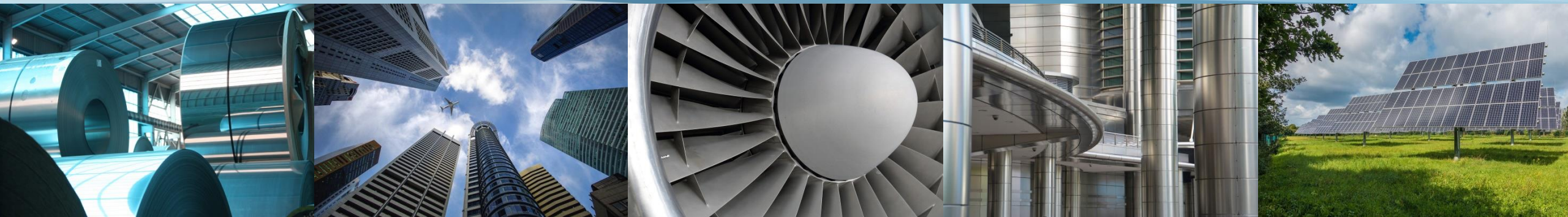


# ACERINOX Q1 2020 RESULTS PRESENTATION

24 APRIL 2020





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# Improvement quarter on quarter

## Q1 MARKET HIGHLIGHTS

- Improvement in market activity over Q4 2019
- Reduction of raw material prices
- COVID-19 already impacting in Q1

### Europe

- Imports market share around 25% (flat products)
- Base prices remained low but stable
- Provisional HR antidumping measures approved
- Antisubsidy investigation ongoing

### USA

- Economy and Stainless market remained robust
- Low inventory levels
- Low imports (Section 232)

### Asia

- Irrational overproduction against the backdrop of very weak demand
- High level of stocks
- Prices collapsing

## Q1 ACERINOX HIGHLIGHTS

- Acquisition of VDM Metals
- Strong balance sheet to face the current situation
- Excellent liquidity position (1.5 billion EUR)
- Net sales impacted by alloy surcharge decrease
- Q1 Production:
  - +22% melting production QoQ
  - 5% melting production YoY
- Q1 EBITDA:
  - +15% EBITDA QoQ
  - 6% EBITDA YoY
- EBITDA margin remains at 7%
- Downward inventory adjustment of 16 million EUR
- Working Capital increased due to higher activity
- Debt increased mainly due to VDM acquisition



# Q1 Main Financial Figures

Million EUR

	Q1 2019	Q1 2020	Variation Q1 2020/2019	Q4 2019	Variation Q1 2020/Q4 2019
<b>Net Sales</b>	<b>1,202</b>	<b>1,159</b>	<b>-4%</b>	<b>1,093</b>	<b>6%</b>
<b>EBITDA</b>	<b>90</b>	<b>85</b>	<b>-6%</b>	<b>74</b>	<b>15%</b>
Results before Taxes and Minorities	45	41	-9%	-135	---
<b>Results after Taxes and Minorities</b>	<b>33</b>	<b>28</b>	<b>-14%</b>	<b>-173</b>	<b>---</b>
Free Cash Flow (before dividends)	17	-373	---	141	---
Net Financial Debt	573	854 (*)	49%	495	73%
<b>Employees</b>	<b>6,768</b>	<b>6,507</b>	<b>-4%</b>	<b>6,605</b>	<b>-1%</b>

Activity improved compare to Q4

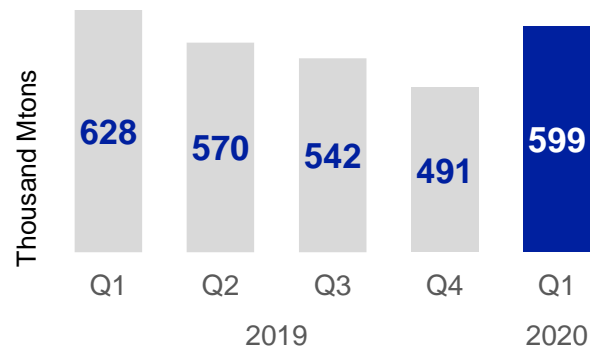
Negative inventory adjustment 16 million EUR

Low level of prices

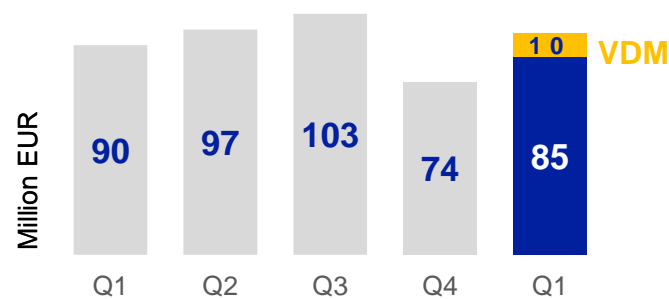
(\*) On the 17th March, Acerinox closed the acquisition of VDM Metals

# Good quarterly figures in a pre crisis environment

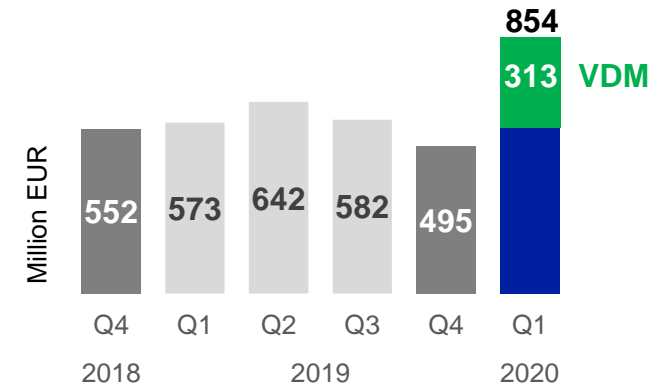
## MELTING PRODUCTION



## EBITDA



## NET FINANCIAL DEBT



### Net debt increased due to:

Consistant EBITDA through the quarters

313 million EUR paid for VDM

Change in operating WC increased by 65 million EUR



# Managing the challenges of 2020 with COVID-19



## Overview of current situation

### Market

- Globally PMIs are collapsing and economic data continues to deteriorate
- Many industries are totally shut down under Government instructions
- The demand pattern is not homogeneous across countries/regions
- Some industries are performing better than others (such as food/medical)
- Industries will restart over time, dependant upon Government orders
- The question mark still remains over the shape of the recovery thereafter

### Acerinox

- Acerinox Europa, Roldán and Inoxfil are working with low levels of capacity utilization
- NAS keeps on operating as an essential industry in the USA but the activity levels are deteriorating through the quarter
- Columbus and Bahru, after temporary closure due to Governments lock downs in South Africa and Malaysia, will both reopen in May
- VDM business supported by strong order backlog



## How Acerinox is facing this crisis

- 1. Liquidity is key**
- 2. Balance sheet already in a good shape**
- 3. Lessons learnt from 2008**
- 4. Our long term strategy remains intact**

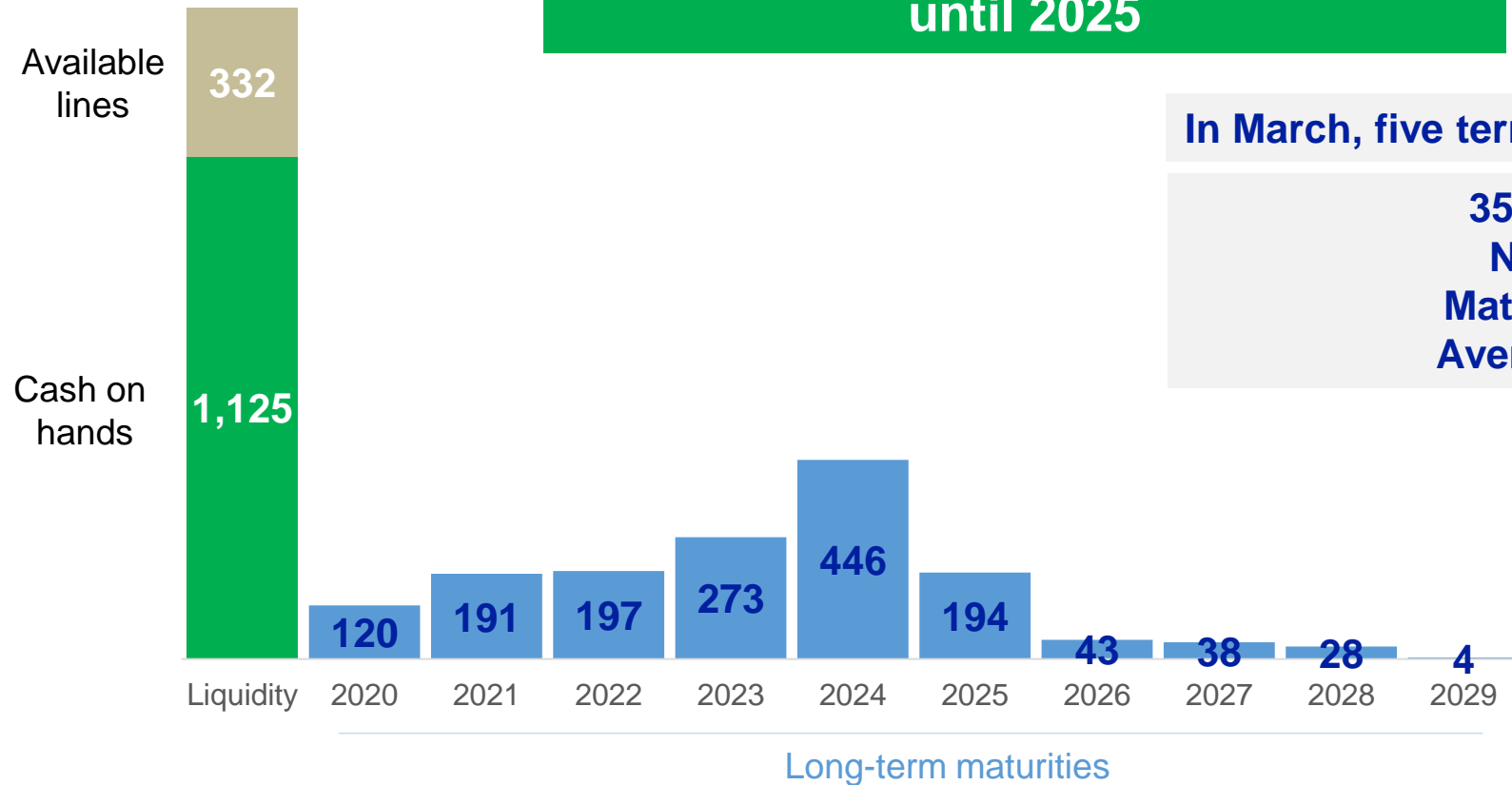




# Liquidity is key

Million EUR

**Massive liquidity covering maturities until 2025**

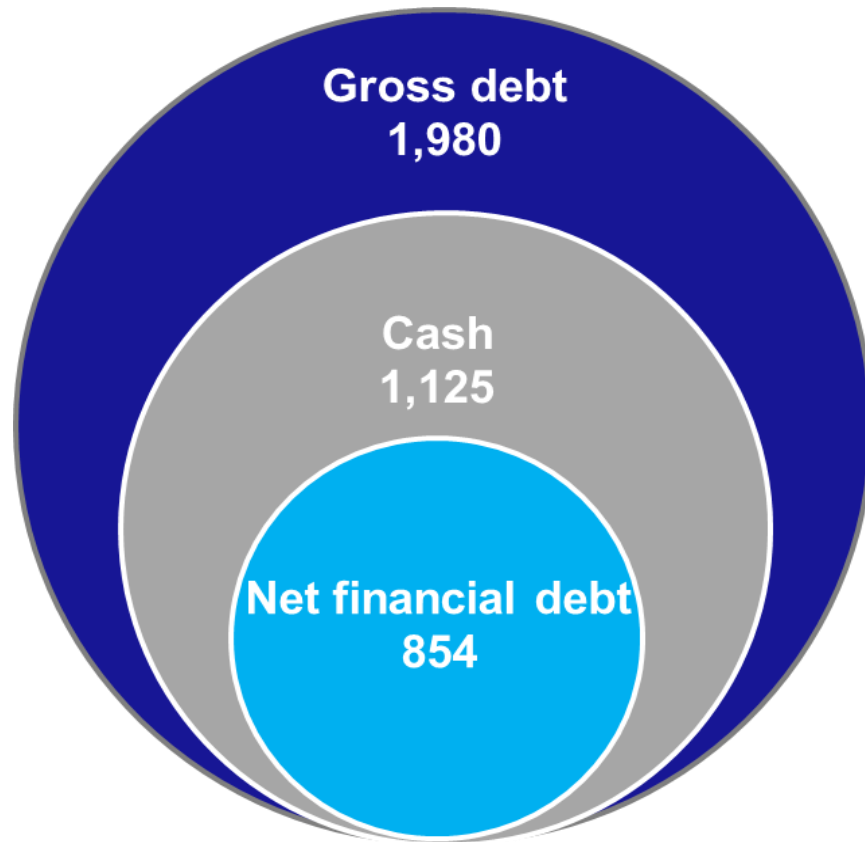


**In March, five term loans were contracted**

**350 Million EUR**  
**No covenants**  
**Maturity: 4.6 years**  
**Average cost: 0.9%**

## Balance sheet already in a good shape

Million EUR



Group's financial strength ensures that current environment should not impact Acerinox liquidity

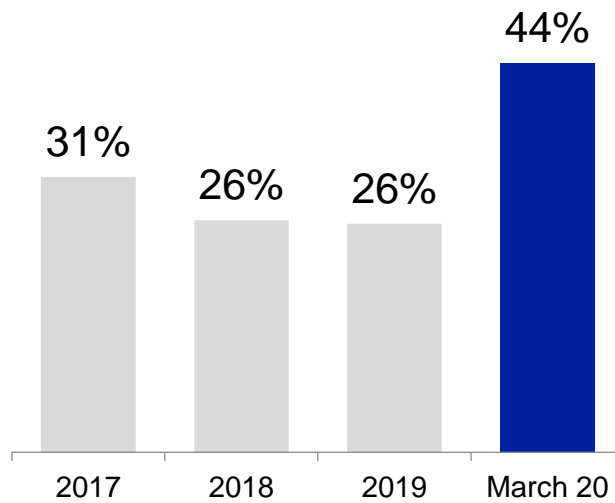
The total gross debt, 1,980 million euros, is free of covenants on results

The weighted average cost of term debt is 1.4%

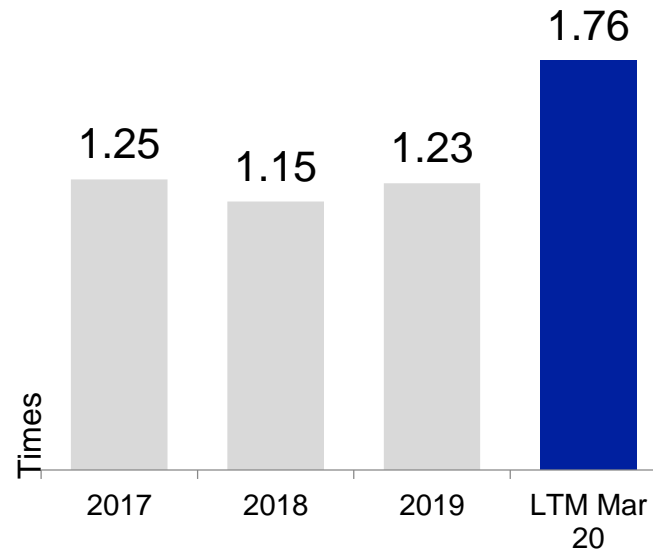


# Even post VDM acquisition Balance Sheet metrics remain very strong

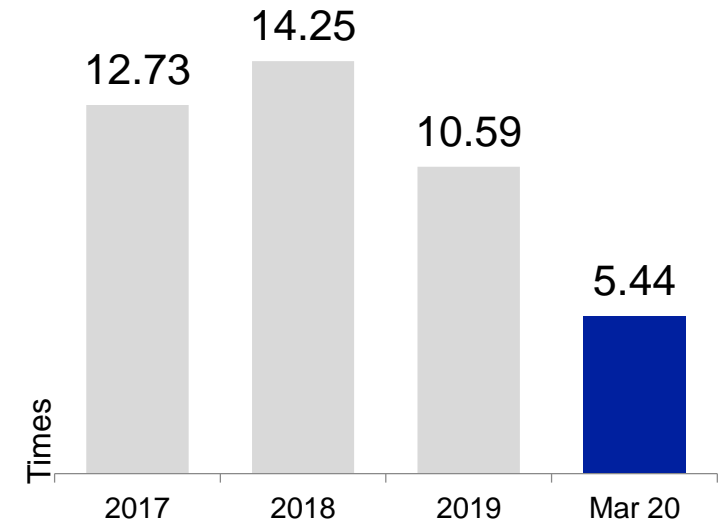
DEBT / EQUITY



DEBT / EBITDA



EBIT / INTEREST EXPENSE



## Lessons learnt from 2008

### Reducing fixed costs:

- Negotiating temporary lay offs in Spain
- Applying flexibility within US labour legislation
- Adapting maintenance relative to production levels
- Reducing the cost of subcontractors based on activity levels

### Capital allocation will be focused on liquidity:

- Reducing CAPEX
- Reducing net working capital needs
- General Shareholders' Meeting has been postponed

**Cash is king**

## Our long term strategy remains intact



- Intense balance sheet focus that allow us an efficient capital allocation
- Constantly improving due to digitalization and 360° planning, cost reduction programs and optimizing the commercial network
- Added value enhanced by VDM metals and constant review of all the assets of the Group
- Sustainability is the core of our business model
- Acerinox is Circular Economy

# Added value enhanced by VDM metals

## Why does VDM Metals add value?

Market leader with growth Potential

- Globally #1 in specialty alloys market
- Reputation of excellence and strong brand name
- Significant growth potential in specialty alloys

Technology innovation and product excellence

- Innovation leader with excellent R&D know-how
- Company with the most product patents in the Industry
- Able to supply a full spectrum of high quality specialty alloys

## Why does VDM Metals add value to Acerinox Group?

Enhancement and diversification of product mix and synergy potential

- Complementary product with similar end uses
- Expertise in projects and tailor-made solutions
- Boost sales with a wider product portfolio
- Potential to create an R&D leader
- Potential synergies of at least €14 million per annum
- Synergies beyond synergies



## VDM integration process

On March 17 Acerinox closed the purchase of VDM Metals

Transition process launched to ensure business continuity and prioritize the long-term vision

The current work plan is divided into 18 areas and includes a specific integration team

In 100 days, the operational and synergy plan will be reviewed, as well as the processes and tools necessary to monitor and carry it out



## VDM integration: consolidation from March 2020

Million EUR

	Acerinox Q1 2020	VDM March 2020	ACX+VDM Proforma Q1	Proforma Q1 / Acerinox Q1 2019
<b>Net turnover</b>	<b>1,159</b>	<b>71</b>	<b>1,229</b>	<b>2%</b>
EBITDA	85	10	94	5%
<b>D&amp;A</b>	<b>(40)</b>	<b>(2)</b>	<b>(42)</b>	<b>-5%</b>
EBIT	44	8	52	15%
<b>Financial expenses</b>	<b>(3)</b>	<b>(3)</b>	<b>(6)</b>	<b>6934%</b>
Results before taxes	41	4	46	1%
<b>Net Result</b>	<b>28</b>	<b>2</b>	<b>30</b>	<b>-7%</b>



## Outlook and conclusions

- 2020 will be incredibly challenging
- The duration of any downturn is currently impossible to predict
- Acerinox is in a very strong shape now to weather any storm:
  - Strong liquidity position
  - Balance sheet remains robust
- We have numerous levers to pull to protect the business
- We are always focused on controlling the controllable aspects of our business
- We know how to do it. We have a management team that took Acerinox through 2008/2009
- VDM will add diversification and stability in the short and long term
- We will continue to focus on our long term strategy
- Acerinox will come out stronger than it went in



**VALUE CREATION FOR ALL STAKEHOLDERS**