PRESS RELEASE
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Acerinox obtains profits of EUR 28 million in the first quarter despite the impact of Covid-19

- *The Group launched the VDM Metals integration process after having obtained the corresponding international authorizations*
- *Acerinox postponed its General Shareholders' Meeting, which was scheduled for Wednesday 22 April 2020*
- *The measures adopted against Coronavirus, the financial strength of the Company and the liquidity of EUR 1,457 million allow us to anticipate that the company will be strengthened for the future*

Acerinox ended the first quarter of 2020 with a profit after tax and minority interests of EUR 28 million (14% less than the first quarter of 2019), despite the initial recovery of activity in all our markets during the first months being cut short as a result of the impact of coronavirus.

In the first three months of the year, the Group's EBITDA rose to EUR 85 million after a negative net realisable adjustment to inventory of EUR 16 million, 6% lower than in the first three months of 2019 but 15% higher than in the fourth quarter of 2019. The EBITDA margin on sales remains at 7%.

Turnover totalled EUR 1,159 million, giving rise to a 4% decrease compared to the same period in 2019, due to lower alloy surcharges during the quarter.

Free cash flow, EUR -36 million, has been impacted by higher operating working capital needs of EUR 65 million and the payment of the outsourcing of the lay offs in Acerinox Europa for EUR 26 million.

Payments for investment in fixed assets have amounted to EUR 23 million, while the payment for the purchase of VDM has amounted to EUR 313 million. Total investment payments have amounted to EUR 337 million.

The results obtained by VDM during the first quarter are not yet incorporated into the results of the Acerinox Group, since the acquisition was formalized in March after receiving authorizations from the European and American competition authorities.

VDM Metals integration

On 17 March Acerinox formalised the purchase of VDM Metals after having received the relevant authorisations from the European, American and Taiwanese competition authorities.

Immediately afterwards and through virtual meetings, a transition process was launched to ensure business continuity and prioritise the long-term outlook.

VDM is a leader in the manufacture of special alloys and a leader in R&D, Acerinox is recognised as one of the most efficient stainless steel producers in the world. The new industrial group now has complementary strengths that will allow it to continue to be a pioneer and benchmark in the sector.

Based in Werdohl, Germany, VDM develops and manufactures special nickel and cobalt alloys as well as high-alloy stainless steels with special properties. It has 7 production sites in Germany and the United States and nearly 2,000 employees. In 2018/19 the company made sales of EUR 852 million and EBITDA of EUR 97 million.

With this transaction, the Acerinox Group plans to diversify towards sectors with greater added value. The acquisition provides a growth opportunity in new markets and sectors such as aerospace, chemicals, the medical industry, oil and gas, renewable energies, water treatment and emissions control.

The Company is valued at EUR 532 million. Acerinox has paid EUR 310 million, taking on EUR 57 million of debt, making for an Enterprise Value/EBITDA ratio of 5.5x (1) before synergies.

Outlook

Like the rest of the economy, the global stainless steel market is being severely affected by the situation caused by the COVID-19 pandemic. The implications are not consistent among continents, or even among neighbouring countries, making the outlook extremely difficult in a global market like ours.

As a result of the aforementioned, and due to the complexity and length of the economic activity reactivation process, we are only able to offer a short-term perspective.

On the one hand, we will resume our activity in Malaysia and South Africa in May, as we did in Spain (where we had to close down for 4 days), which will be in our best interests, while on the other hand the market deterioration is spreading to the United States, despite the fact that in this country we have not ceased activity. In the second quarter the Acerinox Group, as a whole, is expected to work at 65% of its normal activity, with the consequent negative impact in the statement of profit or loss.

In this situation, we are intensifying our efforts to reduce costs in all of our units, although many of the measures are pending negotiations and administrative decisions, so we still cannot quantify them. In addition, planned investments are being reviewed, postponing those that are not strictly necessary, and optimizing working capital needs.

The measures adopted, the financial strength of the Company and the liquidity of EUR 1,457 million allow us to anticipate that the company will be strengthened for the future.

In any case, the most important thing at this time is safeguarding human health and minimising damage in order to emerge stronger from the recovery. We hope that the circumstances in which we are living, encourage governments and companies to reconsider the need for a powerful industry that guarantees the provision of basic supplies.

Acerinox postpones its General Shareholders’ Meeting

The Board of Directors of ACERINOX, S.A., at its meeting held on 13 April 2020, agreed to postpone the Ordinary General Shareholders' Meeting scheduled to be held on 22 April 2020, due to the exceptional circumstances derived from the spread of the COVID-19 virus, the uncertainty of the duration and difficulty of the process of reactivating the international economy.

The Board of Directors has chosen to postpone the Meeting as an exercise of responsibility towards the company, its shareholders, workers, customers and suppliers and towards Spanish society as a whole. The Board of Directors will convene the Ordinary General Shareholders Meeting again within the established term.