	2,596	55,396
Net profit (loss) recognised directly in equity	0	0	0	0	52,800	16,266	0	69,066	2,596	71,662
Total comprehensive income	0	0	202,621	0	52,800	16,266	0	271,687	3,943	275,630
Dividends paid	0	0	-135,226	0	0	0	0	-135,226	0	-135,226
Capital increase (scrip dividend)	0	0	0	0	0	0	0	0	0	0
Transactions with shareholders	0	0	-135,226	0	0	0	0	-135,226	0	-135,226
Purchase of non-controlling interests			-3,911		386			-3,525	3,525	0
Directors long-term incentive plan				939				939	17	956
Other changes		10	36					46		46
Total equity at 30/06/21	67,637	268	1,712,000	3,109	-78,733	2,716	-1,062	1,705,935	50,451	1,756,386

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

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

(Figures in thousands of euros)

	Equity attributable to shareholders of the Parent								Non-controlling interests	TOTAL EQUITY
	Share capital	Share premium	Reserves (including profit or loss for the year)	Other equity instruments	Translation differences	Valuation adjustments	Treasury shares	TOTAL		
Total equity at 31/12/19	67,637	27,313	1,707,282	1,446	76,331	-6,327	-1,062	1,872,620	56,369	1,928,989
Year-to-date profit (loss) at June 2020			2,167					2,167	-4,559	-2,392
Cash flow hedges (net of tax)						-2,548		-2,548		-2,548
Measurement of equity instruments (net of tax)						-2,900		-2,900		-2,900
Actuarial adjustments to obligations										
Translation differences					-29,935			-29,935	-10,100	-40,035
Net profit (loss) recognised directly in equity	0	0	0	0	-29,935	-5,448	0	-35,383	-10,100	-45,483
Total comprehensive income	0	0	2,167	0	-29,935	-5,448	0	-33,216	-14,659	-47,875
Directors long-term incentive plan				362				362	5	367
Other changes			-1,340					-1,340		-1,340
Total equity at 30/06/20	67,637	27,313	1,708,109	1,808	46,396	-11,775	-1,062	1,838,426	41,715	1,880,141

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

5. INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Figures in thousands of euros at 30 June 2021 and 2020)

	30-Jun-21	30-Jun-20
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	268,564	22,433
<i>Adjustments for:</i>		
Depreciation and amortisation charge	88,010	88,489
Impairment losses	-3,037	30,481
Net changes in provisions and allowances	7,153	1,761
Recognition of grants in profit or loss	-1,909	-1,505
Gains or losses on disposals of non-current assets	-681	1,348
Gains or losses on disposals of financial instruments		
Changes in fair value of financial instruments	8,585	-9,130
Finance income	-1,693	-5,899
Finance costs	22,171	20,533
Share of results of associates		
Other income and expenses	-6,441	-627
<i>Changes in working capital:</i>		
(Increase) / decrease in trade and other receivables	-241,351	24,156
(Increase) / decrease in inventories	-301,740	88,303
(Increase) / decrease in trade and other payables	290,329	-146,872
<i>Other cash flows from operating activities</i>		
Interest paid	-19,192	-17,582
Interest received	1,554	5,833
Income tax paid	-2,587	-26,651
NET CASH FLOWS FROM OPERATING ACTIVITIES	107,735	75,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-51,803	-53,166
Acquisition of intangible assets	-1,132	-313
Acquisition of subsidiary, net of cash acquired		-273,563
Acquisition of other financial assets	-867	-203
Proceeds from disposal of property, plant and equipment	4,644	3,016
Proceeds from disposal of intangible assets		
Proceeds from disposal of other financial assets	90	2
Dividends received	8	60
NET CASH FLOWS FROM INVESTING ACTIVITIES	-49,060	-324,167
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of treasury shares		
Income from borrowings	284,451	791,825
Repayment of interest-bearing liabilities	-154,365	-297,985
Dividends paid	-135,226	
Distribution of share premium		
Contribution from non-controlling interests		
NET CASH FLOWS FROM FINANCING ACTIVITIES	-5,140	493,840
NET INCREASE IN CASH AND CASH EQUIVALENTS	53,535	244,744
Cash and cash equivalents at beginning of period	917,118	876,935
Effect of foreign exchange rate changes	20,358	-12,049
CASH AND CASH EQUIVALENTS AT END OF PERIOD	991,011	1,109,630

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

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6. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

Acerinox, S.A. ("the Company") was incorporated as a public limited liability company for an indefinite period of time on 30 September 1970. Its registered office is located at Calle Santiago de Compostela, 100, Madrid, Spain.

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

As explained in the 2020 financial statements, on 17 March 2020 Acerinox 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. **Note 5** of the 2020 Consolidated Financial Statements includes detailed information on this business combination.

The data relating to 2020 include the results of the VDM Group since its acquisition, i.e. since March 2020, and, therefore, for comparative purposes this may lead to variations, especially in some items of the statement of profit and loss.

The latest approved financial statements, which correspond to 2020, are publicly available upon request at the Company's head office, on the Group's website www.acerinox.es and on the website of the Spanish National Securities Market Commission (CNMV).

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 27 July 2021.

NOTE 2 - STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting. These financial statements do not include all the information required for complete financial statements and should be read and interpreted in conjunction with the Group's published annual financial statements for the year ended 31 December 2020.

NOTE 3 - ACCOUNTING PRINCIPLES

These interim condensed consolidated financial statements of the Acerinox Group were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related interpretations (IFRICs) adopted by the European Union ("EU-IFRSs") and with the other provisions of the applicable regulatory financial reporting framework. The consolidated financial statements for 2020 detail all the accounting standards applied by the Group.

The interim condensed consolidated financial statements for the first half of 2021 were prepared using the same accounting principles (EU-IFRSs) as were used for 2020, except for the standards and amendments adopted by the European Union and mandatorily applicable from 1 January 2021 onwards, which were as follows:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to the interest rate benchmark reform: the amendments address the interest rate benchmark reform (IBOR) by providing temporary exemptions from applying specific hedge accounting requirements, so that entities do not have to cease its hedging relationships solely on the basis of the indices reform. It also addresses issues arising from the implementation of the reforms, including the replacement of one interest rate benchmark with an alternative rate. A relationship is only considered to be directly impacted if the reform generates uncertainty regarding:
 - The interest rate benchmark designated as the hedged risk of the hedging relationship
 - The timing or amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument.

These amendments had no impact on the Group, as it does not have any loans or credit facilities benchmarked against the interest rates that will soon disappear. Also, the Group does not have any hedging derivatives benchmarked to these indices that could jeopardise the "effectiveness of the hedge".

The standards, interpretations or amendments not yet adopted by the European Union, and which have not been adopted early by the Group but could have an impact, are as follows:

- Amendments to IFRS 10 and IAS 28: These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associate and joint ventures. The Group does not expect the application of these amendments to have any impact, as the interests in associates are not material and no such contributions have been made to date.
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1): These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The effective date of application of these amendments is 1 January 2022, although their early adoption is allowed. The Group does not expect the application of these amendments to have any impact on its financial statements. These amendments have not yet been approved for use in the European Union.
- Disclosure of accounting policies (Amendments to IAS 1): IAS 1 has been amended to improve the disclosures of accounting policies to provide information that is more useful to investors and other primary users of the financial statements. The effective date of application of these amendments is 1 January 2023. These amendments have not yet been approved for use in the European Union.
- Definition of accounting estimates (Amendments to IAS 8): IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policies. The effective date of application of these amendments is 1 January 2023. These amendments have not yet been approved for use in the European Union.
- Covid-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16): The IASB has extended by one year the period for the application of the practical expedient of IFRS 16 "Leases" to assist lessees in accounting for rent concessions related to COVID-19. The amendments are effective for reporting periods beginning on or after 1 April 2021, although earlier application is permitted. These amendments have not yet been approved for use in the European Union. The Group was not affected, as no rent concessions arose in the reporting period.
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12): Under IAS 12, in certain circumstances companies are exempt from recognising deferred taxes when they first recognise assets or liabilities ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which both an asset and a liability are recognised upon initial recognition. The amendments clarify that the exemption does not apply and, therefore, there is an obligation to recognise deferred taxes on these transactions. The amendments are effective for reporting periods beginning on or after 01 January 2023, although earlier application is permitted. These amendments have not yet been approved for use in the European Union, nor have they had a significant impact on the Group.
- Property, plant and equipment – Proceeds before intended use (Amendments to IAS 16): These amendments prohibit the deduction from the cost of property, plant and equipment of any proceeds from the sale of items produced while an entity is preparing the asset for its intended use. The proceeds from the sale of any such samples, together with the related production costs, must be recognised in profit or loss. The amendments also clarify that an entity is considered to be testing whether an asset functions correctly when it assesses the asset's physical and technical performance. That is to say, the asset's financial performance is not relevant to this assessment. Therefore, an asset could be ready to operate in the manner intended by management and be subject to depreciation before the level of operation expected by management is achieved. The effective date of application of these amendments is 1 January 2022. Until the reporting date, the Group had always recognised in profit or loss the proceeds from the sale of items produced while the assets were being readied for their intended use; accordingly, the application of these amendments did not have any impact on the Group. With regard to the date on which the items are ready for their intended use, as established in the Group's policies, an asset is considered to be ready for its intended use, and can therefore begin to be

depreciated, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. These amendments have not yet been approved for use in the European Union.

- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37): These amendments explain that the direct cost of fulfilling a contract includes the incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. They also clarify that before recognising a separate provision for an onerous contract, the entity shall recognise any impairment losses on the assets used to fulfil the contract, rather than the assets dedicated to that contract. The effective date of application of these amendments is 1 January 2022. These amendments have not yet been approved for use in the European Union. The Group does not expect any impact to arise from the application of these amendments, as it does not have contracts of this nature.
- Reference to the Conceptual Framework (Amendments to IFRS 3): IFRS 3 has been updated to refer to the 2018 Conceptual Framework in order to determine what constitutes an asset or a liability in a business combination. Also, a new exception was added in IFRS 3 for liabilities and contingent liabilities. The effective date of application of these amendments is 1 January 2022. These amendments have not yet been approved for use in the European Union. The Group will take the amendments into consideration in future business combinations.
- Annual Improvements to IFRSs. 2018-2020 cycle: these amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual reporting periods beginning on or after 1 January 2022. No impacts are expected at the Group.
 - IFRS 1 “First-time Adoption of IFRSs”: IFRS 1 allows an exemption for a subsidiary that adopts IFRSs after its parent. These amendments allow entities that have taken this exemption to also measure cumulative translation differences using the parent's carrying amounts based on the parent's date of transition to IFRS. The Group was not affected, as there are no entities that have adopted the IFRSs after the Parent.
 - IFRS 9 “Financial instruments” These amendments clarify that the costs or fees paid to third parties cannot be included in the 10% test for the derecognition of financial liabilities. The Group was not affected, as these types of expenses are already recognised.

NOTE 4 - ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting estimates and judgements used by the Group during this interim period were applied consistently with those used for the latest approved annual financial statements, which correspond to 2020.

NOTE 5 - FINANCIAL RISK MANAGEMENT

Note 4 to the Group's published financial statements for the year ended 31 December 2020 includes a detailed description of the risks to which the Group's activities are exposed, and the management carried out to minimise the impact thereof. There were no changes to the Group's risk management during this period.

NOTE 6 - SEASONAL OR CYCLICAL NATURE OF TRANSACTIONS

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

NOTE 7 - CHANGES IN THE SCOPE OF CONSOLIDATION

At its meeting held on 15 December 2020, the Board of Directors of Acerinox, S.A. authorised the performance of a capital increase of Bahru Stainless, with no cash contribution, through the conversion into capital of USD 349.5 million from the

loan granted by Acerinox, S.A. to its subsidiary. Acerinox, S.A.'s ownership interest in Bahru Stainless was 98.15% prior to the capital increase.

The Annual General Meeting of Bahru was held on 2 April 2021 and approved the capital increase. The non-controlling shareholder decided not to participate in the capital increase and, therefore, its ownership interest was diluted to 1.1874%. On 20 April the new share capital in Bahru Stainless, Sdn. Bhd. was recognised.

Acerinox, S.A. recognised an increase in its investments in Group companies amounting to EUR 293,535 thousand, equal to the fair value of the loan converted into capital, and which did not differ significantly from its carrying amount at that date.

Changes in the scope of consolidation in 2020 as a result of the acquisition of the VDM Group are explained in the Group's consolidated financial statements for 2020.

NOTE 8 – SIGNIFICANT EVENTS TAKING PLACE IN THE FIRST HALF OF 2021

Market environment

The first half of 2021 confirmed the recovery of demand, which became noticeable towards the end of 2020.

Increased confidence in the economy and improvement in activity is reflected in a process of inventory replenishment throughout the supply chain, which was severely depleted worldwide and in all sectors in 2020.

Progress in the vaccination process in different countries is resulting in the reactivation of consumption among stainless steel end customers, which is driven by consumer goods industries such as the automotive, food processing equipment and, particularly, domestic appliance manufacturing industries. Other sectors, such as the restaurant and project sectors, are also recovering.

Inventories in our industry remain below the average level for recent years thanks to this situation in demand.

In the United States, in the first half of the year, the restrictions imposed as a consequence of Covid-19 were lifted as the vaccination rate rose. This, together with the positive situation of the economy, resulted in an upturn in most stainless steel-consuming industries. Based on the latest available data, we estimate that apparent flat product consumption in the North American market improved by 6% until May, in comparison with the same period of 2020. Imports remain tight, with a flat product market share of approximately 14%.

In Europe, based on the latest available data, we estimate that apparent flat product consumption in the European market improved by 11% in the first half of the year. Demand remains robust and inventories low. There was a decrease in the pressure from imports, which stood at around 20%. The European Commission extended the safeguards for another three years, maintaining the quotas for all products. Also, provisional anti-dumping measures were approved for cold-rolled flat materials from India and Indonesia, the effects of which are already becoming apparent in the market. The definitive measures are expected to be implemented in November for a period of five years. These measures are implemented alongside the anti-dumping measures for hot-rolled flat products from China, Indonesia and Taiwan, which had been in place since April 2020. Prices have increased, in line with the good market performance.

Demand in Asia remains positive. China is continuing its policy of promoting its local market, and has eliminated the 13% export aid. The positive situation of the Asian markets and the increase in the price of maritime transport is reducing exports to other markets.

The positive market situation that is being experienced by the stainless steel industry is reflected in this division's production and sales figures. Specifically, production and sales increased by 28% and 31%, respectively, in comparison with the first half of 2020.

Cost control and the conversion of fixed costs into variable costs to adapt swiftly to demand was maintained. Total operating expenses (operating expenses and staff costs) increased by 19%, far below the increase in production.

EBIDTA for the first half of the year was 2.5 times higher than in the same period of 2020, evidencing a clear positive evolution from the first to the second quarter.

In the first half of 2021 the high-performance alloys market recovered in all of our consumer sectors except for aerospace. High-performance alloy melting shop production improved with respect to the second quarter and the first half of 2020 due to an improved customer backlog.

Results

Revenue totalled EUR 3,066 million in the half year, representing a 32% increase on the first half of 2020, thanks to a sound performance in terms of both volume and price, as detailed in these notes to the financial statements.

EBITDA¹ in the first half of the year, amounting to EUR 378 million, was 130% higher than in the same period of 2020 and stands at its highest level since the first half of 2007. This EBITDA generated, despite the increase in working capital due to the Group's good levels of activity, allowed operating cash flow to rise to EUR 108 million in the first half of 2021.

Profit after tax and non-controlling interests amounted to EUR 203 million (first half of 2020: EUR 2 million).

¹ EBITDA = Profit/(loss) from operations – Depreciation and amortisation charge – Impairment of property, plant and equipment - Changes in trade provisions for an amount of EUR -318 thousand included under “Other Operating Expenses” in the statement of profit or loss (EUR -166 thousand at 30 June 2020)

NOTE 9 - INTANGIBLE ASSETS

The changes in intangible assets were as follows:

(Figures in thousands of euros)

COST	Development expenditure	Intellectual property	Computer software and other	Customer portfolio (*)	SUBTOTAL	Goodwill
Balance at 1 January 2020		24,312	27,799		52,111	69,124
Business combinations	16,620	7,964	22,430	29,200	76,214	49,829
Acquisitions	978	160	1,556		2,694	
Transfers			522		522	
Disposals	-1,243	-99	-107		-1,449	
Translation differences			-498		-498	
Balance at 31 December 2020	16,355	32,337	51,702	29,200	129,594	118,953
Acquisitions	287		988		1,275	
Transfers			-1		-1	
Disposals			-82		-82	
Translation differences			209		209	
Balance at 30 June 2021	16,642	32,337	52,816	29,200	130,995	118,953
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	Development expenditure	Intellectual property	Computer software and other	Customer portfolio (*)	SUBTOTAL	Goodwill
Balance at 1 January 2020		24,312	24,566		48,878	-67,889
Business combinations	7,048	710	19,516		27,274	
Charge for the year	931	503	1,756	1,622	4,812	
Transfers			-1		-1	
Disposals	-480	-53	-107		-640	
Translation differences			-305		-305	
Balance at 31 December 2020	7,499	25,472	45,425	1,622	80,018	-67,889
Charge for the year	572	209	1,035	973	2,789	
Transfers			-1		-1	
Disposals			-82		-82	
Translation differences			137		137	
Balance at 30 June 2021	8,071	25,681	46,514	2,595	82,861	-67,889
CARRYING AMOUNT	Development expenditure	Intellectual property	Computer software and other	Customer portfolio (*)	SUBTOTAL	Goodwill
Cost at 1 January 2020		24,312	27,799		52,111	69,124
Accumulated amortisation and impairment		-24,312	-24,566		-48,878	-67,889
Carrying amount at 1 January 2020		0	3,233		3,233	1,235
Cost at 31 December 2020	16,355	32,337	51,702	29,200	129,594	118,953
Accumulated amortisation and impairment	-7,499	-25,472	-45,425	-1,622	-80,018	-67,889
Carrying amount at 31 December 2020	8,856	6,865	6,277	27,578	49,576	51,064
Cost at 30 June 2021	16,642	32,337	52,816	29,200	130,995	118,953
Accumulated amortisation and impairment	-8,071	-25,681	-46,514	-2,595	-82,861	-67,889
Carrying amount at 30 June 2021	8,571	6,656	6,302	26,605	48,134	51,064

As explained in the financial statements for 2020, as a result of the acquisition of the VDM Group and the allocation of the purchase price to the net assets and liabilities identified, new intangible assets arose from the valuation of the

customer portfolio, which had not been recognised for accounting purposes in the separate financial statements of the VDM Group. The multi-period excess earnings method was used to measure this group of intangible assets.

Also, at 31 December 2020, the goodwill included in the balance sheet amounting to EUR 49,829 thousand, reflected that arising from the business combination performed as a result of the acquisition of the VDM Group. The goodwill was allocated to the VDM cash-generating unit (CGU) which, as a whole, belongs to the high-performance alloys segment.

Impairments

With regards to the impairments on goodwill, the Group estimates the recoverable amount of goodwill on an annual basis, or more frequently where indications of possible impairment are identified.

As explained in the financial statements for 2020, the estimates made at year-end showed a slight recovery in 2021, but becoming more substantial from 2022 onwards, thus reflecting in the five-year budgets a gradual recovery to pre-COVID-19 levels during 2021 and especially during 2022, and that the demand for high performance alloys will ultimately not be affected at long term. Meanwhile, future price stability is expected.

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

	2020
Budgeted EBIT margin (*)	7.8%
Weighted average growth rate, g (**)	1.8%
Pre-tax discount rate (***)	11.8%
Post-tax discount rate (***)	8.3%

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

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

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

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

At 31 December 2020, it was not necessary to recognise any impairment losses on goodwill.

At 30 June 2021, there were no indications of impairment losses on goodwill as the VDM estimates made at the end of the previous period, which justified the amount of goodwill recognised, have been exceeded during this period. Recovery from the COVID pandemic has occurred quicker than expected and, at the end of the first half of 2021, the special alloys segment recognised results above expectations. The tonnes produced remain in line with those budgeted; however the recovery of sales prices is allowing the VDM Group to perform better than estimated.

Nevertheless, at 31 December 2021 the Group will carry out an analysis of the potential impairment that could affect this goodwill.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

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

(Figures in thousands of euros)

COST	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL	Investment property
Balance at 1 January 2020	864,495	4,102,087	94,138	46,501	5,107,221	20,771
Business combinations	120,034	407,321	63,938	9,060	600,353	
Hyperinflation adjustments	117	21	32		170	
Additions	940	27,882	10,475	59,588	98,885	
Transfers	2,502	35,635	268	-38,126	279	
Disposals	-915	-17,557	-4,133		-22,605	-3,096
Translation differences	-44,685	-247,252	-3,882	-1,562	-297,381	-176
Balance at 31 December 2020	942,488	4,308,137	160,836	75,461	5,486,922	17,499
Additions	1,319	15,822	3,733	23,327	44,201	
Transfers	8,362	41,985	5,999	-53,838	2,508	
Disposals	-6,562	-6,810	-1,972		-15,344	
Translation differences	15,692	90,711	1,386	880	108,669	
Balance at 30 June 2021	961,299	4,449,845	169,982	45,830	5,626,956	17,499
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL	Investment property
Balance at 1 January 2020	369,818	2,855,376	88,287		3,313,481	4,428
Business combinations	39,247	261,076	45,308		345,631	
Charge for the year	21,660	142,231	4,534		168,425	299
Impairment losses		41,159			41,159	
Hyperinflation adjustments	70	17	30		117	
Transfers	8,585	31	-8,194		422	
Disposals	-693	-13,342	-4,018		-18,053	-524
Translation differences	-17,217	-165,205	-3,769		-186,191	-30
Balance at 31 December 2020	421,470	3,121,343	122,178		3,664,991	4,173
Charge for the year	10,498	68,933	2,969		82,400	142
Transfers	2,490	-3	12		2,499	
Disposals	-4,580	-4,696	-1,820		-11,096	
Translation differences	6,524	62,105	1,072		69,701	
Balance at 30 June 2021	436,402	3,247,682	124,411		3,808,495	4,315
CARRYING AMOUNT	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL	Investment property
Cost at 1 January 2020	864,495	4,102,087	94,138	46,501	5,107,221	20,771
Accumulated depreciation and impairment losses	-369,818	-2,855,376	-88,287		-3,313,481	-4,428
Carrying amount at 1 January 2020	494,677	1,246,711	5,851	46,501	1,793,740	16,343
Cost at 31 December 2020	942,488	4,308,137	160,836	75,461	5,486,922	17,499
Accumulated depreciation and impairment losses	-421,470	-3,121,343	-122,178		-3,664,991	-4,173
Carrying amount at 31 December 2020	521,018	1,186,794	38,658	75,461	1,821,931	13,326
Cost at 30 June 2021	961,299	4,449,845	169,982	45,830	5,626,956	17,499
Accumulated depreciation and impairment losses	-436,402	-3,247,682	-124,411		-3,808,495	-4,315
Carrying amount at 30 June 2021	524,897	1,202,163	45,571	45,830	1,818,461	13,184

The investments made in the reporting period in property, plant and equipment, intangible assets and right-of-use assets arising from lease agreements amounted to EUR 47,613 thousand, of which EUR 20,708 thousand related to those made by Acerinox Europa, EUR 13,026 thousand by NAS, EUR 4,854 thousand by Columbus and EUR 7,511 thousand by VDM. Due to the circumstances relating to the pandemic and the uncertainty of the recovery, the Group limited

investments in property, plant and equipment and intangible assets as much as possible, as was the case in the previous reporting period. In the first half of 2020, the investments made totalled EUR 52,868 thousand, of which EUR 23,197 thousand related to Acerinox Europa, EUR 16,949 thousand to NAS, EUR 4,030 thousand to Columbus and EUR 5,260 thousand to VDM.

Disposals of property, plant and equipment

Gains on the sale or retirement of property, plant and equipment recognised under “Other Operating Income” in the statement of profit or loss at June 2021 amount to EUR 2,514 thousand (June 2020: EUR 750 thousand) and relate mainly to the sale of a warehouse of the Group in Germany.

Losses on the sale or retirement of property, plant and equipment recognised under “Other Operating Expenses” in the statement of profit or loss at June 2021 amount to EUR 1,833 thousand (June 2020: EUR 2,098 thousand) and relate mainly to disposals of replacement items of property, plant and equipment.

Obligations and commitments

At 30 June 2021, the Group had entered into agreements to acquire new equipment and facilities for EUR 45,761 thousand, of which EUR 15,609 thousand relate to the investments made by Acerinox Europa, EUR 14,401 thousand to those made by Columbus, EUR 8,922 thousand to those made by NAS and EUR 6,381 thousand to those made by VDM Metals. At 30 June 2020, the Group had entered into agreements to acquire new equipment and facilities for EUR 44,024 thousand, of which EUR 16,284 thousand relate to the investments made by Acerinox Europa, EUR 16,988 thousand to those made by NAS and EUR 5,672 thousand to those made by VDM.

Impairment losses

As stated in the annual financial statements of the Acerinox Group, the carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there are any indications of impairment.

As explained in the financial statements for 2020, there were indications of impairment at Bahru Stainless, Sdn. Bhd., Columbus Stainless (Pty) Ltd., Acerinox Europa, S.A.U., Roldan, S.A., Inoxfil, S.A. and Acerinox S.C. Malaysia Sdn. Bhd. as a result of the pandemic.

Of these entities, it was only necessary to recognise an impairment loss of USD 47,152 thousand (EUR 41,159 thousand) at Bahru Stainless Sdn. Bhd. The post-tax discount rate (WACC) of 9.25% and the budgeted EBIT margin (profit or loss from operations as a percentage of revenue) of 1.6% were considered to be key assumptions in the impairment test.

In the first six months of the year, Bahru Stainless obtained profit from operations that exceeded by 35% the forecasts made at the end of last year. Evolution of prices was very positive. China continued with its policy of promoting its local market, which has favoured the aforementioned price improvement. In addition, the Group's strategy of promoting sales with greater added value is proving very positive.

Regarding the remaining entities, the recovery from the pandemic and the reactivation of global economic activity in the first half of the year did not give rise to indications of impairment. In all entities, the Group is exceeding the forecasts made at the end of the last period, so it is not necessary to reevaluate the estimates in this period. Although the results obtained are significantly above the forecasts made, the Group prefers to be prudent in its estimates and maintains the forward-looking forecasts made at the end of last year.

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

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

(Figures in thousands of euros)

COST	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Balance at 1 January 2020	2,379	4,222	3,169	288	10,058
Business combinations	10,055	1,520	1,560		13,135
Additions	468	2,400	1,402		4,270
Remeasurement		262			262
Transfers	-532		-6	-263	-801
Disposals	-1,382	-1,275	-746		-3,403
Translation differences	-49	-5	-231	-25	-310
Balance at 31 December 2020	10,939	7,124	5,148		23,211
Additions	346	46	1,745		2,137
Transfers			-18		-18
Disposals	-173	-68	-549		-790
Translation differences	51	3	100		154
Balance at 30 June 2021	11,163	7,105	6,426		24,694
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	TOTAL
Balance at 1 January 2020	435	2,208	1,036		3,679
Business combinations	2,008	317	398		2,723
Charge for the year	1,712	2,237	1,590		5,539
Transfers	-397		-24		-421
Disposals	-1,391	-1,275	-743		-3,409
Translation differences	-22	-2	-128		-152
Balance at 31 December 2020	2,345	3,485	2,129		7,959
Charge for the year	875	1,114	690		2,679
Transfers			-9		-9
Disposals	-173	-68	-505		-746
Translation differences	16	3	44		63
Balance at 30 June 2021	3,063	4,534	2,349		9,946
CARRYING AMOUNT	Land and buildings	Plant and machinery	Other items of property, plant and equipment		TOTAL
Cost at 1 January 2020	2,379	4,222	3,169		9,770
Accumulated depreciation and impairment	-435	-2,208	-1,036		-3,679
Carrying amount at 1 January 2020	1,944	2,014	2,133		6,091
Cost at 31 December 2020	10,939	7,124	5,148		23,211
Accumulated depreciation and impairment	-2,345	-3,485	-2,129		-7,959
Carrying amount at 31 December 2020	8,594	3,639	3,019		15,252
Cost at 30 June 2021	11,163	7,105	6,426		24,694
Accumulated depreciation and impairment	-3,063	-4,534	-2,349		-9,946
Carrying amount at 30 June 2021	8,100	2,571	4,077		14,748

At 30 June 2021, the balance of the lease liabilities was EUR 12,777 thousand, most of which were recognised under “Other Non-Current Financial Liabilities” (31 December 2020: EUR 14,317 thousand).

The borrowing costs on the lease liabilities recognised by the Group at 30 June 2021 amounted to EUR 1,344 thousand (30 June 2020: EUR 151 thousand).

The lease expenses recognised under “Operating Expenses” in the statement of profit or loss relating to low-value assets or short-term leases amounted to EUR 4,734 thousand (30 June 2020: EUR 4,114 thousand).

NOTE 12 - INVENTORIES

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

(Figures in thousands of euros)

	At 30 June 2021	At 31 December 2020
Raw materials and other supplies	465,889	358,823
Work in progress	515,450	343,121
Finished goods	421,501	403,986
By-products, waste products and materials	100,267	76,259
Advances	420	299
TOTAL	1,503,528	1,182,488

“Raw materials and other supplies” includes EUR 12,930 thousand relating to the measurement of the emission allowances held by the Group at 30 June 2021 (31 December 2020: EUR 17,246 thousand). The Group is awaiting the allocation of the emission allowances for the 2021-2030 period; however, it has sufficient allowances to cover emissions for the reporting period.

The adjustment recognised at 30 June 2021 to measure inventories at their net realisable value amounted to EUR 11,227 thousand (31 December 2020: EUR 14,281 thousand)

NOTE 13 – FINANCIAL INSTRUMENTS

The detail of the Group's financial assets, except for investments in associates, at 30 June 2021 and 2020 year-end is as follows:

(Figures in thousands of euros)

Category	Non-current financial instruments						Current financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Loans and receivables	0		0		3,154	2,284					769,961	507,440
- At fair value through other comprehensive income	10,654	7,821	0		0							
- At cost	404	287	0		0							
Assets at fair value through profit or loss	0	43	0		36	287					11,618	22,227
Hedging derivatives	0		0		11						4,099	
TOTAL	11,058	8,151	0	0	3,201	2,571	0	0	0	0	785,678	529,667

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

(Figures in thousands of euros)

Category	Non-current financial instruments						Current financial instruments					
	Bank borrowings		Bonds and other marketable securities		Accounts payable, derivatives and other		Bank borrowings		Bonds and other marketable securities		Accounts payable, derivatives and other	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Accounts payable	1,291,849	1,335,039	74,700	74,650	17,622	20,105	459,158	278,034	3,493	1,634	1,313,509	987,559
Liabilities at fair value through profit or loss					51	88					1,955	14,109
Hedging derivatives					5,015	8,368					3,918	3,685
TOTAL	1,291,849	1,335,039	74,700	74,650	22,688	28,561	459,158	278,034	3,493	1,634	1,319,382	1,005,353

13.1 Fair value measurement

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

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

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

At 30 June 2021 and 31 December 2020, the Group's position concerning financial instruments recognised at fair value was as follows:

(Figures in thousands of euros)

	30-Jun-21			31-Dec-20		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets at fair value through other comprehensive income	10,654			7,821		
Financial derivatives (assets)		15,764			22,514	
TOTAL	10,654	15,764		7,821	22,514	
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial derivatives (liabilities)		10,938			26,250	
TOTAL		10,938			26,250	

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

In the case of Level 2 financial instruments, the Group uses generally accepted valuation techniques that take into account spot and future exchange rates at the measurement date, forward interest rates, interest rate spreads and credit risk of both the Group and its counterparty, i.e. the financial institutions with which it operates. With regards to the future exchange rates relating to the metal prices quoted on the LME ("London Metal Exchange"), the fair value of these futures contracts is estimated on the basis of the difference between the futures prices quoted on the LME for the aforementioned raw materials at the contract's expiration date and the futures price established in each contract.

13.2 Financial assets at fair value through other comprehensive income

As explained in the consolidated financial statements for 2020, Acerinox includes in this section the shares that the Group does not intend to sell and that it had designated in this category on initial recognition. Specifically, the Group has classified in this category the shares it holds in Nippon Steel & Sumitomo Metal Corporation (Nippon).

The value of the financial assets designated as at fair value through other comprehensive income amounted to EUR 11,058 thousand at the end of this interim period, of which EUR 10,654 thousand related to Acerinox, S.A.'s investment in the Japanese company Nippon Steel & Sumitomo Metal Corporation (Nippon), a company listed on the Tokyo Stock Exchange. This value is equal to the fair value of the shares at 30 June 2021 and coincides with their closing price. (At 31 December 2020 total financial assets designated as at fair value amounted to EUR 8,151 thousand and the value of the shares in Nippon amounted to EUR 7,821 thousand).

The market value of Nippon's shares at 30 June 2021 was JPY 1,874 per share. Acerinox, S.A. holds 747,346 shares in this company, which represents a scantily significant percentage of ownership in the Japanese group. At 30 June 2021, the Group recognised the changes in fair value for the period in the amount of EUR 2,833 thousand in other comprehensive income.

NOTE 14 – BANK BORROWINGS

At 30 June 2021, the Acerinox Group had arranged bank credit facilities and private placements amounting to EUR 2,547 million (31 December 2020: EUR 2,544 million), in addition to approved non-recourse factoring facilities amounting to EUR 520 million (31 December 2020: EUR 520 million). At 30 June 2021, the amount drawn down against the credit facilities was EUR 1,829 million (31 December 2020: EUR 1,689 million drawn down) and that of the factoring facilities was EUR 216.6 million (31 December 2020: EUR 204 million drawn down against factoring facilities).

The most significant financing transactions in the first half of 2021 were as follows:

- In January, two long-term loans arranged with Caixabank and Banco Sabadell in 2020 were converted into sustainable loans, each in the amount of EUR 80 million, to finance the purchase of the VDM Metals Group.
- In February, an ICO-secured credit facility of EUR 10 million, with a three-year maturity, with Liberbank was arranged in order to provide the Acerinox Group with sufficient liquidity to mitigate the economic effects of COVID-19.
- In March, renegotiation of the long-term loan of EUR 85 million arranged with Kuxtabank, in which the conditions have been improved, the nominal amount of the loan has been increased by EUR 20 million and the final maturity has been extended to 2026.
- In May, a long-term loan of EUR 50 million, with a four-year final maturity, was arranged with BBVA.
- Furthermore, in order to continue to guarantee the Group's liquidity, in the first half of 2021, four credit facilities in euros and one credit facility in US dollars, totalling more than EUR 300 million, were renewed, improving the financing conditions and extending the maturity by an additional year.

Regarding debt renegotiations, the Group assessed the significance of the modifications made to determine whether they were substantially different, in which case, the Group recognised the effects of the new agreements as an extinguishment and simultaneous recognition of a new loan. In the first half of 2021, the amount of fees and commissions recognised in profit or loss for loans derecognised from liabilities amounted to EUR 55 thousand.

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

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

None of the loans entered into in the first half of 2021 are subject to the achievement of annual financial ratios linked to results.

The loans detailed in the Group's consolidated financial statements at 31 December 2020 and the debt of the VDM Metals Group are conditional on compliance with covenants. It is worth noting that, at the beginning of 2021, the VDM Metals Group obtained a waiver on its financial covenants for five quarters, until March 2022, inclusive. In return, the VDM Metals Group has committed to maintaining minimum levels of operating profit and liquidity.

At 30 June 2021, all Acerinox Group companies achieved all the ratios required.

NOTE 15 – DERIVATIVE FINANCIAL INSTRUMENTS

As detailed in the Group's annual financial statements, it is essentially exposed to three types of market risk when carrying on its business activities: currency risk, interest rate risk and commodity price risk. The Group uses derivative financial instruments to hedge its exposure to certain risks.

The Group classifies derivative financial instruments that do not qualify for hedge accounting in the category of assets and liabilities measured at fair value through profit or loss. Those that qualify as hedging instruments are classified as hedging derivatives.

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

(Figures in thousands of euros)

	30-Jun-21		31-Dec-20	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives	4,110	8,933		12,053
Derivatives at fair value through profit or loss	11,654	2,005	22,514	14,197
TOTAL	15,764	10,938	22,514	26,250

As explained in the financial statements, VDM arranges derivatives to hedge metal purchases and futures contracts to hedge the raw material price risk. It also hedges foreign currency risk using derivatives. Until 31 December 2020, VDM had not applied hedge accounting to any of the Group's financial hedging transactions, and any derivative used had been measured at fair value, with any changes in value being recognised in profit or loss.

Hedge accounting is applied on a voluntary basis, and a 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 profit or loss, at the end of the last reporting period, the Group analysed the economic model and the hedging relationships to evaluate the possible application of hedge accounting to these derivatives. Accordingly, for new commodity derivatives arranged on or after 1 January 2021, the relationships have been documented and a model has been implemented to ensure the effectiveness of the hedge. Therefore, from that date the Group has begun to apply hedge accounting to recognise these financial instruments.

The following table provides a breakdown of the Group's derivative financial instruments at 30 June 2021 and 31 December 2020, by type of hedged risk:

(Figures in thousands of euros)

	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Currency forwards	10,521	1,024	18,496	10,449
Interest rate swaps		8,405		12,053
Commodity futures contracts	5,243	1,509	4,018	3,748
TOTAL	15,764	10,938	22,514	26,250

At 30 June 2021, none of the currency forwards arranged by the Group qualified as cash flow hedging instruments. At 30 June 2021, the effect on profit or loss of measuring these derivatives at market value was positive, i.e. EUR 1,406 million thousand, and was recognised under "Remeasurement of Financial Instruments at Fair Value" in the statement of profit or loss.

At 30 June 2021 and 31 December 2020, all interest rate swaps met the conditions to be classified as cash flow hedging instruments and, therefore, the unrealised gain of EUR 1,830 thousand on their measurement at fair value was recognised in the consolidated statement of comprehensive income. In the first half of 2021, EUR 1,840 thousand were transferred from the consolidated statement of comprehensive income to profit or loss for the period.

In the first half of 2021, no new swap transactions were concluded.

Lastly, the Group has futures contracts relating to the metal prices quoted on the London Metal Exchange (LME). Of the total financial instruments arranged, EUR 3,582 thousand met the conditions to be classified as cash flow hedging instruments and EUR 152 thousand were recognised at fair value through profit or loss as they were arranged prior to the commencement of the documentation of the hedging relationships. At 30 June 2021, the unrealised gain arising from measurement at fair value and recognised in the consolidated statement of comprehensive income amounted EUR 3,582 thousand. In the first half of 2021 no balances for these hedges were transferred from the consolidated statement of comprehensive income to profit or loss for the period.

NOTE 16 – DISTRIBUTION OF PROFIT AND DIVIDENDS

At the General Shareholders' Meeting held on 15 April 2021, the shareholders voted in favour of the distribution of the Parent's 2020 profit, as follows:

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

The amount earmarked for the distribution of the dividend corresponds to a remuneration of EUR 0.50 per share, which was paid on 3 June 2021.

In 2020, the General Shareholders' Meeting, held on 22 October 2020, approved a dividend of EUR 0.50 per share, of which EUR 0.10 per share was charged to share premium. Both the dividend and the share premium were paid in December 2020.

NOTE 17 – SHARE CAPITAL AND TREASURY SHARES

In the first half of 2021 and in 2020, there were no changes in the share capital or in treasury shares.

The share capital at period-end consisted of 270,546,193 ordinary shares of EUR 0.25 par value each, yielding capital of EUR 67,637 thousand.

At 30 June 2021 and 30 December 2020, treasury shares totalled 93,320 shares amounting to EUR 1,062 thousand.

NOTE 18 – TAX MATTERS

During the first six months of 2021, no legislative amendments were approved that significantly affected the Group.

The tax rate shown in the Group's consolidated statement of profit or loss for the interim reporting period was 24%, in line with the tax rates prevailing in the various countries.

Regarding the tax assets recognised at 30 December 2020 arising from tax loss carryforwards, as explained in the Acerinox Group's financial statements for 2020, the Group companies that have tax assets recognised in their financial statements are mainly the Spanish companies and the South African company, Columbus Stainless. 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.

The recovery of the economic activity and the good results obtained by all the companies, all of which exceeded the forecasts made at the end of last year, mean that the Group considers that during the first half of 2021 there have been no indications that would require a recoverability analysis beyond that made at the end of last year, nor a revision of the assumptions. The Group will carry out these analyses at the end of 2021, as set out in its policies. However, in the first half of 2021, deferred tax assets decreased by EUR 7 million, as shown in the consolidated balance sheet, as a result of the positive results obtained in the period.

With respect to the tax audits and lawsuits in progress, as discussed in the Acerinox Group's annual financial statements for 2020, the following changes have since occurred in the first half of 2020:

Italy

As described in the financial statements for 2020, and with regard to the mutual agreements reached between the Spanish and Italian authorities, the Group is currently in negotiations with the Italian authorities to transfer the treatment ultimately accepted in the mutual agreement to the adjustments with third countries. The dossier has already been transferred from the competent authorities in Rome to those in Milan, which must settle the agreements and, therefore, we hope that the negotiations can be concluded in 2021. On the other hand, at the request of the Italian authorities, a postponement of the court hearing has been requested, as the Italian authorities have shown that they are open to negotiate the agreements regarding the adjustments with third countries for the period 2007 to 2013 on the terms requested by the company. In the event that no agreement is reached, the Group would continue with the litigations in court.

The Group maintains the provision of EUR 11.2 million, equal to the amount that would be payable in Italy if the treatment agreed by the Italian and Spanish Authorities were applied to the remaining adjustments with third countries.

With regard to tax refunds recognised in Spain, the Group maintains the pleadings against the enforcement of the agreements, since the Authorities had not recognised the late-payment interest corresponding to the EUR 5.9 million refunded. There has been no progress in this regard.

On the other hand, on 4 June 2020, the Italian tax authorities requested that Acerinox Italia submit transfer pricing documentation for the 2015 tax year. On 22 April 2021, these authorities issued the final decision, stating that the tax base for the 2015 tax year should be adjusted by a total of EUR 3,789 thousand as a result of the transfer pricing policy applied to the Italian entity's sales and purchase transactions to the Group's factories. As on previous occasions, the Group lodged appeals against all these tax assessments at the Milan Provincial Tax Commission, and at the same time requested the suspension of payment of the debts until the end of the procedures. In addition, (in July 2021) a request was filed at the Spanish and Italian authorities to eliminate double taxation on the basis of Convention 90/436/EEC, of 23 July 1990.

Germany

On 14 December 2020, the Group company in Germany, Acerinox Deutschland, GmbH, was notified of the commencement of a tax audit relating to 2015 to 2018. As a result of the pandemic, the tax audit has been postponed until September.

In June 2021, the VDM entities in Germany were notified of the commencement of a tax audit relating to 2016 to 2018. The audits are ongoing and so far no assessment has been issued that could lead to the existence of adjustments.

Spain

Regarding the tax audits relating to 2014 to 2016, for which the assessments were signed in June 2020, Acerinox, S.A. was notified on 20 January 2021 of the commencement of a partial tax audit relating to 2017 to 2019 relating to aspects regularised in the audit.

On 4 June 2021, the assessments were signed on an uncontested basis, bringing the audit to an end. The outcome of the assessments was a corporation tax charge for the years 2017 to 2019 amounting to EUR 50 thousand and interest amounting to EUR 4 thousand. No sanctions were imposed. With regard to VAT, the assessments included adjustments amounting to EUR 107 thousand in VAT payable as a result of applying the pro rata rule, and EUR 20 thousand in interest for the entire period subject to audit. These amounts were paid in July.

NOTE 19 – LITIGATIONS

There were no significant cases of litigation during the period.

NOTE 20 – CONTINGENT ASSETS AND LIABILITIES

At 30 June 2021, the Acerinox Group had no contingent assets or liabilities.

NOTE 21 - SEGMENT REPORTING

The Group is internally organised by operating segments, which are the strategic business units. The strategic business units have different products and services and are managed separately. Group management reviews internal reports for each unit at least monthly. On acquisition of the VDM Group, a new segment known as the “High performance alloys” segment came into existence. This segment includes the products developed by the VDM Group. Due to the technical specifications of its products and markets, Group management has decided to manage this segment separately.

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

- Flat stainless steel products: slabs, flats, coils, plates, strips, circles and flat bars.
- Long stainless steel products: bars, angles, wire and wire rods.
- High performance alloys: special alloys with a high nickel content. This segment includes all the companies in the VDM Metals subgroup.
- Other: other stainless steel products not included in the above segments.

Segment results, assets and liabilities include all items directly or indirectly attributable to a segment. No significant assets are shared between segments and, considering the importance of flat products, any assets that could be attributed to both segments are assigned to the flat stainless steel product segment.

The “unallocated” segment includes the activities of the holding company and activities that cannot be allocated to any of the specific operating segments. The main activity of the holding company, the Parent of the Acerinox Group, is the provision of legal, accounting and advisory services to all Group companies, as well as the performance of financing activities within the Group, as all the Group’s financing is centralised through Acerinox, S.A.

The results of the “unallocated” segment reflect only the expenses (both operating expenses and finance costs) relating to the holding company’s activities, since revenue, which is always generated from Group companies, was eliminated on consolidation. The holding company centralises most of the Group’s financing, as can be seen from the amount of the liabilities of the “unallocated” segment. For this reason, the segment’s finance costs are the highest. Revenue and all items reflected in the statement of profit or loss by segment are presented on a consolidated basis, i.e. after eliminating income and expenses from Group companies, except for sales between segments, which are reflected separately.

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

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

There have been no significant changes in the assets and liabilities attributed to each of the segments with respect to those presented in the Group's financial statements at 31 December 2020.

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

21.1 Operating segments

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

(Figures in thousands of euros)

	30-Jun-21			30-Jun-20		
	Revenue from external customers	Inter-segment revenue	Total revenue	Revenue from external customers	Inter-segment revenue	Total revenue
Flat products	2,322,672	107,696	2,430,368	1,756,014	74,793	1,830,807
Long products	375,005	5,983	380,988	294,617	4,116	298,733
High performance alloys	375,086		375,086	278,033		278,033
Other stainless steel products	6,777		6,777	5,948		5,948
Unallocated	1,252		1,252	1,440		1,440
(-) Inter-segment adjustments and eliminations of revenue		-113,679	-113,679		-78,909	-78,909
TOTAL	3,080,792	0	3,080,792	2,336,052	0	2,336,052

No transaction with an external customer exceeded 10% of the Group's consolidated revenue at June 2021 or 2020.

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

(Figures in thousands of euros)

	At 30 June 2021	At 30 June 2020
Flat products	218,588	42
Long products	66,777	41,249
High performance alloys	5,592	15,903
Other stainless steel products	1,874	-39
Total profit of reported segments	292,831	57,155
(+/-) Unallocated profit/(loss)	-24,267	-34,722
(+/-) Elimination of internal profit/(loss) (inter-segment)		
(+/-) Other profit/(loss)		
PROFIT BEFORE TAX	268,564	22,433

21.2 Geographical segments

The information regarding revenue from geographical segments is presented on the basis of customer location.

The detail of revenue by geographical area at 30 June 2021 and 2020 is as follows:

(Figures in thousands of euros)

	At 30 June 2021	At 30 June 2020
Spain	237,118	174,044
Rest of Europe	931,582	724,911
The Americas	1,481,214	1,105,508
Africa	163,730	66,300
Asia	242,413	246,715
Other	9,747	13,653
TOTAL	3,065,804	2,331,131

NOTE 22 - AVERAGE HEADCOUNT

The Group's average headcount in the first half of 2021 was 8,290 employees (7,245 men and 1,045 women). The average headcount at 30 June 2020 was 8,545 (7,466 men and 1,079 women).

At 30 June 2021, the headcount was 8,384 (30 June 2020: 8,504). This figure includes 82 employees who availed themselves of the partial retirement plan (30 June 2020: 119).

NOTE 23 - RELATED PARTY TRANSACTIONS

- Identity of related parties

The consolidated financial statements include transactions performed with the following related parties:

- Associates accounted for using the equity method.
- Key executives of the Group and members of the Boards of Directors of the various Group companies, as well as their related parties.
- Significant shareholders of the Parent.

Transactions performed between the Company and its subsidiaries, which are related parties, are carried out, from the standpoint of their subject matter or terms and conditions, in the ordinary course of the Company's business activities and have been eliminated on consolidation. Therefore, they are not disclosed in this Note.

All transactions between related parties are carried out on an arm's length basis.

- Balances and transactions with associates

The Group did not conduct any transactions with associates during this interim period or during the same period in 2020.

- [Balances and transactions with significant shareholders](#)

The Acerinox Group performed the following transactions with either its shareholder Nippon Steel & Sumitomo Metal Corporation (Nippon) or any of the companies in its Group:

(Figures in thousands of euros)

	At 30 June 2021	At 30 June 2020
Services received		
Sale of goods	353	857

In addition, at 30 June 2021 there were no accounts receivable from its shareholder Nippon, or any of the companies in its Group (30 December 2020: EUR 209 thousand).

In the first half of 2021, Nippon Steel & Sumitomo Metal Corporation sold a portion of the shares it held in Acerinox, S.A., thereby reducing its ownership interest to 7.905% (at 31 December 2020 it held a 15.81% ownership interest in Acerinox).

In turn, the Group has an ownership interest in Nippon Steel & Sumitomo Metal Corporation valued at EUR 10,654 thousand at 30 June 2021 (31 December 2020: EUR 7,821 thousand), which represented a negligible percentage of ownership in the Japanese group.

- [Directors and key management personnel](#)

The remuneration received in the first half of 2021 by the 9 senior executives of the Group, who do not hold positions on the Board of Directors of Acerinox, S.A. amounted to EUR 2,765 thousand at 30 June 2021 (first half of 2020: EUR 2,545 thousand received). Of this amount, EUR 1,288 thousand relate to salaries (2020: 1,054 thousand), there were no attendance fees in 2021 (2020: 68 thousand), EUR 1,398 thousand to variable remuneration based on the previous year's results and EUR 79 thousand to remuneration in kind (2020: EUR 1,352 thousand to variable remuneration and EUR 71 thousand to remuneration in kind).

At 30 June 2021, the members of the Board of Directors of Acerinox, S.A., including those who also hold senior executive positions and sit on the Boards of Directors of other Group companies, earned EUR 1,435 thousand in fixed allowances, attendance fees, and fixed and variable salaries (first half of 2020: EUR 1,390 thousand), of which EUR 600 thousand related to salaries and fixed allowances for directors (2020: EUR 582 thousand), EUR 334 thousand to attendance fees (2020: EUR 337 thousand), EUR 493 thousand to variable remuneration based on previous year's results and EUR 8 thousand to remuneration in kind (2020: EUR 463 thousand to variable remuneration and EUR 8 thousand in remuneration in kind).

The obligations arising from certain senior executive retirement benefit arrangements, which amounted to EUR 14.8 million at 31 December 2020, of which EUR 5 million relate to the CEO, are fully insured, with their estimated amount covered by flows from the policies arranged. As a result, no liability is recognised for this item. At 30 June there were no significant variations in obligations, as there were no changes to the contracts. Equally, all obligations are duly insured.

At 30 June 2021 and 2020, no advances, balances or loans had been granted to the Company's members of the Board of Directors or senior executives.

In relation to the Multiannual Remuneration Plan or Long-Term Incentive Plan (LTI), the conditions of which are detailed in the financial statements for 2020, on 1 January 2021, a new multiannual remuneration plan was approved, consisting of 3 cycles, each lasting 3 years. Other Group executives have also been included in this second plan. The expense incurred to 30 June 2021 in relation to the Chief Executive Officer and Senior Management, the balancing entry of which is recognised under "Other Equity Instruments", amounted to EUR 695 thousand euros, of which EUR 177 thousand related to the Chief Executive Officer (To June 2020: EUR 368 thousand, of which EUR 103 thousand related to the Chief Executive Officer). The General Shareholders' Meeting also approved the delivery of the shares from the

first cycle of the First Plan in force until 31 December 2020. The shares will be delivered in July and the distribution will be made with a charge to treasury shares.

All transactions carried out between members of the Board of Directors and the Company or Group companies in the first half of 2021 have been ordinary transactions on an arm's length basis.

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

The Group has taken out a third-party liability insurance policy that covers the directors and senior executives, as well as Group employees. The premium was renewed in October 2020. The premium paid in 2020 amounted to EUR 510 thousand.

NOTE 24 - EVENTS AFTER THE REPORTING PERIOD

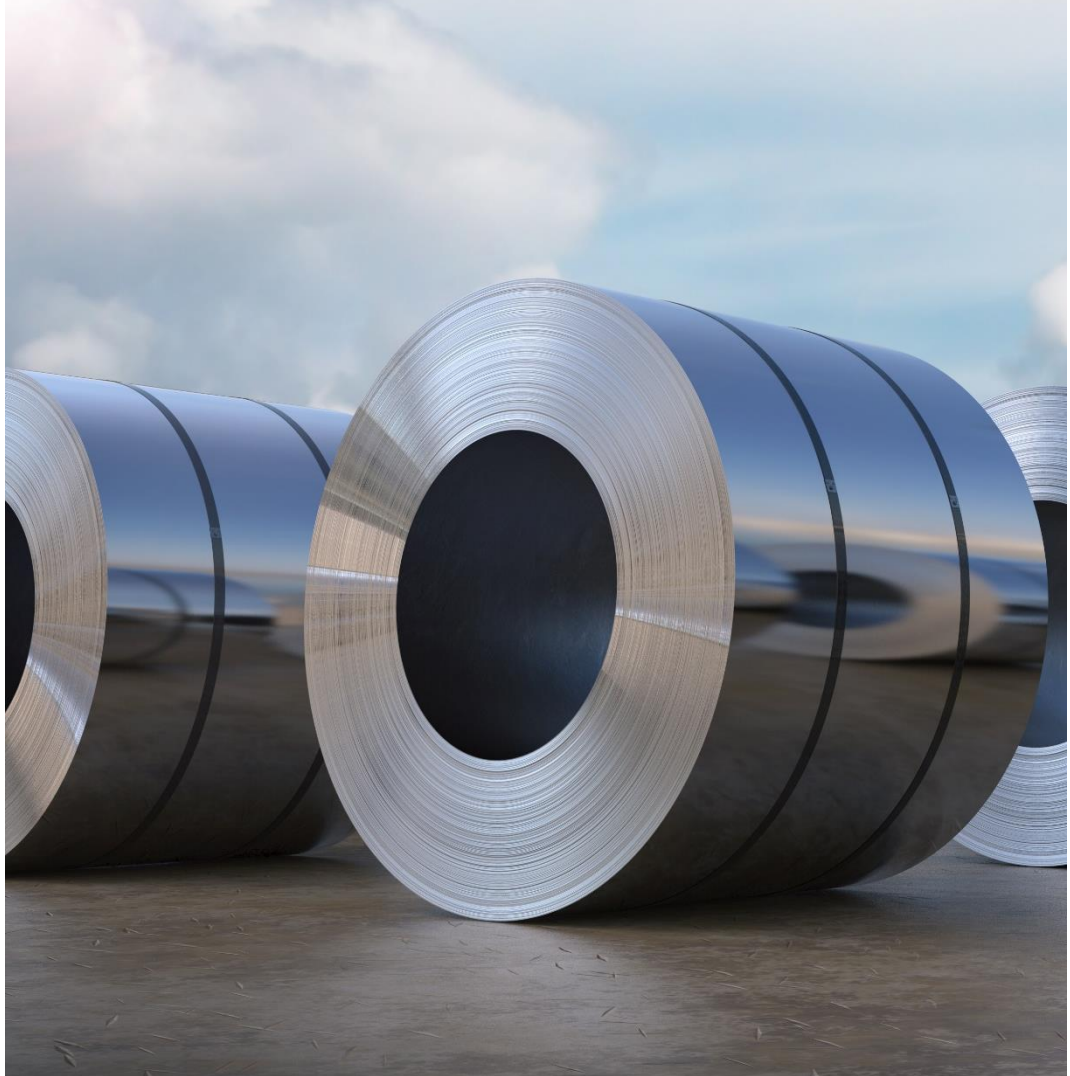
No significant events took place subsequent to the preparation of these interim financial statements that could have an impact on the Group's financial statements.



Interim Management Report

First Half of 2021

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



Presentation of the First Half 2021 results via webcast and conference call

Acerinox will hold a presentation for its First Half 2021 results today at 10.00 AM CET, directed by the CEO, Mr. Bernardo Velázquez, the COO, Mr. Hans Helmrich, and the CFO, Mr. Miguel Ferrandis.

The presentation can be followed by phone and online.

To access the presentation via telephone conference, you can join 5-10 minutes before the event, on the following numbers:

- From Spain: 919 01 16 44. PIN: 355000
- From UK (local): 020 3936 2999. PIN: 355000
- From United States: 1 646 664 1960. PIN: 355000
- Rest of countries: +44 20 3936 2999. PIN: 355000

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

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



Model of the Santiago Bernabéu Stadium incorporating stainless steel cladding

Highlights

First Half of 2021

"The Acerinox Group achieves its best half-yearly results since the First Half of 2007"

- The Group continues to eradicate accidents, and the accident rate was reduced by 34% in comparison with the first half of 2020.
- Melting shop production, at 1,343,946 tonnes, increased by 29% with respect to the first half of 2020.
- Revenue, amounting to EUR 3,066 million, increased by 32% in comparison with the same period of 2020.
- EBITDA, which totalled EUR 378 million, was 2.3 times higher than in the first half of 2020. The EBITDA margin was 12%.
- Profit after tax and non-controlling interests amounted to EUR 203 million, compared with EUR 2 million in the January-June 2020 period.
- Operating cash flow amounted to EUR 108 million.
- The Group's net financial debt, totalling EUR 838 million, increased by EUR 66 million with respect to 31 December 2020 due to increased working capital (EUR 253 million) and payment of the dividend (EUR 135 million).
- The Annual General Meeting held on 15 April approved the distribution of a dividend of EUR 0.50/share, which was paid on 3 June 2021.

Second Quarter of 2021

"The positive trend that began in the Third Quarter of 2020 continues"

- Melting shop production, at 675 thousand tonnes, increased by 1% with respect to the first quarter of 2021.
- Revenue, amounting to EUR 1,625 million, increased by 13% in comparison with the previous quarter.
- EBITDA, which totalled EUR 217 million, was 35% higher than in the first quarter of the year. The EBITDA margin was 13%.
- Profit after tax and non-controlling interests totalled EUR 125 million, 61% higher than in the first quarter of 2021.
- Melting shop production and revenue increased by 54% and 39%, respectively, in comparison with the second quarter of 2020, which was seriously affected by Covid-19, and EBITDA was 2.7 times higher.
- Operating cash flow amounted to EUR 84 million, despite the EUR 100 million increase in working capital.
- The Group's net financial debt, totalling EUR 838 million, increased by EUR 82 million with respect to 31 March 2021, but was EUR 33 million lower than at 30 June 2020.
- The Annual General Meeting held on 15 April approved the distribution of a dividend of EUR 0.50/share, which was paid on 3 June 2021.
- A sustainable steel line was launched.
- The Group was awarded with the Golden Level by Ecovadis for its commitment to sustainability.



Outlook

The improvement that commenced in summer 2020 was maintained in the second quarter.

In view of the positive demand situation and the greater visibility afforded to us by our backlog, we estimate that EBITDA will improve from the second to the third quarter, both in the stainless steel and the high-performance alloys divisions.

Expected cash generation in the third quarter will enable us to reduce the Group's net financial debt.

Main economic and financial figures

Consolidated Group	QUARTER		FIRST HALF		
	Q1 2021	Q2 2021	2021	2020	Variation 2021/2020
Melting shop production (thousands of tonnes)	668	675	1,344	1,044	29%
Revenue (EUR million)	1,441	1,625	3,066	2,331	32%
Adjusted EBITDA (EUR million)	161	217	378	179	111%
% of sales	11%	13%	12%	8%	
EBITDA (EUR million)	161	217	378	165	130%
% of sales	11%	13%	12%	7%	
EBIT (EUR million)	117	173	290	34	762%
% of sales	8%	11%	9%	1%	
Profit before tax and non-controlling interests (EUR million)	106	163	269	22	1,097%
Profit after tax and non-controlling interests (EUR million)	78	125	203	2	9,249%
Depreciation and amortisation charge (EUR million)	44	44	88	88	-1%
No. of employees at period-end	8,153	8,302	8,302	8,385	-1%
Net financial debt (EUR million)	756	838	838	872	-4%
Gearing ratio (%)	43%	48%	48%	46%	---
No. of shares (millions)	271	271	271	271	0%
Shareholder remuneration (per share)	0.00	0.50	0.50	0.00	---
Average daily volume of trading (millions of shares)	0.84	1.62	1.23	1.03	20%
Profit per share after tax and non-controlling interests	0.29	0.46	0.75	0.01	9,249%

	Second quarter 2021			First half 2021		
	Stainless Division	High-performance alloys	Consolidated Group	Stainless Division	High-performance alloys (1)	Consolidated Group
<i>EUR million</i>						
Melting shop production (thousands of tonnes)	654	22	675	1,304	40	1,344
Net sales	1,425	201	1,625	2,698	368	3,066
Adjusted EBITDA	201	16	217	353	26	378
Adjusted EBITDA margin	14%	8%	13%	13%	7%	12%
EBITDA	201	16	217	353	26	378
EBITDA margin	14%	8%	13%	13%	7%	12%
Depreciation and amortisation	-37	-6	-44	-74	-11	-88
EBIT	163	11	173	279	15	290
EBIT margin	11%	5%	11%	10%	4%	9%

⁽¹⁾ The purchase of VDM took place on 17 March. The first half of the year includes the results of VDM for the March-June period.

Stainless steel division

Stainless steel market

Strong recovery of apparent consumption in the first half of 2021

The first half of 2021 confirmed the recovery of demand which became noticeable towards the end of 2020.

Increased confidence in the economy and improvement in activity are reflected in a process of inventory replenishment throughout the supply chain, which was severely depleted worldwide and in all sectors in 2020.

This greater confidence arising from progress in vaccination processes in different countries is resulting in the reactivation of consumption among stainless steel end customers, which is driven by consumer goods industries such as the automotive, food industry and, particularly, domestic appliance manufacturing industries. Other sectors, such as the restaurant and investment good for project sectors, are also recovering.

Inventories in our industry remain below the average level for recent years.

UNITED STATES

In the first half of the year, the restrictions imposed as a consequence of Covid-19 were lifted as the vaccination rate rose. This, together with the positive situation of the economy, resulted in an upturn in most stainless steel-consuming industries.

Based on the latest available data, we estimate that apparent flat product consumption in the North American market improved by 6% until May, in comparison with the same period of 2020.

The inventory figures published by the industry reflect levels below the average for recent years.

Imports remain tight, with a flat product market share of approximately 14%.

EUROPE

Based on the latest available data, we estimate that apparent flat product consumption in the European market improved by 16% in the first half of the year.

Demand remains robust and inventories low.

There was a decrease in the pressure from imports, which stood at around 20%.

The European Commission extended the safeguards for another three years, maintaining the quotas for all products. Also, provisional anti-dumping measures were approved for cold-rolled flat materials from India and Indonesia, the effects of which are already becoming apparent in the market. The definitive measures are expected to be implemented in November for a period of five years.

These measures are implemented alongside the anti-dumping measures for hot-rolled flat products from China, Indonesia and Taiwan which had been in place since April 2020.

The European market has gradually returned to the system of base price and alloy surcharge.

ASIA

Demand in Asia remains positive, although the Covid-19 situation and potential lockdown in various countries could affect its performance.

China is continuing its policy of promoting its local market, and has eliminated the 13% export rebate.

The positive situation of the Asian markets and the increase in the price of maritime transport is reducing exports to other markets.

Stainless steel division production

The stainless division improved production at all plants with respect to the first half and second quarter of 2020, which were the most difficult periods due to Covid-19.

Thousands of tonnes	2020					2021			Variation	
	Q1	Q2	Q3	Q4	12 Months	Q1	Q2	H1	Q2 21 / Q2 20	H1 21 / H1 20
Melting shop	599	420	524	601	2,144	650	654	1,304	56%	28%
Cold rolling	393	290	331	369	1,383	394	400	795	38%	16%
Long products (hot rolling)	57	49	51	53	210	63	61	124	23%	17%

Columbus is continuing to develop and market, through long-term contracts, a carbon steel range for the local South African market, enabling it to optimise its production capacity.

Due to the lockdown decreed by the Malaysian government, Bahru Stainless has remained closed since the beginning of June.

Stainless steel division results

EUR million	Q2 2021	Q1 2021	Q2 2020	H1 2021	H1 2020	% Q2 21 / Q2 20	% H1 21 / H1 20
Melting shop production (thousands of tonnes)	654	650	420	1,304	1,019	56%	28%
Net sales	1,425	1,273	894	2,698	2,053	59%	31%
Adjusted EBITDA	201	152	71	353	156	182%	126%
Adjusted EBITDA margin	14%	12%	8%	13%	8%		
EBITDA	201	152	57	353	142	252%	149%
EBITDA margin	14%	12%	6%	13%	7%		
Depreciation and amortisation charge	-37	-37	-40	-74	-80	-7%	-8%
EBIT	163	115	-26 (1)	279	19 (1)	---	1,376%
EBIT margin	11%	9%	-3%	10%	1%		
Operating cash flow (before investments)	98	25	104	123	68	-6%	81%

⁽¹⁾ Including EUR 42 million of impairment losses on assets at Bahru Stainless

The positive market situation that is being experienced by the stainless steel industry is reflected in this division's production and sales figures. Specifically, production and sales increased by 28% and 31%, respectively, in comparison with the first half of 2020.

Cost control and the conversion of fixed costs into variable costs to adapt swiftly to demand were maintained. Total operating expenses (operating expenses and staff costs) increased by 15%, far below the increase in production, in comparison with the first half of 2020.

EBITDA for the first half of the year, amounting to EUR 353 million, was 2.5 times higher than in the same period of 2020, evidencing a clear positive evolution from the first to the second quarter. All factories recognised positive EBITDA in the six-month period. Worthy of note is the EBITDA margin, which was 13%.

Operating cash flow totalled EUR 123 million despite the increase in working capital experienced in the opening months of the year, due to higher activity levels.

	Q2 2021	Q1 2021	Q2 2020	H1 2021	H1 2020
EBITDA	201	152	57	353	142
Changes in working capital	-67	-146	66	-214	-31
Changes in operating working capital	-84	-141	61	-225	-5
- Inventories	-134	-113	80	-247	89
- Trade receivables	-50	-160	88	-210	41
- Payable to suppliers	101	131	-107	232	-134
Other adjustments to working capital	16	-5	5	11	-27
Income tax	-28	27	-2	-1	-25
Finance costs	-8	-7	-6	-14	-9
Other adjustments to profit	0	-2	-11	-1	-8
OPERATING CASH FLOW	98	25	104	123	68

High-performance alloys division

High-performance alloys market

In the first half of 2021 the high-performance alloys market recovered in all of our consumer sectors except for aerospace.

The recovery has been noted in the oil and gas industry. Strong activity was recorded in major oil pipeline projects in the second quarter.

The chemical industry enjoyed a strong recovery, with demand constantly improving.

The electronics industry continued to perform well, driven by OLED technology, which is a major high-performance alloy consumer.

High-performance alloy consumption in the automotive industry has continued to perform well since the fourth quarter of 2020.

Production

High-performance alloy melting shop production improved with respect to the second quarter and the first half of 2020 due to an improved customer backlog.

<i>Thousands of tonnes</i>	2020 ⁽¹⁾					2021			Variation	
	Q1	Q2	Q3	Q4	12 months	Q1	Q2	H1	Q2 21 / Q2 20	H1 21 / H1 20
Melting shop	19	18	14	13	64	18	22	40	18%	6%
Finishing shop	10	11	10	8	38	8	11	19	2%	-6%

(1) January and February 2020 pro forma, prior to the acquisition of VDM

Results

The improvement in the various industries resulted in a 6% increase in production compared with the first half of 2020.

<i>EUR million</i>	Q2 2021	Q1 2021	Q2 2020	H1 2021	H1 2020 ⁽¹⁾	% Q2 21 / Q2 20	% H1 21 / H1 20
Melting shop production (thousands of tonnes)	22	18	18	40	37	18%	6%
Net sales	201	167	208	368	413	-4%	-11%
Adjusted EBITDA	16	10	13	26	33	21%	-22%
Adjusted EBITDA margin	8%	6%	6%	7%	8%		
EBITDA	16	10	13	26	33	21%	-22%
EBITDA margin	8%	6%	6%	7%	8%		
Depreciation and amortisation charge	-6	-5	-6	-11	-11	2%	1%
EBIT	11	4	8	15	22	39%	-33%
EBIT margin	5%	2%	4%	4%	5%		

(1) January and February 2020 pro forma, prior to the acquisition of VDM

EBITDA for the first half of the year, amounting to EUR 26 million, was 22% lower than that of the same period of 2020, although quarter-on-quarter improvement was substantial (+72%).

Due to the increase in activity, working capital had increased by EUR 39 million at 30 June and, consequently, the Group's operating cash flow was negative at EUR 15 million.

	Q2 2021	Q1 2021	H1 2021	H1 2020 ⁽¹⁾
EBITDA	16	10	26	33
Changes in working capital	-32	-7	-39	-15
Changes in operating working capital	-29	-14	-43	-11
- Inventories	-33	-41	-74	8
- Trade receivables	-6	-13	-19	12
- Payable to suppliers	101	40	50	-30
Other adjustments to working capital	7	7	4	-4
Income tax	2	-3	-1	-18
Finance costs	-1	-2	-3	-3
Other adjustments to profit	1	2	4	-4
OPERATING CASH FLOW	-14	-1	-15	-7

(1) January and February 2020 pro forma, prior to the acquisition of VDM

Integration of VDM Metals

The German company VDM Metals, a leader in the production of high-performance alloys, was acquired in March 2020.

Despite the difficulties arising as a result of the uncertainty surrounding Covid-19 and global travel restrictions, the online meetings held enabled major milestones to be satisfactorily reached and achieved a positive result of the integration. Synergies valued at EUR 5.2 million were achieved in the first half of the year, 42% higher than the estimated target for this period.

Best practices in the stainless steel and high-performance alloys divisions, which were incorporated into long- and flat-product technical exchange projects, both in Europe and the United States, boosted efficiency in the manufacture of standard products. Shared resources enabled new products to be created in eight different types of alloy, such as wide coil, plates and precision strips.

Furthermore, the high-performance alloys division has joined the Excellence 360° cost reduction and efficiency improvement program, as detailed in the corresponding section of this Report.

The development of joint commercial strategies allows customer relations to be optimised and presence to be increased in the project and high-performance alloy sectors in certain geographical areas.

Results of the consolidated Acerinox Group

Revenue totalled EUR 3,066 million in the half year, representing a 32% increase on the first half of 2020, thanks to a sound performance in terms of both volume and price.

The most significant figures are summarised in the table below:

<i>EUR million</i>	Q2 2021	Q1 2021	Q2 2020	H1 2021	H1 2020	% Q2 21 / Q2 20	% H1 21 / H1 20
Net sales	1,625	1,441	1,172	3,066	2,331	39%	32%
Adjusted EBITDA	217	161	94	378	179	131%	111%
Adjusted EBITDA margin	13%	11%	8%	12%	8%		
EBITDA	217	161	80	378	165	171%	130%
EBITDA margin	13%	11%	7%	12%	7%		
EBIT	173	117	-11 (1)	290	34 (1)	---	762%
EBIT margin	11%	8%	-1%	9%	1%		
Profit (Loss) before tax	163	106	-19	269	22	---	1,097%
Profit (Loss) after tax and non-controlling interests	125	78	-26	203	2	---	9,249%
Operating cash flow (before investments)	84	23	111	108	75	-24%	44%
Net financial debt	838	756	872	838	872	-4%	-4%

⁽¹⁾ Including EUR 42 million of impairment losses on assets at Bahru Stainless

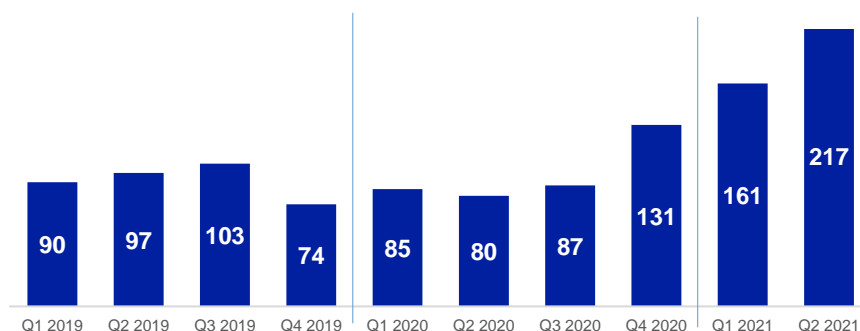
Acerinox continues to prioritise the use of an agile and lightweight cost structure that allows it to swiftly adapt to changes in the market. Given the increase in activity, both personnel costs and operating expenses have risen with respect to the previous period. This rise is nevertheless lower than the growth in volumes.

In this connection, total personnel costs and operating expenses dropped from 24% of sales in the first half of 2020 to 22% in the first half of 2021.

EBITDA in the first half of the year, amounting to EUR 378 million, was 130% higher than in the same period of 2020 and stands at its highest level since the first half of 2007, when average nickel prices reached USD 43,600 dollars. The EBITDA margin was 12%.

EBITDA in the second quarter, amounting to EUR 217 million, was 171% higher than in the second quarter of 2020 and 35% higher than in the preceding quarter.

Quarterly EBITDA in millions of euros



EBIT in the half year amounted to EUR 290 million (first half of 2020: EUR 34 million) (after deducting EUR 43 million of impairment losses on assets at Bahru Stainless).

Profit after tax and non-controlling interests amounted to EUR 203 million (first half of 2020: EUR 2 million).

Cash generation

The EBITDA generated, amounting to EUR 378 million, gave rise to an operating cash flow of EUR 108 million in the half year, despite the increase in working capital.

Working capital increased by EUR 253 million. The high level of activity led to an increase across all line items in the first two quarters of the year. Physical inventories remain controlled.

Capex in the first half of the year amounted to EUR 49 million.

	Q2 2021	Q1 2021	Q2 2020	H1 2021	H1 2020
EBITDA	217	161	80	378	165
Changes in working capital	-100	-153	63	-253	-34
Changes in operating working capital	-113	-155	50	-268	-16
- Inventories	-167	-154	95	-321	104
- Trade receivables	-57	-173	93	-229	46
- Payable to suppliers	111	171	-139	282	-166
Other adjustments to working capital	13	2	13	15	-19
- Collective redundancy procedure (ERE) payment at Acerinox Europa	0	0	0	0	-26
- Sundry adjustments	13	2	13	15	7
Income tax	-26	24	-3	-3	-27
Finance costs	-9	-9	-9	-18	-12
Other adjustments to profit (loss)	2	0	-20	2	-17
OPERATING CASH FLOW	84	23	111	108	75
Payment for purchase of VDM	0	0	0	0	-313
Payments due to investment	-20	-29	-27	-49	-51
FREE CASH FLOW	64	-6	84	59	-289
Dividends and treasury shares	-135	0	0	-135	0
CASH FLOW AFTER DIVIDENDS	-71	-6	84	-77	-289
Translation differences	-11	22	-16	11	-3
Grants and other	0	0	0	0	0
Net financial debt acquired from VDM	0	0	-85	0	-85
Changes in net financial debt	-82	16	-17	-66	-377

In June, the shareholder was compensated with a cash dividend of 135 million euros, which in recent years had been paid in the second half of the year.

Balance sheet

ASSETS					LIABILITIES				
Millions of euros	Jun. 21	2020	Jun. 20	Variation	Millions of euros	Jun. 21	2020	Jun. 20	Variation
Non-current assets	2,060	2,070	2,227	-0%	Equity	1,756	1,615	1,880	9%
Current assets	3,288	2,664	3,012	23%	Non-current liabilities	1,764	1,827	1,864	-3%
- Inventories	1,504	1,182	1,302	27%	- Bank borrowings	1,367	1,410	1,435	-3%
- Receivables	754	532	577	42%	- Other non-current liabilities	397	417	429	-5%
<i>Trade receivables</i>	693	464	500	49%					
<i>Other receivables</i>	61	68	77	-10%	Current liabilities	1,828	1,291	1,494	42%
- Cash	991	917	1,110	8%	- Bank borrowings	463	280	546	65%
- Other current financial assets	39	32	23	22%	- Trade payables	1,161	879	783	32%
					- Other current liabilities	204	132	165	54%
Total assets	5,348	4,733	5,239	13%	Total equity and liabilities	5,348	4,733	5,239	13%

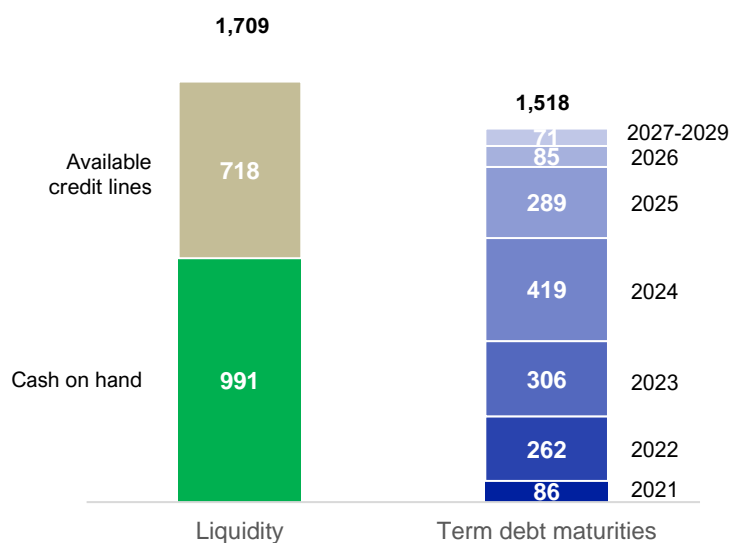
The net financial debt, amounting to EUR 838 million, increased by just EUR 66 million with respect to 31 December 2020, following the aforementioned increase of EUR 253 million in working capital and the payment of a dividend of EUR 135 million.

The net financial debt was EUR 33 million lower than at 30 June 2020. It should be noted that VDM Metals was acquired in March 2020 for EUR 313 million.

At 30 June 2021, Acerinox had immediate liquidity of EUR 1,709 million, consisting of EUR 991 million in cash and EUR 718 million in available credit lines.

The Group's term debt maturities total EUR 1,518 million and are fully covered by the current liquidity.

Millions of euros



Sustainability

Acerinox has been advocating the Circular Economy for 50 years and has become a global benchmark in this area by manufacturing products with a recycled content level of over 90%.

The main axes of the Strategic Sustainability Plan, 360° Impact, are the following:



20% reduction in greenhouse gas emissions, thereby renewing its commitment to achieving climate neutrality by 2050



7.5% reduction in energy intensity



Recovery of 98% of waste (with just 2% ending up in landfill)



20% reduction in water abstraction



10% annual reduction in Frequency Rate of Accidents resulting in Leave



10% annual increase in the proportion of new hires that are minorities. Of particular note is the fact that female hires rose by 19.6% in 2020 alone.

With respect to the 2030 Sustainability Goals, in the first half of 2021:

- The Group continued to achieve the goals relating to green loans from BBVA, Sabadell and CaixaBank.
- The intensity of CO₂ emissions (scopes 1+2) fell by 5% with respect to the first half of 2020 (and by 6% with respect to the preceding half year).
- Energy intensity fell by 2% with respect to the first half of 2020 (and by 3% with respect to the preceding half year).
- The LTIFR cumulative in the first half of 2021 represented a 34% reduction with respect to the first half of 2020 (and a 45% reduction with respect to the preceding half year).
- Water consumption intensity was reduced by 18% from 2020 to 2021.

In the first half of 2021, the Group was awarded a Gold-level rating by the EcoVadis Sustainability rating platform. In addition to this ranking among companies from all over the world, the Acerinox Group attaches particular importance to the recognition received from its own industry, having been awarded the three prizes in the sustainability category by the International Stainless Steel Forum:

- First Prize for Bahru Stainless for launching a project to manufacture building bricks using the sludge generated during the pickling process in stainless steel production.
- Second Prize for Acerinox Europa for the project to improve the performance of the graphite electrodes in electric furnaces, with the consequent reduction in CO₂ emissions.
- Prize for North American Stainless for the project to reuse the tundish refractories in continuous casting to prevent them from being sent to landfill.

The Group continues to contribute to the 17 United Nations Sustainable Development Goals (both directly and indirectly) and to make progress with respect to commitments such as the decarbonisation of its activities.

SUSTAINABLE STEEL

In line with Acerinox's commitment to sustainability, and in order to promote the use of sustainable products and facilitate our customers' access to a better economy, the Company is launching a sustainable stainless steel product line.

We expect this product line to be very well received in industries such as the domestic appliance, automotive and construction industries, among others.

These products, characterised by the large proportion of recycled material used in the manufacturing process and by the use of renewable energies, will be accompanied by the pertinent certificates issued by a top-level company.

Excellence 360° plan

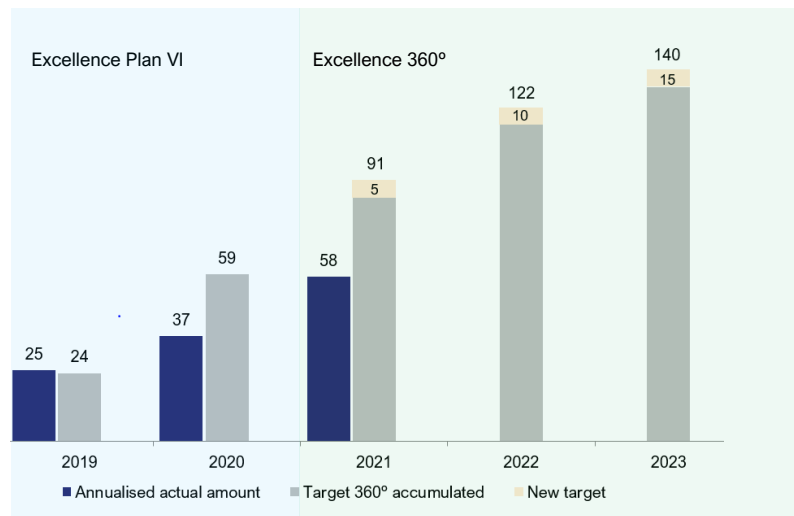
In 2019 all the Digital Transformation initiatives were unified in a five-year plan (2019-2023) entitled Excellence 360°. This Plan encompasses the Excellence Plans (continuous improvement projects) and all the projects constituting the Group’s Digital Strategy.

Excellence 360° is aimed at comprehensively enhancing the business in terms of: production (improving process quality and productivity); the supply chain (optimising stock and increasing delivery precision); the commercial area (improving margins and the customer mix); and the purchase of raw materials (optimising the mix at any given time), all thanks to the use of new technologies and placing the customer and service at the core of the business.

The Excellence 360° results continued to improve across all business units in the first half of the year, most notably in terms of maintenance, increased line productivity, energy consumption and optimisation in the purchase of raw materials.

Estimated annual savings of EUR 58 million were achieved, representing a 64% degree of achievement of the target set for this period (EUR 91 million).

As a result of the inclusion of VDM in the Acerinox Group, the efficiency plans that VDM had been developing in the past were unified with the Group’s best practices through internal benchmarking and the Digital Strategy in order to include the special steels division in Excellence 360°. The EUR 125 million annual target is therefore being progressively increased, and will reach EUR 140 million in 2023.



Financial risk management

Although the exceptional circumstances caused by the global Covid-19 pandemic continued in this period, Acerinox still considers the main financial risks to be those mentioned in its approved financial statements for 2020, namely: market risk (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Effective management of these risks enabled the Group to minimise the unavoidable impacts of the Covid-19 pandemic, and many of the measures set forth in the 2020 Annual Report remain in place.

CREDIT RISK

With regard to credit risk, claims as of June 30 are exceptionally low and payment delays are similar to those of any other year prior to COVID-19.

LIQUIDITY RISK

With respect to liquidity risk, Acerinox had arranged credit facilities amounting to EUR 2,547 million, of which 28% were drawable. Net debt amounted to EUR 838 million at 30 June. The cash balances amounted to EUR 991 million.

The **most significant financing transactions** in the first half of 2021 were as follows:

- In January, two long-term loans arranged in 2020 with CaixaBank and Banco Sabadell were converted into sustainable loans amounting to EUR 80 million each to finance the purchase of the VDM Metals Group.
- In February, an ICO-secured credit facility, amounting to EUR 10 million and with a maturity of three years, was arranged with Liberbank in order to provide the Acerinox Group with sufficient liquidity to mitigate the economic effects of Covid-19.
- In March, the long-term loan of EUR 85 million arranged with Kuxtabank was refinanced, whereby the conditions were improved by increasing the loan principal by EUR 20 million and extending the final maturity to 2026.
- In May, a long-term loan of EUR 50 million, with a four-year final maturity and tied to sustainable KPIs, was arranged with BBVA.
- In addition, to ensure continued Group liquidity, four credit facilities in euros and one in US dollars, totalling over EUR 300 million, were renewed in the first half of 2021, with improved financing conditions and a one-year extension of the maturity.

The Acerinox Group has satisfactorily met the repayment schedules for its borrowings. None of the loans arranged in the first half of 2021 are contingent upon the achievement of annual results-based financial ratios.

With respect to the high-performance alloys division, financial instruments are arranged or the pertinent insurance policies are taken out in order to limit the risks that may potentially have the greatest material impact on the financial statements and results. Derivative financial instruments, such as currency forwards and futures contracts relating to the metal prices quoted on the LME ("London Metal Exchange"), are used in order to hedge the volatility of raw material purchase prices, the main raw material being nickel, although hedges are also arranged for other metals.

Annual General Meeting

The shareholders at the Acerinox Group's Annual General Meeting held telematically on 15 April 2021 approved the distribution of a dividend of EUR 0.50 per share, which was paid on 3 June 2021. This amount represented shareholder remuneration of EUR 135 million.

The Meeting also approved the re-election of the following directors as members of the Board of Directors:

- Tomás Hevia Armengol as Proprietary Director
- Laura González Molero as Independent Director
- Rosa María García Piñeiro as Independent Director
- Marta Martínez Alonso as Independent Director

Nippon Steel Stainless Steel

In August 2020 Nippon Steel Stainless Steel vacated the Group's Board of Directors and classified its ownership interest as an available-for-sale asset.

On 17 June 2021, Nippon Steel Stainless Steel sold a 7.9% stake in Acerinox, half of its position, through an accelerated bookbuilt offering.

Alternative Performance Measures (Definitions)

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

Operating Working Capital: Inventories + Trade receivables – Trade payables

Net Cash Flow: Results after taxes and minority interests + depreciation and amortisation

Net Financial Debt: Bank borrowings + bond issuance - cash

Net Financial Debt / EBITDA: Net Financial Debt / annualised EBITDA

EBIT: Operating income

Adjusted EBIT: EBIT, net of material extraordinary items

EBITDA: Operating income + depreciation and amortisation + variation of current provisions

Adjusted EBITDA: EBITDA, net of material extraordinary items

Debt Ratio: Net Financial Debt / Equity

LTIFR: (Number of Lost Time Injuries / Total Hours Worked) * 1,000,000

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

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

ROE: Results after taxes and minority interests / Equity

ICR (interest coverage ratio): EBIT / Financial expenses

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