Welcome

Rafael Miranda, Chairman of Acerinox
New Equipment that Makes the Difference

Antonio Moreno, Production Director of Acerinox
What are our objectives with the investments?

- To be efficient.
- To have high productivity.
- To reduce costs.
- To have the best quality.
- Service to our clients.
The capex we have had over the last few years is as shown in the graph.
Where have we invested this money? What equipment or lines do we have? What do we have in place at our plants?
NEW EQUIPMENT THAT MAKES THE DIFFERENCE

Bahru Stainless

Columbus Stainless

North American Stainless

Acerinox Europa
NEW EQUIPMENT THAT MAKES THE DIFFERENCE

BAHRU STAINLESS

- Rolling Mill no. 2 (2012)
- Final Annealing Line (2013)
- Longitudinal Slitting Line (2014)
NEW EQUIPMENT THAT MAKES THE DIFFERENCE

COLUMBUS STAINLESS

Longitudinal slitting line <650 width (2014)

Longitudinal slitting line of 0.15/30 gauge (being installed) (2019)

Ladle furnace 4th quarter (2019)
NEW EQUIPMENT THAT MAKES THE DIFFERENCE

NAS

- Longitudinal slitting line (thick gauges) (2016)
- Rolling mill no. 6 (2017)
- Bright annealing line (2017)
- CB Line being installed (2018)
NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA

Replacement of Hot Rolling AC motors (2013)
Replacement of Hot Rolling AC motors (2013)
NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA

CS-1 modification. Cut-to-length slitting line (2014)
Replacement of ZM-3 motors and drivers (2017)
NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA

SL-9 longitudinal slitting line (2017)
NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPATTA

SL-9 Longitudinal slitting line (2017)
NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA

Rolling mill no. 7 (March 2018)
WHAT IS IT?

WHAT ARE ITS TECHNOLOGICAL DEVELOPMENTS?

WHAT BENEFITS DOES IT PROVIDE?

AP-5 MARCH 2018
Final annealing and pickling line (March 2018)
Final annealing and pickling line (March 2018)
The absence of contact in the cooling stage following heat treatment produces a uniform surface with no marks.
Final annealing and pickling line (March 2018)
NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA

SKP Y TLU AP-5
ACERINOX EUROPA

Pickling control AP-5
What features has the pickling?
What is achieved with these plants?

1º Emission are 2/3 times lower than the legal limit.

2º The conditions of acids, salts and water is 40% lower than what we have had until now.
NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA

AP-3 Revamping (August 2018)
NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA

AP-3 Revamping (August 2018)
ACERINOX EUROPA: UPCOMING PROJECTS TO BE IMPLEMENTED

- There is another series of investments underway for all the departments: Cold Rolling, Hot Rolling and Melt Shop (ladle furnace) with the same objective:
  - Improve quality
  - Reduce costs
  - Increase production

- There are also other investments for environmental improvements, some already made and others in progress and pending completion before the end of 2019.
All of our effort is focused on having the best installations with the best equipments in order to be the best:

- In competitiveness
- In quality
- In customer service
- In environment
NEW EQUIPMENT THAT MAKES THE DIFFERENCE

THANK YOU
Stainless Steel in Transport: New Opportunities

Luis Peiró, Technical Director of CEDINOX
1 | Historical evolution
2 | Current situation
3 | Expected development in the coming years
4 | Goals in the automotive industry
5 | Conclusions
HISTORICAL EVOLUTION 2000-2017

MOTOR VEHICLES PRODUCTION

4%
Compound Annual Growth Rate [CAGR]

Source: www.oica.net
HISTORICAL EVOLUTION 2000-2017

MOTOR VEHICLES: STAINLESS STEEL WORLD CONSUMPTION (x1000 t)

AVERAGE CONSUMPTION PER VEHICLE (KG)
STAINLESS STEEL IN TRANSPORT: NEW OPPORTUNITIES

HISTORICAL EVOLUTION 2000-2017

WORLD MOTOR VEHICLE PRODUCTION (MILLION UNITS - % SHARE)

WORLD MOTOR VEHICLE PRODUCTION (MILLION UNITS - % SHARE)

- China
- Europe
- North America
- Japan/Korea
- Asia
- South America
- Middle East/Africa

SOURCE: IHS MARKIT

- 2001: 56 million
- 2006: 69 million
- 2011: 80 million
- 2016: 95 million
1 | Historical evolution
2 | Current situation
3 | Expected development in the coming years
4 | Goals in the automotive industry
5 | Conclusions
CURRENT SITUATION

MOTORISATION RATE PER 1,000 INHABITANTS (in units, % change 2015-2005)
CURRENT SITUATION

PASSENGER CARS BY FUEL TYPE (EU) 2016

95.7%

49.9%

45.8%

4.2%

1.9%

1.2%

1.1%

Source: European Automobile Manufacturers Association. www.acea.be

STAINLESS STEEL IN TRANSPORT: NEW OPPORTUNITIES

98.9%

With exhaust system
CURRENT SITUATION

EXHAUST SYSTEMS: 90-95% STAINLESS STEEL CONSUMPTION
EXHAUST SYSTEM

HALF SHELL TOP
HALF SHELL BOTTOM
FUNNEL
PLATE FRONT
PLATE REAR
BAFFLE A
BAFFLE B
SHELLS
DIAPHRAGM DISC

BALANCING DISC

PRESS PIPES

SUSPENSION & BRAKING SYSTEM
A C E R I N O X  C A P I T A L
M A R K E T S  D A Y  2 0 1 8

FUEL SUPPLY
SYSTEM
OTHER PARTS
3 | Expected development in the coming years
LIGHT VEHICLE UNIT GROWTH TREND

ASIA PACIFIC IS +70% THROUGH 2030

EXPECTED DEVELOPMENT

VEHICLE PARC UNIT GROWTH (2025)

Established Markets

- **North America**
  - Light Vehicle Parc: 347 M
  - 10-year CAGR: 2%
  - CTOH Vehicle Parc: 20 M
  - 10-year CAGR: 4%
  - Average age: 9.9 years

- **Europe**
  - Light Vehicle Parc: 337 M
  - 10-year CAGR: 1%
  - CTOH Vehicle Parc: 12 M
  - 10-year CAGR: 3%
  - Average age: 8.5 years

- **South America**

High-Growth Markets

- **China**
  - Light Vehicle Parc: 484 M
  - 10-year CAGR: 9%
  - CTOH Vehicle Parc: 12 M
  - 10-year CAGR: 9%
- **India**
  - Light Vehicle Parc: 83 M
  - 10-year CAGR: 9%
  - CTOH Vehicle Parc: 3 M
  - 10-year CAGR: 9%
- **ASEAN**
  - Light Vehicle Parc: 268 M
  - 10-year CAGR: 9%
  - CTOH Vehicle Parc: 6 M
  - 10-year CAGR: 9%

Source: Tenneco 2017 Investor Day

Source: Frost & Sullivan 2015, IHS Worldview May 2016
EXPERTED DEVELOPMENT

WORLD PRODUCTION BY TECHNOLOGY (2030) million units

CAGR 1.8%

Source: Faurecia 2017 Investor Day
EXPECTED DEVELOPMENT

MOTOR VEHICLES | TECHNOLOGY

Total Regulated Powertrains:
Light,
Commercial,
Off-highway
Vehicles (Millions)

Regulated ICE powertrains - 1.8% CAGR

25 to 30% Higher regulatory content

[‘IHS Automotive, Power Systems Research and Tenneco estimates]
1 | Historical evolution
2 | Current situation
3 | Expected development in the coming years
4 | Goals in the automotive industry
5 | Conclusions
GOALS IN THE AUTOMOTIVE INDUSTRY

<table>
<thead>
<tr>
<th>Goal</th>
<th>Description</th>
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<tbody>
<tr>
<td>POLLUTION</td>
<td>CO₂, NOₓ PARTICLES REDUCTION</td>
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<tr>
<td>WEIGHT/THICKNESS</td>
<td>REDUCTION WITHOUT LESSEN RESISTANCE AND CONFORMABILITY</td>
</tr>
<tr>
<td>EFFICIENCY</td>
<td>MINOR COST PER KM</td>
</tr>
<tr>
<td>SAFETY</td>
<td>PASSENGERS &amp; PEDESTRIANS</td>
</tr>
<tr>
<td>TECHNOLOGY</td>
<td>NEW SUPPLY NETWORK</td>
</tr>
</tbody>
</table>
POLLUTION

ELECTRIFICATION WILL INCREASE DRAMATICALLY AFTER 2020

Source: Toyota

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>HV</td>
<td>Hybrid Vehicle</td>
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<tr>
<td>PHV</td>
<td>Plug-in Hybrid Vehicle</td>
</tr>
<tr>
<td>FCV</td>
<td>Fuel Cell Vehicle</td>
</tr>
<tr>
<td>EV</td>
<td>Electric Vehicle</td>
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</table>
POLLUTION: EMISSIONS CONTROL

CRT – Continuously Regenerating Trap
SCR – Selective Catalyst Reduction

Emission Products Reduction Capabilities

<table>
<thead>
<tr>
<th>Relative Emissions %</th>
<th>Base Emission</th>
<th>Catalyst System</th>
<th>CRT* System</th>
<th>SCR* + CRT System</th>
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<tbody>
<tr>
<td>Nox</td>
<td>100</td>
<td>80</td>
<td>60</td>
<td>20</td>
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<tr>
<td>PM</td>
<td>90</td>
<td>70</td>
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<td>HC</td>
<td>80</td>
<td>60</td>
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<td>0</td>
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<tr>
<td>CO</td>
<td>70</td>
<td>50</td>
<td>30</td>
<td>0</td>
</tr>
</tbody>
</table>

EGR Cooler
Coolant
CONTROL UNIT
EGR Cooler Valve
INTAKE
Cylinder heat
EXHAUST
POLLUTION: NATURAL GAS

- Sulfur Dioxide 99% less
- Particulate Matter 90% less
- Volatile organic compounds 89% less
- Nitrogen Dioxide 75-95% less
- Carbon Monoxide 70-90% less
- Carbon Dioxide 20-30% less

Diesel vs Natural Gas
POLLUTION: NATURAL GAS

LIQUEFIED NATURAL GAS - LNG

LNG TANKS IN TRUCKS
Source: WESTPORT

LNG DOUBLE SIDES TANKS
Source: LAPESA
POLLUTION: NATURAL GAS

LNG VESSELS - ECA (EMISSION CONTROL AREAS)

SECA  SO\textsubscript{x}

ECA  NO\textsubscript{x} \& SO\textsubscript{x}
WEIGHT REDUCTION: EFFICIENCY

ANTI-INTRUSION | ENERGY ABSORPTION | MULTI-STRENGTH B-PILLAR
---|---|---
USE “HARD” | USE “HARD + SOFT” | MONO HPF PARTS
MONO HPF PARTS | MULTI-STRENGTH HPF PARTS | Multi-Strength B-Pillar

Source: POSCO. “Crash safety with high strength steels” International Automotive Congress, China
## SAFETY: STRUCTURES

### BUS
- 1.4301
- 304SP
- 3CR12 (1.4003)
- 16-7Mn

### LIGHT & SAFE
- 1.4318
- 1.4301

### INOX-SAFE
- 1.4301
- 1.4028
- 304-LNi

### DOLTRAC
- 1.4318
- 304SP

---

STAINLESS STEEL IN TRANSPORT: NEW OPPORTUNITIES

FORD

CRF

PSA

SAFETY: STRUCTURES

DOLTRAC
### SAFETY: FUEL TANKS

#### STAINLESS STEEL VS PLASTIC

<table>
<thead>
<tr>
<th>Category</th>
<th>Stainless Steel</th>
<th>Plastic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weight</td>
<td>▼ 3.5 kg</td>
<td></td>
</tr>
<tr>
<td>Capacity</td>
<td>▲ 3 litres</td>
<td></td>
</tr>
<tr>
<td>Machinery investment</td>
<td>▼ 50-70%</td>
<td></td>
</tr>
<tr>
<td>Development cost</td>
<td>▼ 50%</td>
<td></td>
</tr>
<tr>
<td>Time to market</td>
<td>▼ 50%</td>
<td></td>
</tr>
</tbody>
</table>
FUEL CELL VEHICLE: H₂ + O₂ → H₂O + ELECTRICITY
TECHNOLOGY:
BATTERY ELECTRIC VEHICLE

STRUCTURAL SUPPORT FOR BEV (BATTERY ELECTRIC VEHICLE)
Stainless Steel: ESSENTIAL MATERIAL FOR AESTHETIC AND TECHNICAL REASONS

NEW SUPPLY NETWORK
Historical evolution
Current situation
Expected development in the coming years
Goals in the automotive industry
Conclusions
**CONCLUSIONS**

**COMBUSTION ENGINE**

will be the prevailing technology, at least until **2050**

**HYBRIDS**

Increase will support **STAINLESS STEEL exhaust systems**
CONCLUSIONS

10 KG ARE NOT DEPENDING ON EXHAUST SYSTEMS

NEW TECHNOLOGIES

are a unique opportunity for stainless steel
CONCLUSIONS

ESTIMATED MARKET OPPORTUNITIES IN 2030 (ISSF):

Battery Applications
Fuel Cells
Lightweight Bodies

SHIPBUILDING INDUSTRY

offers great opportunities for
STAINLESS STEEL
Global Procurement Strategy

Fernando Gutiérrez, Corporate Strategy and Raw Materials Director
GLOBAL PROCUREMENT STRATEGY

TYPES OF RAW MATERIALS

PRIMARY MATERIALS
- Pure Metals
- Ferroalloys
- Other Materials

SECUNDARY MATERIALS
- Stainless Steel Scrap
- Ferrous Scrap
- Others Recycling /scrap types
GLOBAL PROCUREMENT STRATEGY

SELECTION CRITERIA

- Market
  - Existing raw materials
  - Availability (Local/Import)

- Suppliers
  - Number of suppliers
  - Priority direct purchase from suppliers

- Logistics
  - Transit time
  - Viable volume depending on transport

- Price
  - Comparison among same raw materials
  - Analysis of comparable raw materials

- Quality in process
  - Raw materials yields
  - Impact on the production process

FLEXIBILITY
GOALS:

To minimize the cost of the basket at all times
To guarantee the purchase of strategic raw materials
To ensure supply on time, with the minimum stock
Consolidation of South African FeCr market

Turkish Lira crisis, impact on ferrous scrap.

Reactivation of mothballed production (FeNi)

NPI production in Indonesia growing

Ban on scrap imports in China

Blue Sky Plan
Reactivation of mothballed production
Production increase of NPI in Indonesia
Uncertainty due to the effect of the environmental policy in China
Gradual reduction of inventories

Globally, procurement strategy

16 weeks of consumption by the end of 2018

Source: Eramet

Reactivation of mothballed production
Production increase of NPI in Indonesia
Uncertainty due to the effect of the environmental policy in China
Gradual reduction of inventories

Globally, procurement strategy

16 weeks of consumption by the end of 2018

Source: Eramet

Reactivation of mothballed production
Production increase of NPI in Indonesia
Uncertainty due to the effect of the environmental policy in China
Gradual reduction of inventories

Globally, procurement strategy

16 weeks of consumption by the end of 2018

Source: Eramet
# NICKEL- BATTERIES

**WORLD PRODUCTION**

<table>
<thead>
<tr>
<th></th>
<th>70% Stainless Steel</th>
<th>30% other industries</th>
<th>Batteries 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>MT</td>
<td>2.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**STAINLESS STEEL BREAKDOWN USAGE**

<table>
<thead>
<tr>
<th>Feni</th>
<th>NPI</th>
<th>Pure Ni</th>
</tr>
</thead>
<tbody>
<tr>
<td>98%</td>
<td>100%</td>
<td>22%</td>
</tr>
</tbody>
</table>

**NICKEL BATTERIES**

- **Several Types**
  - Market
- **Nickel sulfate**
  - NiSO₄
  - Dissolving high purity nickel with sulfuric acid
  - New projects for direct production

**Forecast Ni demand Kt**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>2030 range est. EV car</td>
<td>150-250</td>
<td>300-500</td>
<td>700-1,000</td>
</tr>
</tbody>
</table>
Battery recycling? Potential new source of nickel units?

Possible disconnection of FeNi and other nickel sources from pure nickel prices

Support for upward trend on nickel price, moving to more stable levels

Reactivation of mothballed production, particularly in FeNi
GLOBAL PROCUREMENT STRATEGY

FERROCHROME MARKET SITUATION

**Graph:**
- **Blue line:** China
- **Green line:** South Africa
- **Orange line:** Kazakhstan
- **Red line:** India
- **Light blue line:** Finland
- **Dark blue line:** Others

**Key Points:**
- **CAGR:**
  - FeCr: 12.3%
  - MC&LC: 8%
- **Consumption:**
  - China: 80% of Charge FeCr
  - H/C FeCr: 38% of consumption

**Source:** ICDA & own estimates
**SOUTH AFRICA** vs **CHINA**

**Country with the largest reserves of Chrome ore**

**Production cost pressure. Power prices and Rand / Us$ trend**

**Consolidation of South African market**

**Still needs to import FeCr**

**Captive domestic production. Export duties**

**Strong variations in domestic production and prices**

### IMPACT ON INTERNATIONAL PRICES

<table>
<thead>
<tr>
<th></th>
<th>SALES</th>
<th>PURCHASES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ore</strong></td>
<td>93%</td>
<td>72 %</td>
</tr>
<tr>
<td><strong>FeCr</strong></td>
<td>48%</td>
<td>56 %</td>
</tr>
</tbody>
</table>

*Trade 2017*
FERROCHROME

FACTS

- Consolidation of South African production
- Impact of China domestic production & Imports
- Perfect location of Columbus Stainless
**S.S. SCRAP : GENERATION & LIFE CYCLE**

- **Internal scrap**: ≤ 3 months
- **Industrial scrap**: ≤ 6 months
- **Home appliance**: <12 years
- **Transport**: <15 years
- **Industrial equipment**: <25 years
- **Construction**: <50 years
Estimate Availability 10.7 mill. Mt
CGAR (last 10yr) 4.2%

Main Net Exporters
- USA
- EU
- Japan

Main Net Importers
- India
- Taiwan
- Korea
- China
Strategic plant locations for a guaranteed supply of Stainless Steel Scrap
STAINLESS STEEL SCRAP

- Good scrap availability
- Competitive Cost
- Main role in Circular economy
- Lower Co2 emm.
  1 mt Scrap $\approx 4.7$ mt Co2
THANK YOU

GLOBAL PROCUREMENT STRATEGY
Global Trade: New Order, New Rules?

Manuel Landeta, Head of Business Intelligence
CONTENTS

EXCESS PRODUCTION IN ASIA
  ▪ DRIVEN BY OVERCAPACITY IN CHINA

GLOBAL IMPACT ON TRADE
  ▪ DISRUPTION OF TRADE FLOWS. SURGE ON EXPORTS

RISING PROTECTIONISM WORLDWIDE
  ▪ PROLIFERATION OF TRADE MEASURES SINCE 2011
  ▪ A TURBULENT 2018

US SECTION 232
  ▪ US RESPONSE TO GLOBAL STEEL OVERCAPACITY
  ▪ IMPORTS TREND

EU SFG
 ▪ A MUCH NEEDED REACTION
  ▪ DEFINITIVE MEASURES EXPECTED EARLY 2019
  ▪ IMPORTS TREND

CONCLUSIONS
 ▪ ACERINOX GLOBAL PRESENCE, KEY FOR SUCCESS IN TURBULENT TIMES
GFSEC (G20/OECD) REACHING CONSENSUS ON GLOBAL STEEL OVERCAPACITY
Consensus on the root of the problems and on the objectives, not on the progress

FOR STAINLESS WE SEE SIGNS TOWARDS EQUILIBRIUM, BUT NOT YET THERE

US statement on Sep 20th 2018
“what we have seen to date leaves us questioning whether the Forum is capable of delivering [on its objectives]. We do not see an equal commitment to the process from all Forum members. Commitments to provide timely information critical to the proper functioning of the Forum’s work, for example, have gone unfulfilled.”

Source: InsideTrade.com
Global Impact on Trade
Disruption of Trade Flows. Surge on Exports

Export Flows of Stainless Steel 2009 Vs 2017
Including Feedstock Material for Further Processing

Thousand tonnes

*Major share of INTRA-ASIA trade corresponding to exports of China feedstock materials, mainly to Taiwan, for downstream production

Source: ISSF, ACX
RISING PROTECTIONISM
PROLIFERATION OF TRADE MEASURES SINCE 2011

Along increase on surge on exports fueled by overcapacity

Main trade measures for stainless steel in force end 2017

Context overcapacity
Uneven response
Not only TDM
Replacement
Deflection
Snowball effect

Source: WTO, CRU, ACX
GLOBAL TRADE: NEW ORDER, NEW RULES?

RISING PROTECTIONISM
PROLIFERATION OF TRADE MEASURES SINCE 2011

CHINA-INDUCED OVERCAPACITY DISTORTING MARKETS AND LEADING TO UNFAIR TRADE PRACTICES

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017

Source: WTO, CRU, ACX
G O B A L   T R A D E :   N E W   O R D E R ,   N E W   R U L E S ?

RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

COUNTRY LEVEL RESPONSE RESULTING IN DIFFERENT GRADES OF PROTECTIONISM ACROSS MARKETS

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017

Source: WTO, CRU, ACX
GLOBAL TRADE: NEW ORDER, NEW RULES?

RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

NOT JUST TRADE DEFENSE MEASURES (AD/CVD) BUT ALSO OTHER TRADE BARRIERS (IMPORT DUTIES, TECH. BARRIERS)

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017

Source: WTO, CRU, ACX
GLOBAL TRADE: NEW ORDER, NEW RULES?

RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

MATERIALS AFFECTED BY TRADE REMEDIES OFTEN BEING REPLACED WITH OTHER PRODUCTS (INTERRELATION)

Drop on EU imports of CR from China following AD (from 322kt in 2014 to 9kt in 2017) partly offset with surge on HR (from 134kt in 2014 to 280kt in 2017)

NOT NEW

CONTEXT OVERCAPACITY

UNEVEN RESPONSE

NOT ONLY TDM

REPLACEMENT

DEFLECTION

SNOWBALL EFFECT

Source: WTO, CRU, ACX
RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

MATERIALS AFFECTED BY TRADE REMEDIES BEINGRedirected TO OTHER MARKETS

Not New

Context Overcapacity

Uneven Response

Not Only TDM

Replacement

Deflection

Snowball Effect

Source: WTO, CRU, ACX
GLOBAL TRADE: NEW ORDER, NEW RULES?

RISING PROTECTIONISM
PROLIFERATION OF TRADE MEASURES SINCE 2011

AS MORE MEASURES COME IN PLACE PRESSURE GROWS ON MARKETS / PRODUCTS UNPROTECTED

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017

Source: WTO, CRU, ACX
GLOBAL TRADE: NEW ORDER, NEW RULES?

RISING PROTECTIONISM
A TURBULENT 2018

US SECTION 232 TRIGGERING A CHAIN REACTION WORLDWIDE

NEW AD INVESTIGATION BEING INITIATED IN ASIA FOR FEEDSTOCK MATERIALS

MAIN TRADE MEASURES FOR STAINLESS STEEL IN 2018

SFG Safeguard Measures
REB Rebalancing Measures
AD New Anti-Dumping investigations

Source: USITC, ACX
**GLOBAL TRADE: NEW ORDER, NEW RULES?**

**US SECTION 232**

**US RESPONSE TO GLOBAL STEEL OVERCAPACITY**

**US ACTION MOTIVATED BY LACK OF PROGRESS ON THE GLOBAL FORUM ON STEEL EXCESS CAPACITY (GFSEC)**

**MEASURES INTENDED TO INCREASE US STEEL CAPACITY UTILIZATION TO 80% (MINIMUM FOR LONG TERM VIABILITY)**

- **S232 INITIATED IN APR 2017**
- **DECISION ON MAR 2018**
- **25% DUTY (ALL PRODUCTS)**
- **FROM 1 JUN INCL NAFTA, EU**
- **95% IMPORTS AFFECTED**
- **FEW PRODUCT EXCLUSIONS EXPECTED**
- **NOT FIXED TERM**

95% OF STAINLESS STEEL IMPORTS AFFECTED (BASED ON 2017)

<table>
<thead>
<tr>
<th>Thousand tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAFTA</td>
</tr>
<tr>
<td>EU28</td>
</tr>
<tr>
<td>ASIA</td>
</tr>
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<td></td>
</tr>
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<td>Mexico</td>
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<tr>
<td>Japan</td>
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<td>Other</td>
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</table>

- **95% OF STAINLESS STEEL IMPORTS AFFECTED (BASED ON 2017)**

**Source: USITC, ACX**

- **US ACTION MOTIVATED BY LACK OF PROGRESS ON THE GLOBAL FORUM ON STEEL EXCESS CAPACITY (GFSEC)**

**S232 INITIATED IN APR 2017**

**DECISION ON MAR 2018**

**25% DUTY (ALL PRODUCTS)**

**FROM 1 JUN INCL NAFTA, EU**

**95% IMPORTS AFFECTED**

**FEW PRODUCT EXCLUSIONS EXPECTED**

**NOT FIXED TERM**

**95% OF STAINLESS STEEL IMPORTS AFFECTED (BASED ON 2017)**

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GLOBAL TRADE: NEW ORDER, NEW RULES?

US SECTION 232
IMPORTS TREND

IMPORTS ALREADY DECREASING

IMPORTS EXPECTED TO DROP TO MINIMUMS IN H2

IMPORTS MARKET SHARE FALLING TO 19% UP TO JULY

US IMPORTS OF STAINLESS STEEL – FLAT & LONG PRODUCTS (7219-7222)

Source: USITC, ACX

US IMPORTS MARKET SHARE - FLAT PRODUCTS (7219-7220)

Source: ACX
GLOBAL TRADE: NEW ORDER, NEW RULES?

EU SFG
A MUCH NEEDED REACTION

PURPOSE OF SFG IS TO AVOID DEFLECTION WHILST KEEPING TRADITIONAL TRADE FLOWS

INVESTIGATION LAUNCHED ON 23 MAR

PROV SFG MEASURES ON 18 JUL (EFF 19 JUL)

BROAD COVERAGE (INTERRELATION)

TARIFF RATE QUOTA BASED ON AVG IMPORTS 2015-17

25% TARIFF ABOVE QUOTA

ERGA OMNES*

GLOBAL QUOTA

US IMPORTS OF STAINLESS STEEL AFFECTED BY SECTION 232 (BASED ON 2017)
Thousand tonnes

EU REB (incl. SS) 157

EU28 458

ASIA 303

NAFTA 102

OTHER EMEA 45

Source: USITC, Eurostat, ACX

QUOTAS CALCULATED BASED ON AVG IMPORTS 2015-2017 (EXCL EEA)
Thousand tonnes

Source: Eurostat, ACX

*EXCLUSIONS
- DEVELOPING COUNTRIES WITH LIMITED EXPORTS TO THE EU (<3% IMPORTS OR <9% GROUPED)
- EUROPEAN ECONOMIC AREA (EEA COMPRISING NORWAY, ICELAND AND LIECHTENSTEIN)
The US tariffs on steel products are causing trade diversion, which may result in serious harm to EU steelmakers and workers in this industry. We are left with no other choice than to introduce provisional safeguard measures to protect our domestic industry against a surge of imports. These measures nevertheless ensure that the EU market remains open, and will maintain traditional trade flows. I am convinced that strike the right balance between the interest of EU producers and users of steel, like the automotive industry and the construction sector, who rely on imports. We will continue to monitor steel imports in order to take a final decision by early next year, at the latest."
GLOBAL TRADE: NEW ORDER, NEW RULES?

EU SFG
IMPORTS TREND

IMPORTS HAVE INCREASED AHEAD OF THE MEASURES

SO FAR IMPORTS KEPT INCREASING IN 2018

EU IMPORTS OF STAINLESS STEEL – FLAT & LONG PRODUCTS (7219-7222)

ktm

2% 0% 34% 30% 18% 4% -5% 12%

Source: Eurostat, ACX

IMPORTS MARKET SHARE CLOSE TO 30% UP TO JULY

EU IMPORTS MARKET SHARE - FLAT PRODUCTS (7219-7220)

%
GLOBAL TRADE: NEW ORDER, NEW RULES?

CONCLUSIONS
NEW ORDER, NEW RULES?

FREE TRADE BUT FAIR.
ACERINOX GLOBAL PRESENCE, KEY FOR SUCCESS IN TURBULENT TIMES.

LOOKING FOR A TURNING POINT...AND FORWARD

IN A GLOBALIZED ECONOMY, WE ALL MUST ABIDE BY THE SAME RULES TOWARDS FAIR COMPETITION (WTO)

MULTILATERAL COLLABORATION IS NEEDED TO TACKLE OVERCAPACITY (G-20)

A FASTER AND EFFECTIVE RESPONSE TO UNFAIR PRACTICES IN THE MARKET IS ESSENTIAL (EU TDIM)

AS WORLD MOVES ON, STAINLESS STEEL OUTSTANDING PERFORMANCE WILL CONTINUE. EFFICIENCY AND GLOBAL PRESENCE, KEY FOR LONG TERM SUCCESS.
Digitalization in the Stainless Steel Industry

Antonio Gayo, Head of Digital Transformation
HOW DOES IT FIT INTO OUR STRATEGY?

WHY NOW?

DOES IT CHANGE OUR BUSINESS MODEL?

IT HAS TO BE ALIGNED WITH THE STRATEGIC PLAN

CEO

KEY DEPARTMENTS

REGULAR REVIEW
Fe + Cr >12% + Ni 8-10%

China 54%

Europe + Africa 20%
America 10%
Rest of Asia 20%

50% Consumer goods
50% Investment goods

DIGITALIZATION IN THE STAINLESS STEEL INDUSTRY

PRODUCT

China

+6%
MARKET

COMMODITY
GLOBALIZED
TRADE BARRIERS (“Steel War”)
1. **Efficiency**

- Better metallic yields
- Reuse of waste
- Process line optimization
- Product mix optimization
- Uniform quality

1. **Flexibility**

Reactions Capacity to...

- Economic cycles
- Raw materials volatility
- Regional differences
ADD VALUE TO OUR DATA

Operational excellence
- Process reliability
- Quality
- Integrated planning

Enhance brand image
- R+D+I
- Market positioning
- Attracting Talent

A new way of working
- Handling large volumes of data
- Analysis of the data
- Greater connectivity between employees, customers and suppliers
- Collaborative tools
The Group invests an average of MEUR 200/year in the latest technologies available, of which roughly 20% is for equipment upgrades.

A high level of automation in all the business units.

For many years, time has been devoted to capturing and collecting data without giving them any later use.

Technological legacy.

Lack of a transversal tool to analyze real-time data at the different levels of information.

**Steps Followed**

- ERP  Enterprise Resource Planning
- MES  Manufacturing Execution System
- LIMS  Lab. Info. Management System
- QES  Quality Execution System
- GW  Communication Gateways
- PLC  Programable Logic Controllers
- DCS  Distributed Control Systems
- DEV  Devices

*Customized applications.*
### METHODOLOGY

**INDUSTRY 4.0 PROJECTS**

<table>
<thead>
<tr>
<th>Category</th>
<th>Question</th>
<th>Method</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Descriptive</td>
<td>What has happened?</td>
<td>Historian</td>
<td></td>
</tr>
<tr>
<td>Diagnosis</td>
<td>Why has it happened?</td>
<td>CBM &amp; QES</td>
<td></td>
</tr>
<tr>
<td>Predictive</td>
<td>What is going to happen?</td>
<td>Data analytics</td>
<td>Artificial Intelligence</td>
</tr>
<tr>
<td>Prescriptive</td>
<td>What action should be taken?</td>
<td></td>
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</tr>
</tbody>
</table>
IDENTIFIED PROJECTS

SMALL PROJECTS WHICH GUARANTEE SUCCESS

- Data analytics for optimization in the procurement of transport
- Energy-saving projects
- Research into sensorization: What to measure? Where to measure? Pilot projects on new lines
- Predictive maintenance

- Vibration analysis
- Repeatability of the processes with Data analytics
- Predictability of the demand
- Integrated planning
RESOURCES

- Lead and coordinate the group's strategy
- Study the latest technologies
- Security assessment

COWORKING

Cooperation with universities to attract talent
Cooperation with companies and technology centres
DIFFICULTIES

- LET ONESELF BE LED BY FASHIONS
- START WITH PROJECTS WITHOUT ASKING THE KEY QUESTIONS
- SHIFT THE ORGANIZATION TO PROJECTS THAT CHANGE THE COMPANY CULTURE
**The digital plan has to be aligned with the culture and the strategy of the company**

**Select projects**
- small
- specific areas
- self-financed
- sharing resources throughout the company

**Always maintain control**
- not duplicating efforts
- well coordinated: project leader
- We can not do it alone
- open to collaborations (consulting firms, engineering companies, technology center and universities)

**Cybersecurity**
Cash is King

Miguel Ferrandis - CFO
CASH GENERATION 2008 – 2017

CASH IS KING

3,081

Million €

- NET DEBT REDUCTION
- RETURN TO SHAREHOLDERS
- CAPEX

CASH 2008-2017

1,771

976

314
NET FINANCIAL DEBT

JUNE 2018

Gross Debt: 1,325
Cash: 789
Net Financial Debt: 537

Million €
FINANCIAL STRATEGY: FOCUS IN CASH

- Extend maturities
- Secure interest rate
- Reduce cost
- High quality debt

Working capital under control
WORKING CAPITAL

\[\text{Working Capital} = \text{Inventories} - \text{Trade Debtors} - \text{Trade Creditors}\]
Total term debt: €1,211 million

Maturities of the next four years amount to €773 million

Cash June 2018: €789 million
CASH IS KING

SECURE INTEREST RATE

December 2008
- Long term debt: 40%
- Short term debt: 60%
- Fixed interest rate: 100%
- Variable interest rate: 0%

June 2018
- Long term debt: 83%
- Short term debt: 17%
- Fixed interest rate: 41%
- Variable interest rate: 59%
NET FINANCIAL EXPENSES

Among peers

Lowest finance expenses

Highest reduction

CASH IS KING

Million €

2012 66
2013 55
2014 54
2015 44
2016 30
2017 19

Jun 2018 2

-71%
NET FINANCIAL EXPENSES

Financial Expenses: -16 Million €
Financial Income: 8
Exchange Differences: 6

Jun 2018: -2
HIGH QUALITY DEBT

- No covenants related to the P&L
- 98% senior unsecured at 30 June
- Proper balance between diversification and cost
THANK YOU

CASH IS KING
Stainless Steel Market Update

Bernardo Velázquez - CEO
KEY DRIVERS

- Strong demand
- Overcapacity
- Trade barriers

HOW DOES ACERINOX FACE THIS SCENARIO?

- Growth strategy
- Cost control
- Investments
- Global position
### Key Drivers: Strong Demand

**Macro Indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
<th>Source</th>
<th>Date</th>
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<tbody>
<tr>
<td>GDP</td>
<td>+2.1%</td>
<td>Eurostat: Q2</td>
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<td>US Bureau of Economic Analysis: Q2</td>
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<td>National Bureau of Statistics of China: Q2</td>
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<td>IPI</td>
<td>+0.8%</td>
<td>Eurostat: Jul</td>
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<td>Federal Reserve: Aug</td>
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<td>PMI</td>
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<td>Markit Economics: Aug</td>
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# Key Drivers: Strong Demand

## Sector Indicators

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<th>Auto Production</th>
<th>Construction</th>
<th>Home Appliances</th>
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<tbody>
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<td><strong>EUROPE</strong></td>
<td>+2.5%</td>
<td>+3.2%</td>
<td>+1.7%</td>
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<tr>
<td><strong>USA</strong></td>
<td>-1.5%</td>
<td>+5.2%</td>
<td>-0.4%</td>
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<tr>
<td><strong>CHINA</strong></td>
<td>+3.5%</td>
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Source: Acerinox
KEY DRIVERS: OVERCAPACITY

- New projects
- Melting capacity
- Melting production

Source: Acerinox
KEY DRIVERS: TRADE BARRIERS

MAIN TRADE MEASURES FOR STAINLESS STEEL IN 2018

- **In Force**
- **Not in Force**
- **So far not incl SS**

**SFG** Safeguard Measures

**REB** Rebalancing Measures

**AD** New Anti-Dumping investigations

Source: USITC, ACX
STAINLESS STEEL MARKET UPDATE

ACERINOX STRATEGY: GROWTH

OPTIMIZING CAPACITY UTILIZATION

MELTING PRODUCTION
2017 SECOND BEST YEAR

INCREASE 2017/2009: +39%

INCREASE 2017/2009: +62%

COLD ROLLING PRODUCTION
2017 BEST YEAR
ACERINOX STRATEGY: COST CONTROL

2017-2018 EXCELLENCE PLAN V
Target: 50 million EUR
5 chapters: Operations, Working Capital, Personnel, Commercial and Supply Chain

Performance to June 2018: 57% (29 million EUR)

PERFORMANCE % over the target

- Reduction of inventories (mt)
- Efficiency
- Reliability
- Service center optimization
- Productivity

Q1 '17: 25%
Q2 '17: 38%
Q3 '17: 47%
Q4 '17: 49%
Q1 '18: 53%
Q2 '18: 57%

Accumulated: 81%
ACERINOX STRATEGY: GLOBAL POSITION

- Warehouses (26)
- Sales offices (35)
- Service centres (18)
- Sales agents (15 in 26 countries)
- Factories (6)
Stainless steel is an excellent material

Strong demand

Acerinox: “GLOCAL” player in the industry

Investments make the difference

Competitiveness

Strong balance sheet

CLEAR STRATEGY FOR FURTHER IMPROVEMENTS
THANK YOU

Q&A
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