Results

First Quarter 2021

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

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

Acerinox will hold a presentation for its Q1 2021 results today at 10.00 AM CET, directed by the CEO, Mr. Bernardo Velázquez, and the CFO, Mr. Miguel Ferrandis, accompanied by the IR team.

To access the presentation via telephone conference, you can use one of the following numbers, 5-10 minutes before the start of the event:

- From Spain: 919 01 16 44. PIN: 031648
- From UK (local): 020 3936 2999. PIN: 031648
- From United States: 1 646 664 1960. PIN: 031648
- Rest of countries: +44 20 3936 2999. PIN: 031648

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

"The first quarter of the year saw a continuation of the recovery that commenced in the fourth quarter of 2020, with improvements in the order book of all the Group's factories. Margins continue to rise and the good performance of the business has enabled us to reduce net financial debt despite an increase in working capital."

2021 First Quarter[1]

- The cumulative accident frequency rate (LTIFR) decreased by 45% compared to the 1st quarter of 2020 (62% lower than the 4th quarter of 2020).
- We continue to work on the lines of action of the Sustainability Strategic Plan, Impact 360.
- Melting shop production, 668,454 tonnes, increased by 12% compared to the 1st quarter of 2020 (9% increase compared to the 4th quarter of 2020).
- Net sales, EUR 1,441 million, increased by 24% compared to the 1st quarter of 2020 (18% increase compared to the 4th quarter of 2020).
- EBITDA, EUR 161 million, increased by 90% compared to the 1st quarter of 2020 (23% increase compared to the 4th quarter of 2020). The EBITDA margin over sales was 11%.
- Profit after tax and minority interests, EUR 78 million, increased by 177% compared to the 1st quarter of 2020 (4 times higher compared to the 4th quarter of 2020).
- Operating cash flow amounted to EUR 23 million.
- The Group's net financial debt, EUR 756 million, decreased by EUR 16 million with respect to 31 December 2020 and EUR 98 million with respect to 31 March 2020.
- The General Shareholders' Meeting, held on 15 April, approved the distribution of a dividend of EUR 0.5/share.

[1] These results are compared with the first quarter of 2020 without VDM.

Outlook

The good performance of the sectors using stainless steel related to consumer goods, and the inventory situation, make us optimistic for the second quarter of the year. The order book is 80% higher than in March 2020 and 40% higher than in March 2019.

The strong order intake in the high performance alloys division suggests a recovery in VDM's results from June onwards.

Against this backdrop, the Group's EBITDA in the second quarter will be higher than that in the first quarter.

Key economic and financial figures

Consolidated Group	First quarter		
	2021	2020	2021/2020 Variation
Melting shop (thousand tonnes)	668	599	12%
Net sales (million EUR)	1,441	1,159	24%
Adjusted EBITDA (million EUR)	161	85	90%
% over sales	*11%*	*7%*	
EBITDA (million EUR)	**161**	**85**	**90%**
% over sales	***11%***	***7%***	
EBIT (million EUR)	117	44	164%
% over sales	*8%*	*4%*	
Profit before taxes and minority interests (million EUR)	106	41	155%
Profit after taxes and minority interests (million EUR)	**78**	**28**	**177%**
Depreciation and amortisation (million EUR)	44	41	8%
Number of employees at period-end	8,153	6,507	25%
Net financial debt (million EUR)	756	854	-11%
Debt ratio (%)	43%	44%	-2%
Number of shares (million)	271	271	0%
Shareholder remuneration (per share)	0.00	0.00	---
Daily average shares traded (no. of shares, million)	0.84	1.11	-25%
Profit after taxes and minority interests per share	0.29	0.10	177%

	First quarter		
Million EUR	Stainless Group	High performance alloys	Consolidated Group
Melting shop (thousand tonnes)	650	18	668
Net sales	1,273	167	1,441
Adjusted EBITDA	152	10	161
Adjusted EBITDA margin	12%	6%	11%
EBITDA	152	10	161
EBITDA margin	12%	6%	11%
Depreciation and amortisation	-37	-5	-44
EBIT	115	4	117
EBIT margin	9%	2%	8%

Stainless steel division

Stainless steel market

The first quarter of the year saw a continuation of the recovery that commenced in the fourth quarter of 2020.

The increased confidence in the economy and the improvement in activity is reflected in a process of inventory replenishment throughout the supply chain, which has been severely depleted worldwide and in all sectors.

The demand situation continues to improve in all markets, driven by consumer goods sectors such as the automotive sector, the food processing equipment sector and, above all, the household appliances manufacturing sector. The projects sector, relating to investment goods, is also recovering.

THE UNITED STATES

According to the latest data available, we estimate that apparent consumption of flat products in the North American market has improved by 5% compared to the fourth quarter of 2020, although it is still approximately 5% lower than in the same period last year.

The increase in the base price announced in January has been consolidated.

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

Inventories in the US are below the average of recent years.

EUROPE

According to the latest data available, we estimate that apparent consumption of flat products in the European market has improved by 14% compared to the fourth quarter of 2020, although it remains 2% lower than that of the first quarter of last year.

Pressure from imports decreased, although it still remains high. This decrease is due to the introduction by the European Union of anti-dumping measures on hot rolled products against China, Indonesia and Taiwan, and to the increase in transport costs.

On 30 April, the European Union submitted to public consultation the results of its preliminary analysis regarding the anti-dumping measures on cold rolled products against Indonesian and Indian companies:

Country	Company	Anti-dumping proposal
India	Jindal Stainless Limited and Jindal Stainless Hisar Limited	13.4%
	Chromeni Steels Private Limited	34.6%
	Remaining companies	34.6%
Indonesia	IRNC	19.9%
	Jindal Stainless Indonesia	20.2%
	Remaining companies	20.2%

The provisional measures are expected on 28 May and the definitive measures before the end of the year.

In line with the good performance of the market, prices are also showing an upward trend, recovering much of what was lost last year.

ASIA

In the Asian markets, the healthy market situation in China eased the pressure in the region and in the global market, although overcapacity remains latent. Prices are also improving in this region.

Worthy of note are reports regarding the elimination of the 13% export tax rebate in China, which will help to take pressure off other markets.

Stainless division production

The Stainless Group improved production in all plants compared to the first and fourth quarter of 2020.

	2020					2021	Variation	
Thousand tonnes	Q1	Q2	Q3	Q4	12 months	Q1	Q1 21 / Q1 20	Q1 21 / Q4 20
Melting shop	599	420	524	601	2,144	650	9%	8%
Cold rolling	393	291	331	369	1,383	394	0%	7%
Long products (Hot rolling)	57	49	51	53	210	63	11%	19%

Columbus is continuing with the development and marketing, with long-term contracts, of a range of carbon steel products for the local South African market, enabling the plant to optimise its production capacity.

Stainless division results

Million EUR	Q1 2021	Q1 2020	Q4 2020	% Q1 21 / Q1 20	% Q1 21 / Q4 20
Melting shop (thousand tonnes)	650	599	601	9%	8%
Net sales	1,273	1,159	1,067	10%	19%
Adjusted EBITDA	152	85	116	80%	31%
Adjusted EBITDA margin	12%	7%	11%		
EBITDA	152	85	116	80%	31%
EBITDA margin	12%	7%	11%		
Depreciation and amortisation	-37	-41	-38	-9%	-2%
EBIT	115	44	79	159%	46%
EBIT margin	9%	4%	7%		
Operating cash flow (before investments)	25	-36	242	---	-90%

The first quarter of the year reflects the improvement in activity experienced from the last months of 2020 onwards, with production increases, higher margins and good cash generation.

Sales, EUR 1,273 million, increased by 10%.

The control and variablisation of costs to achieve swift adaptation to demand has been maintained. In this first quarter, with a 9% increase in production, total operating expenses (operating and personnel) only increased by 0.7%.

EBITDA, EUR 152 million, increased by 80%. In this first quarter, all factories recognised positive EBITDA. Worthy of note is the EBITDA margin over sales, which totalled 12%.

Operating cash flow totalled EUR 25 million despite the increase in working capital in the first months of the year, due to higher activity during the quarter.

	Jan - March 2021
EBITDA	**152**
Changes in working capital	-146
Changes in operating working capital	-141
- Inventories	-113
- Trade receivables	-160
- Trade payables	131
Other adjustments to working capital	-5
Income tax	27
Financial expenses	-7
Other adjustments to results	-2
OPERATING CASH FLOW	**25**

High performance alloys division

High performance alloys market

In the first quarter of 2021, the high performance alloys market experienced an improvement in all consumer sectors, with the exception of the aerospace sector.

The oil and gas sector is slowly recovering, although it is yet to reach pre-covid levels. Activity resumed on major projects and the situation is expected to continue improving in the second quarter.

The chemical process industry showed a positive trend during the first months of the year and we expect demand to remain strong in the coming quarters.

The electronics and automotive industries are showing the best performance and are at levels similar to those experienced before the pandemic.

Production

High performance alloys melting shop production experienced a significant improvement compared to the fourth quarter of 2020, due to an improvement in the order backlog and increased deliveries expected from June onwards.

	2020 (1)					2021	Variation	
Thousand tonnes	Q1	Q2	Q3	Q4	12 months	Q1	Q1 21 / Q1 20	Q1 21 / Q4 20
Melting shop	19	18	14	13	64	18	-5%	43%
Finishing shop	10	11	10	8	38	8	-15%	4%

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

Results

The improvement experienced in the various sectors resulted in a 43% increase in production compared to the previous quarter, and will be reflected in the statement of profit or loss from the second half of the year onwards.

Million EUR	Q1 2021	Q1 2020 (1)	Q4 2020	% Q1 21 / Q1 20	% Q1 21 / Q4 20
Melting shop (thousand tonnes)	18	19	13	-5%	43%
Net sales	167	205	150	-18%	12%
Adjusted EBITDA	10	20	15	-52%	-38%
Adjusted EBITDA margin	6%	10%	10%		
EBITDA	10	20	15	-52%	-38%
EBITDA margin	6%	10%	10%		
Depreciation and amortisation	-5	-6	-6	-1%	-2%
EBIT	4	14	10	-71%	-57%
EBIT margin	2%	7%	6%		
Operating cash flow (before investments)	-1	-30	12	97%	---

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

The integration process continues to be a success in terms of both the milestones reached and the synergies achieved, which are greater than the objectives.

We continue with the policy of achieving optimal management of the working capital, which, as a result of the slight recovery of activity in the first quarter, increased by 7 million, resulting in a negative operating cash flow of 1 million in the first quarter of the year.

	Jan - March 2021
EBITDA	**10**
Changes in working capital	-7
Changes in operating working capital	-14
- Inventories	-41
- Trade receivables	-13
- Trade payables	40
Other adjustments to working capital	7
Income tax	-3
Financial expenses	-2
Other adjustments to results	2
OPERATING CASH FLOW	**-1**

Results of the Acerinox Consolidated Group

Turnover amounted to EUR 1,441 million, an increase of 18% compared to the previous quarter and an increase of 24% compared to the 1st quarter of 2020, due to a recovery in demand and prices.

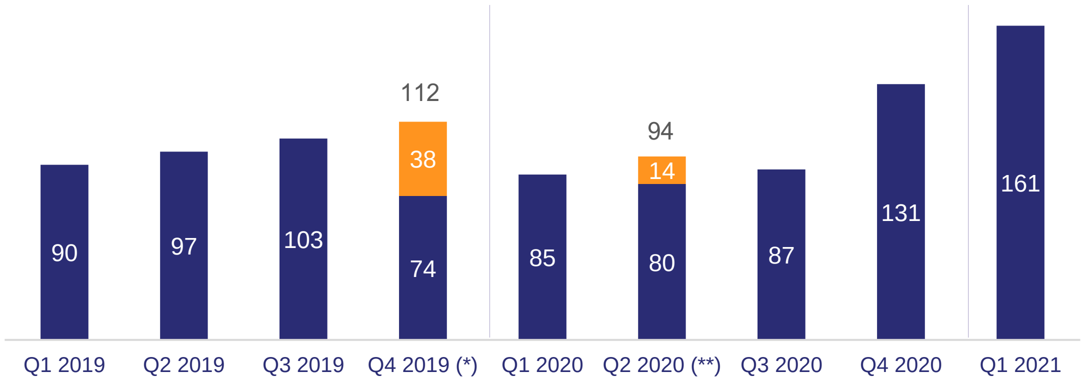
The most significant figures of the quarter are summarised in the following table:

	Consolidated Group				
Million EUR	**Q1 2021**	Q1 2020	Q4 2020	% Q1 21 / Q1 20	% Q1 21 / Q4 20
Net sales	1,441	1,159	1,217	24%	18%
Adjusted EBITDA	161	85	131	90%	23%
Adjusted EBITDA margin	11%	7%	11%		
EBITDA	**161**	**85**	**131**	**90%**	**23%**
EBITDA margin	**11%**	**7%**	**11%**		
EBIT	117	44	86	164%	36%
EBIT margin	8%	4%	7%		
Profit before taxes	106	41	70	155%	52%
Profit after taxes and minority interests	78	28	19	177%	319%
Operating cash flow	23	-36	254	---	-91%
Net financial debt	756	854	772	-11%	-2%

EBITDA, EUR 161 million, increased by 23% compared to that of the 4th quarter of 2020 and 90% compared to that of the 1st quarter of 2020. This is the highest quarterly EBITDA since the first quarter of 2017. In addition to the aforementioned improvement in activity, the success of the cost control and variablisation policies is evident.

The EBITDA margin over sales was 11%.

Quarterly EBITDA in million euros



2019 adjusted EBITDA (*): EBITDA without taking into account the provision amounting to EUR 38 million for the layoffs at Acerinox Europa
2020 adjusted EBITDA (**): EBITDA disregarding the 14 million for the costs from the purchase of VDM

Profit after taxes and minority interests totalled EUR 78 million, almost 3 times higher compared to the 1st quarter of 2020 and 4 times higher compared to the previous quarter.

Cash generation

The EBITDA generated, totalling EUR 161 million, resulted in an operating cash flow of EUR 23 million, in a quarter in which the buoyant market led to an increase in working capital of EUR 153 million.

Cash Flow (Million euros)

	Jan - Mar 2021	Jan - Dec 2020	Jan - March 2020
EBITDA	**161**	**384**	**85**
Changes in working capital	-153	223	-97
Changes in operating working capital	-155	236	-65
- Inventories	-154	223	9
- Trade receivables	-173	83	-47
- Trade payables	171	-70	-27
Other adjustments to working capital	2	-13	-32
- Acerinox Europa lay-off payment	0	-26	-26
- Others	2	13	-6
Income tax	24	-99	-23
Financial expenses	-9	-36	-3
Other adjustments to results	0	-51	3
OPERATING CASH FLOW	**23**	**421**	**-36**
VDM purchase payment	0	-313	-313
Payments for investments	-29	-99	-24
FREE CASH FLOW	**-6**	**8**	**-373**
Dividends and treasury shares	0	-135	0
CASH FLOW AFTER DIVIDENDS	**-6**	**-127**	**-373**
Conversion differences	22	-70	13
Grants and other		4	0
Net financial debt acquired from VDM	0	-85	0
Variation in net financial debt	**16**	**-278**	**-360**

Following investment payments of EUR 29 million, free cash flow amounted to EUR -6 million.

Balance sheet

ASSETS					LIABILITIES				
Million €	March 21	2020	March 20	Variation	Million €	March 21	2020	March 20	Variation
Non-current assets	**2,105**	**2,070**	**2,229**	**1.7%**	**Equity**	**1,760**	**1,615**	**1,953**	**9.0%**
Current assets	**3,038**	**2,664**	**2,745**	**14.0%**	**Non-current liabilities**	**1,815**	**1,827**	**1,538**	**-0.7%**
- Inventories	1,337	1,182	1,007	13.0%	- Bank borrowings	1,399	1,410	1,358	-0.8%
- Receivables	687	532	598	29.3%	- Other non-current liabilities	416	417	179	-0.4%
Trade receivables	636	464	531	*37.2%*					
Other receivables	51	68	67	*-24.9%*	**Current liabilities**	**1,567**	**1,291**	**1,483**	**21.4%**
- Cash	988	917	1,125	7.8%	- Bank borrowings	345	280	621	23.5%
- Other current financial assets	25	32	15	-21.4%	- Trade payables	1,051	879	757	19.5%
					- Other current liabilities	171	132	105	29.5%
Total assets	**5,142**	**4,733**	**4,974**	**8.6%**	**Total equity and liabilities**	**5,142**	**4,733**	**4,974**	**8.6%**

Operating working capital increased by EUR 155 million as a result of improved activity. The good turnover resulted in an increase of EUR 173 million in “trade receivables”. Inventories in physical units remained controlled.

Operating working capital (Million euros)

	March 2021	December 2020
Inventories	1,337	1,182
Trade receivables	636	464
Trade payables	1,051	879
Working capital	**922**	**767**

At 31 March 2021, net financial debt amounted to EUR 756 million, a decrease of EUR 16 million compared to 31 December 2020.

At 31 March, Acerinox had immediate liquidity amounting to EUR 1,778 million, of which EUR 988 million corresponded to cash and EUR 790 million corresponded to available credit facilities.

Sustainability

Acerinox continues to work on the lines of action of the Sustainability Strategic Plan, Impact 360º, the main axes of which are:

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

7.5% reduction in energy intensity

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

20% reduction in water withdrawal

10% annual **reduction in the frequency rate of accidents with sick leave**

Increase the percentage of new recruits from minority groups by 10% every year, highlighting the fact that -in 2020 alone- the number of women recruited increased by 19.6%.

In the first quarter, the achievement of the 2020 targets linked to green loans with the banks BBVA, Sabadell and Caixabank was confirmed.

CO_2 emissions intensity (scope 1+2) decreased by 2% compared to the first quarter of 2020 (-4% compared to the previous quarter).

The accident frequency rate (LTIFR) accumulated in this first quarter gave rise to a 45% decrease compared to the first quarter of 2020 (-62% compared to the previous quarter). Reducing accidents remains a priority for the Acerinox Group, with an annual reduction target of 10%.

Acerinox continues to be a global benchmark in the circular economy, with a recycled content rate of over 90% in its products.

General Shareholders' Meeting

The General Shareholders' Meeting of the Acerinox Group held on 15 April by electronic means approved the distribution of a dividend of EUR 0.50 per share, which will be paid on 3 June 2021. The total shareholder remuneration to be paid shall amount to EUR 135 million.

The General Shareholders' Meeting also approved the reappointment of the following directors as members of the Board of Directors:

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

Alternative Performance Measures (Definitions)

Excellence 360º 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, stripping out material extraordinary items

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

Adjusted EBITDA: EBITDA, stripping out material extraordinary items

Debt Ratio: Net Financial Debt / Equity

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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