Dear shareholders,

I am honoured to address you once more to give you an overview of Acerinox's 2019 results, this time in a new remote format, which we have inaugurated in the year we celebrate our 50th anniversary.

As we all know, the COVID-19 coronavirus pandemic, its terrible impact on health, the mortality and its devastating consequences on the global economy, have completely overshadowed prior events, such as 2019, which is now hard to remember.

To explain Acerinox's 2019 results, we must take a look at the international situation: firstly, the trade war between China and the United States, which added uncertainty and volatility to the markets; secondly, and perhaps related to the aforementioned, the slowdown in the economic cycle and in the main consumer markets, which had already begun to slow down in 2018; and finally, the excess stainless steel production capacity, the origin of which involves China once again.

It is clear that the rapid development of the Chinese economy has altered global trade flows. China has become the world's factory and it is incredible how fast the country's cities and the living standards of its population are developing. This reality could be an opportunity, but it could also be a threat. It is seen as a threat by the US, which has gone from being the first country to encourage production in China, a country with very cheap labour, and relocate a significant portion of its industry, to realising that, with this process, they were also exporting the employment of its middle class and a part of their wealth. The attempt to reverse this process led to the trade war between the two greatest powers, which has only just begun.

At first it was named the "steel war" due to the tariffs imposed to protect the US steel industry; however, negotiations are taking place over a wide spectrum and are attempting to even up the trade balances. Europe has not yet played an active role, but sooner or later it will have to position itself as we run the risk of being excluded from making critical decisions, since international organisations are losing influence over direct negotiations between the two powerhouses and bilateralism may gain ground in international relations. The result of the forthcoming US elections in November 2020 could alter this situation, although there is a certain degree of consensus that the next president, whether Democrat or Republican, will maintain the broad outlines of this trade policy and will defend the industry.

In view of the lack of visibility, in 2019 stock exchanges and the markets in general moved in line with the declarations made by the leaders of both countries and the possibilities of agreements, which generated significant volatility, discouraged investors and slowed down consumption. As a result, we saw the real economy slow down in line with the trend that began in the third quarter of the previous year. Industrial production declined quarter by quarter to a minimum in the fourth quarter of 2019.

In the stainless steel sector, which tends to anticipate economic cycles, we had already noticed the drop in consumption in 2018, a situation that continued through 2019, accumulating two years of negative growth in our main markets, Europe and the United States. This had given us hope that the recovery process would commence during 2020, which regrettably will not occur as a result of the global crisis caused by coronavirus.

Lastly, I would like to refer to the third and final factor mentioned, the worldwide excess stainless steel production capacity, which amplifies all events and has led to the lowest sales prices in history being reached for our materials. Since my appointment as Chief Executive Officer in 2010, I have drawn attention to the proliferation of factories in China under the country's strategic plans and without following the logic of the laws of international markets. If the Chinese manufacturers located in Indonesia, arising as a result of the new strategy called Silk Road or "One Belt One Road Initiative", are added to China's production, in 2019 China accounted for 61% of global production, creating severe distortions in all international markets. Since 2000, when China accounted for just 3% of global production, all growth in the production of stainless steel, which accumulates an annual average of 5.9%, has been driven by China, preventing the development of the other manufacturers in market-oriented economies and compelling us to limit our growth to improving the efficiency of our plants, due to the low profitability of new projects and because the high concentration of the sector in Europe and the United States prevents corporate operations.

These circumstances have led to an intensification of trade measures in all markets to defend against unfair trade practices. In the stainless steel industry, there are just 22 countries that melt or roll our materials, of which 21 currently have commercial defence measures in force, either import, anti-subsidy or anti-dumping duties. Only Japan maintains an open market since it is protected by technological barriers that make it difficult for other manufacturers to enter this country's market; however, this also prevents Japanese manufacturers from being internationally present, unable to compete in foreign markets.

According to data from the International Stainless Steel Forum (ISSF), in 2019 global stainless steel production grew by a modest 2.9%, due to growth in China and India, 10.1% and 5.2%, respectively. Meanwhile, production in developed countries suffered a significant drop: -7.9% in Europe, -7.6% in the US and -9.7% in Japan. In other words, even during a year of economic slowdown, Chinese manufacturers increased production, causing an excess of supply and a tremendous strain on the decrease in prices in all international markets.

In this context, we made the decision to reduce the activity of all our factories, with the aim of controlling the working capital to ensure cash generation and debt reduction. Our melting shop production, totalling 2.23 million tonnes, was 8.6% lower than in 2018; hot rolling production, totalling 1.95 million tonnes, was 8.0% lower; and cold rolling production, totalling 1.61 million tonnes, was 8.3% lower than 2018.

Performance of the Acerinox Group companies was not homogeneous due to the significant differences in prices in the main markets in which they operate, largely as a result of trade barriers. In Europe, the safeguarding measures established by the European Commission have clearly proven to be insufficient, primarily because they were designed for a market with annual growth of 3%, while apparent consumption of stainless steel flat products fell by 4.1% after 2018, also slightly negative. Therefore, these measures were ineffective in stemming the excess in imports, which remained at approximately 25%, causing stocks to rise and pushing prices to historical lows. This situation affected the results of three of our factories for which the European market was key: Acerinox Europa, Columbus and Bahru Stainless. Columbus also suffered from the weakness of the South African market, which fell by 10%, and Bahru Stainless, located in Malaysia, had to carry on the majority of its activity in the region with the world's lowest prices, South-East Asia.

On the other hand, North American Stainless (NAS), benefited from the 25% tax duty on steel imports imposed by "section 232" in the US, where we are the market's main player with a market share of more than 30%. Despite the sharp fall of 9.3% in apparent consumption of flat products, the reduction in imports to 14.5% of the market share allowed American manufacturers to enjoy greater price stability, which, together with the significant efficiency improvements achieved at our plant, enabled NAS to perform very satisfactorily, which was the real driving force behind the Group's results.

Thanks to the efforts to reduce costs in all units, Acerinox's results were positive, contrary to the economic situation. EBITDA rose from €90 million in the first quarter to €97 million in the second quarter, €103 million in the third quarter and €112 million in the fourth quarter, which was subsequently reduced to €74 million as a result of the adjustments made. Turnover totalled €4,754 million, which, although 5.1% less than 2018, is the second highest of the decade.

I would like to highlight that in this complex environment we generated very significant operating cash flows of €359 million, which enabled us to reduce debt by €57 million to €495 million, after having invested €152 million, increased dividend payments by 11.1% to €0.50 per share and after having repurchased shares for the write-off thereof totalling €49 million. This prudent approach of prioritising cash generation and debt reduction, which was just 1.2 times EBITDA at year-end, and the strength of our balance sheet were vital in undertaking the acquisition of VDM Metals, which finally took place in March 2020.

Prudence and anticipation also led us to make important adjustments. Only one of the adjustments made affected EBITDA, the provision for the cost of the labour force adjustment plan, to reduce the workforce by 215 at Acerinox Europa and improve the factory's competitiveness. This adjustment had an impact of €38 million and did not produce a cash outflow in 2019.

The remaining adjustments, which did not affect cash flows, were the impairments of assets of Bahru Stainless amounting to €98 million, and the impairment of the goodwill of Columbus amounting to €68 million. Similarly, as a consequence of Spanish accounting standards regarding the application of prior years' tax loss carryforwards, impairments were made on the tax credits amounting to €61 million. Following all these adjustments, in 2019 adjusted EBITDA amounted to €402 million, EBITDA amounted to €364 million, 24% lower than 2018, and a loss after tax and minority interests of €60 million was recognised, compared to a profit of €237 million in 2018.

In the commodities sector, success is based on competitiveness, and this always depends on process efficiency, productivity, optimisation of the supply chain and quality of service, all of which we are committed to through either traditional or digital methods. Incorporating more sensors at the critical points of our equipment and the collection and analysis of large volumes of data will enable us to improve control of the manufacturing process, anticipate quality problems and faults and, ultimately, will help us to improve our productivity and our efficiency. Furthermore, demand forecasting will enable us to shorten and obtain greater flexibility in the supply chain, react faster to changes in the market and reduce our working capital.

These concepts form the essence of our digital transformation strategy, condensed in the Excellence 360 plan, in which we have worked over the last few years to combine the new advances derived from the application of digital technologies with the improvements we were obtaining with our traditional plans of excellence.

During its first year of implementation, 2019, the Excellence 360 plan provided us with annual recurring savings of €24 million, slightly above our target. At the end of the five-year period we have set ourselves, we expect to improve our profit or loss by €125 million per year. Undoubtedly, it is an ambitious project on which our success in the future largely depends.

Since 1970, when Acerinox was founded, we have always held these concepts for continuous improvement in our DNA. However, in such a competitive environment, it is not possible to depend solely on cost reductions as, although they are absolutely necessary, they have a limit and this is something that we can never permit, limiting our growth. We must reinvent ourselves in order to keep up the momentum, stay ahead of the game and lay the foundations for the success of the next fifty years.

To this end, in 2019 we worked intensively, and this analysis and endeavour gave rise to the acquisition of the German company VDM Metals, world leader in the manufacture of special alloys. With this acquisition, Acerinox has opened the door to a different sector, one of high added value and cutting-edge technology, which is complementary to our traditional market. With this transaction we hope to develop significant synergies, since VDM is not only the world's leading manufacturer, it also has the most advanced research and the best reputation among its customers.

The aim is to not only add the results of a fantastic Company to our financial statements, or stop at the synergies we have identified, which have increased from €14 million to €22 million a year. We aspire to make VDM our special projects division, with which we will help very diverse industries to select the best materials from the widest range of products, whether that be stainless steels or high performance alloys, or developing alloys that are tailored to their needs. In doing so we will add value to Acerinox's traditional products and we will situate ourselves as the best option for advanced solutions for the industry. In other words, we will lead in the supply of materials for use in very aggressive and highly demanding environments in sectors such as the chemical and pharmaceutical product manufacturing, aerospace, energy, automotive, electronic, green hydrogen production and water treatment sectors, among others. We are incorporating technology, we are incorporating patents and access to more sophisticated customers, and we are stepping into the future with the most innovative processes, such as powder metallurgy, which is the basis for the three dimensional printing of metallic materials.

VDM Metals has its headquarters in Werdohl, Germany, and has 7 productions plants, 5 in Germany and 2 in the US. VDM Metals has almost 2,000 highly-qualified employees and, with the exchange of experiences, we will be able to continue advancing in the excellence of our operations. In 2018/19 financial year, which ended 30 September 2019, VDM Metals recognised sales amounting to €852 million and EBITDA totalling €97 million. The company was valued at €532 million, and in March 2020 Acerinox disbursed €313 million to purchase all the ownership interest in the company, having received the necessary authorisations from the European and US competition authorities. The ratio of the company's valuation is 5.5 times its EBITDA before synergies, which is undoubtedly advantageous and creates value for our shareholders. We are enthusiastic about this project, which marks a before and after in Acerinox's history at a particularly significant time, our Company's 50th anniversary.

Henceforth, we will have two strategic pillars to develop, on the one hand, Excellence, and on the other, Value Creation. These are two very solid and closely related pillars, which can only be sustained by building them on our traditional financial strength.

We manufacture extraordinary, modern materials with a continuously growing field of application. They are durable materials, capable of being recycled eternally and require low maintenance, which makes them unbeatable when the cost of the entire life cycle of the products made with these materials and the emissions throughout that cycle are taken into account. Moreover, our main raw material is scrap metal, making us a paradigm of the circular economy. We are a sustainable industry and Acerinox is strongly committed to sustainability and the circular economy, which will be the keys to our long-term success. This is the fourth pillar of our strategy.

Our society, especially in Europe, has decided to be sustainable and to reverse environmental degradation. It is our responsibility to reduce our emissions and waste, and manufacture environmentally friendly materials, because this same society will end up valuing more the companies that comply with these principles and will reward the efforts made with their preference for our products.

Similarly, the industrial activity we carry out must be valued; we actively collaborate with the communities in which we are based and to which we provide quality employment, training, fair pay and professional development for our employees. We have reached agreements of a marked social nature in our main work centres, we have extended training plans and we have achieved the lowest accident rate in our history. We actively collaborate with universities and vocational training centres and, as a result of these efforts, we attract a substantial number of young people to our team, at a time when employment stability is so important. There is nothing better than the industry to deal with periods of crisis. Europe, and especially Spain, must take seriously the objective of the industry accounting for 20% of Gross Domestic Product. In this regard, I cannot fail to mention, once again, the need for a competitive energy price in Spain that will allow us to compete on equal terms with at least our neighbouring countries.

After fifty years of existence, we are a benchmark in the steel industry in an international context, we are one of the most global Spanish companies, which maintains its decision centre in Spain, and we are paving the way for the future. There is no time like the present to establish new avenues of growth, which will enable us to continue generating value.

We are very excited about the new projects and we have a group of exceptional people, whom I am privileged to lead. You would undoubtedly find it difficult to encounter a company with a human team as capable, attuned and committed as that of Acerinox.

I would like to end by thanking you for the trust you place in Acerinox, and commit myself to making every effort to strengthening the value of our Company. I would also like to thank our suppliers, customers, and financial institutions for the excellent treatment and friendship shown to us. Naturally, I cannot thank enough Acerinox's team and, especially, my closest associates, who have made a colossal effort this past year, demonstrating their profession, disposition and commitment. I am certain that, with such support, we will continue to grow and we will remain the international benchmark for the stainless steels and special alloys sector.

Thank you very much.

Bernardo Velázquez

Chief Executive Officer