

# ACERINOX Q3 2020 RESULTS PRESENTATION

26 OCTOBER 2020





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# 9M Main Financial Figures

Million EUR

	9M 2020	9M 2019	Variation 9M 2020/9M 2019
<b>Net Sales</b>	<b>3,451</b>	<b>3,661</b>	<b>-6%</b>
<b>Adjusted EBITDA (1)</b>	<b>267</b>	<b>290</b>	<b>-8%</b>
EBITDA	252	290	-13%
Adjusted EBIT (2)	134	159	-16%
EBIT	77	159	-52%
Results before Taxes and Minorities	62	158	-61%
<b>Results after Taxes and Minorities</b>	<b>31</b>	<b>113</b>	<b>-73%</b>
Operating cash flow (before investments)	167	218	-23%
Net Financial Debt (3)	841	582	44%
<b>Employees</b>	<b>8,331</b>	<b>6,809</b>	<b>22%</b>

(1) EBITDA stripping out 14 million EUR for the expenses of the purchase of VDM

(2) EBIT stripping out 14 million EUR for the expenses of the purchase of VDM and 43 million EUR for the impairment of Bahru Stainless

(3) Includes 313 million EUR for the purchase of VDM and the consolidation of 85 million EUR of the company's debt

**Rapid and successful adaptation to face the challenges of the Covid 19 environment**

**Ongoing VDM integration**

**Major cost reductions on a like for like basis (stainless division)**

- **Personnel: -10%**
- **Operating: -20%**

**Delivered very robust EBITDA over the 9 months given the circumstances**

**Strong operating cash flow generation: 167 million EUR**

**Maintained huge liquidity of 1,690 million EUR**



# Focus on operations and capital allocation

## Q3 MARKET HIGHLIGHTS

- Stainless demand recovery, following a collapse in Q2
- Strong nickel prices
- High Performance Alloys affected by COVID-19

### Europe

- Imports market share steady at 25% (flat products)
- Base prices lower QoQ
- Flat products apparent demand increase 14% QoQ
- Definitive HR antidumping measures approved
- EU study CR antidumping against India and Indonesia

### USA

- Inventories remain low in absolute terms
- Imports remain low
- Stable prices

### Asia

- Production rates remain higher than demand
- Inventories remain high
- Prices higher QoQ driven by rising nickel price

## Q3 ACERINOX HIGHLIGHTS

- Ongoing flexibility in adapting the business to COVID-19 environment
- Q3 Production:
  - +21% melting production QoQ
  - 1% melting production YoY
- Robust Q3 EBITDA, 87 million EUR
  - +9% QoQ
  - 15% YoY
- VDM lower contribution to profits
- Downward inventory adjustment of 18 million EUR
- Working Capital reduced by 74 million EUR
- Strong operating cash flow, 91 million EUR
- VDM very strong cash generation
- Net debt reduction of 31 million Euro
- Huge liquidity position: 1,690 million EUR
- AGM approved a dividend of €0.50 / share for a yield of 7%



## Q3 Main Financial Figures Group

Million EUR

	Q1 2020	Q2 2020 (1)	Q3 2020
<b>Net Sales</b>	<b>1,159</b>	<b>1,172</b>	<b>1,120</b>
<b>Adjusted EBITDA (2)</b>	<b>85</b>	<b>94</b>	<b>87</b>
EBITDA	85	80	87
Adjusted EBIT (3)	44	46	43
EBIT	44	-11	43
Results before Taxes and Minorities	41	-19	40
<b>Results after Taxes and Minorities</b>	<b>28</b>	<b>-26</b>	<b>28</b>
Operating Cash Flow (before investments)	-36	111	91
Net Financial Debt (4)	854	872	841
<b>Employees</b>	<b>6,507</b>	<b>8,385</b>	<b>8,331</b>

(1) The purchase of VDM took place on March 17. The second quarter includes VDM results from March to June

(2) EBITDA stripping out 14 million EUR for the expenses of the purchase of VDM in Q2

(3) EBIT stripping out 14 million EUR for the expenses of the purchase of VDM and 43 million EUR for the impairment of Bahru Stainless in the second quarter

(4) Includes 313 million EUR for the purchase of VDM in Q1 and the consolidation of 85 million EUR of the company's debt in Q2

**Improvement in activity QoQ**

**Ongoing cost control and focus on operational efficiencies**

**Stable EBITDA**

**Strong FCF generation**

**Negative inventory adjustment  
18 million EUR**





# Stainless Group figures

Million EUR

Million euros	Q1 2020	Q2 2020	Q3 2020	9M 2019	9M 2020	% Var
Melting production (thousand Mt)	599	420	524	1,740	1,543	-11%
Net sales	1,159	894	935	3,661	2,988	-18%
Adjusted EBITDA (1)		71			242	-17%
Adjusted EBITDA margin		8%			8%	
EBITDA	85	57	86	290	228	-21%
EBITDA margin	7%	6%	9%	8%	8%	
Amortization and Depreciation	-41	-40	-37	-132	-118	-11%
Adjusted EBIT (2)		31			125	-21%
Adjusted EBIT margin		3%			4%	
EBIT	44	-26	49	159	68	-57%
EBIT margin	4%	-3%	5%	4%	2%	
Operating cash flow (before investments)	-36	104	27	218	95	-56%

Rebound in activity

Stainless prices:

- Remain stable in USA
- Gap between Asia and Europe has narrowed

Sequential improvement in EBITDA

Positive FCF generation

(1) EBITDA stripping out 14 million EUR for the expenses of the purchase of VDM in Q2

(2) EBIT stripping out 14 million EUR for the expenses of the purchase of VDM and 43 million EUR for the impairment of Bahru Stainless in the second quarter



# High Performance Alloys figures

Million EUR

Million euros	Q2 2020 (1)	Q3 2020	9M 2020
Melting production (thousand Mt)	25	14	40
Net sales	279	185	464
EBITDA	23	2	25
EBITDA margin	8%	1%	5%
Amortization and Depreciation	-7	-7	-14
EBIT	15	-5	10
EBIT margin	6%	-3%	2%
<b>Operating cash flow (before investments)</b>	<b>7</b>	<b>64</b>	<b>72</b>

**Lower contribution in results in Q3 given weaker demand**

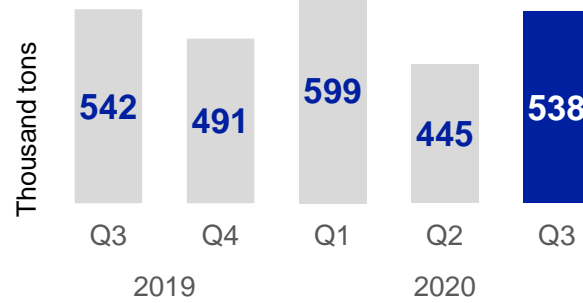
**Stabilisation in performance through the quarter**

**Very strong operating FCF**

(1) The purchase of VDM took place on March 17. The second quarter includes VDM results from March to June

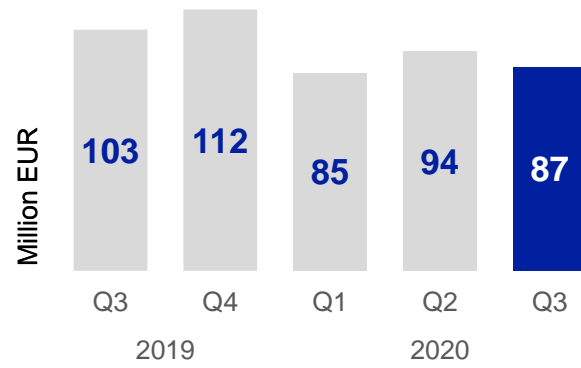
# Recovery of stainless demand and consistent EBITDA

## MELTING PRODUCTION (\*)



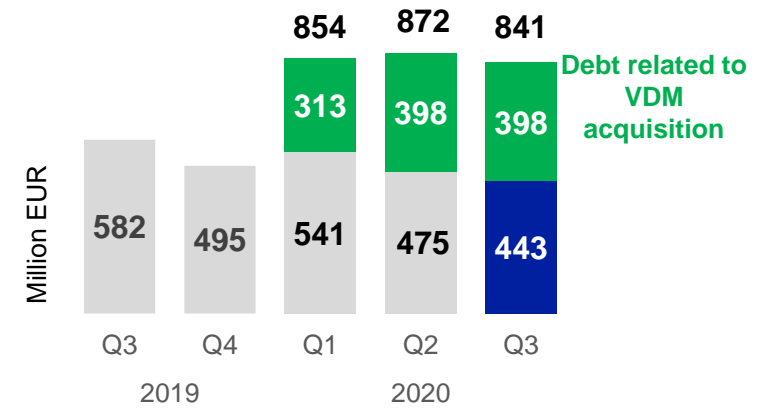
(\*) The purchase of VDM took place on March 17. The second quarter includes VDM production from March to June

## ADJUSTED EBITDA (\*)



(\*) EBITDA stripping out 14 million EUR for the expenses of the purchase of VDM in the second quarter of 2020

## NET FINANCIAL DEBT



### Net debt reduction QoQ:

Improvement of activity QoQ

Strong cash generation

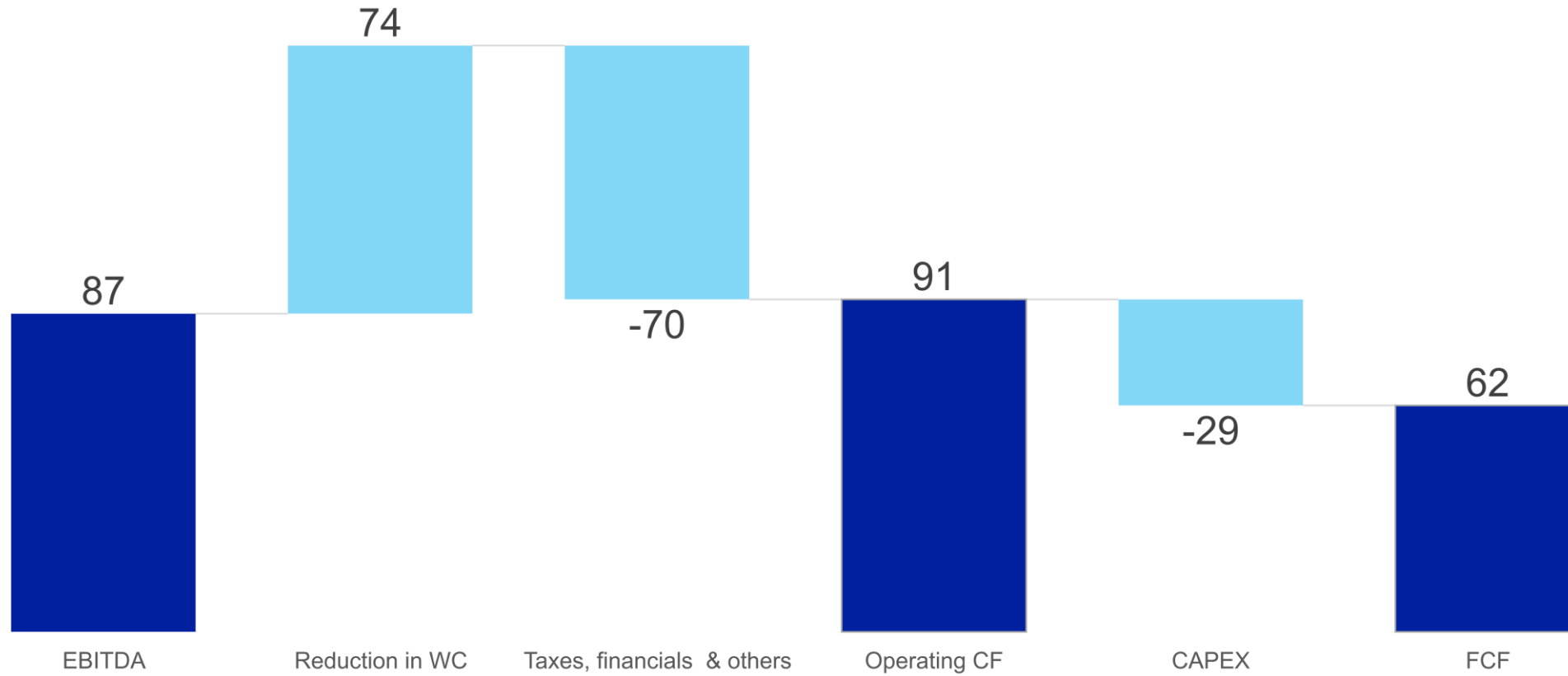
Consistent EBITDA sustained through quarters

-31 million EUR conversion differences



# Q3: another strong quarter of FCF generation

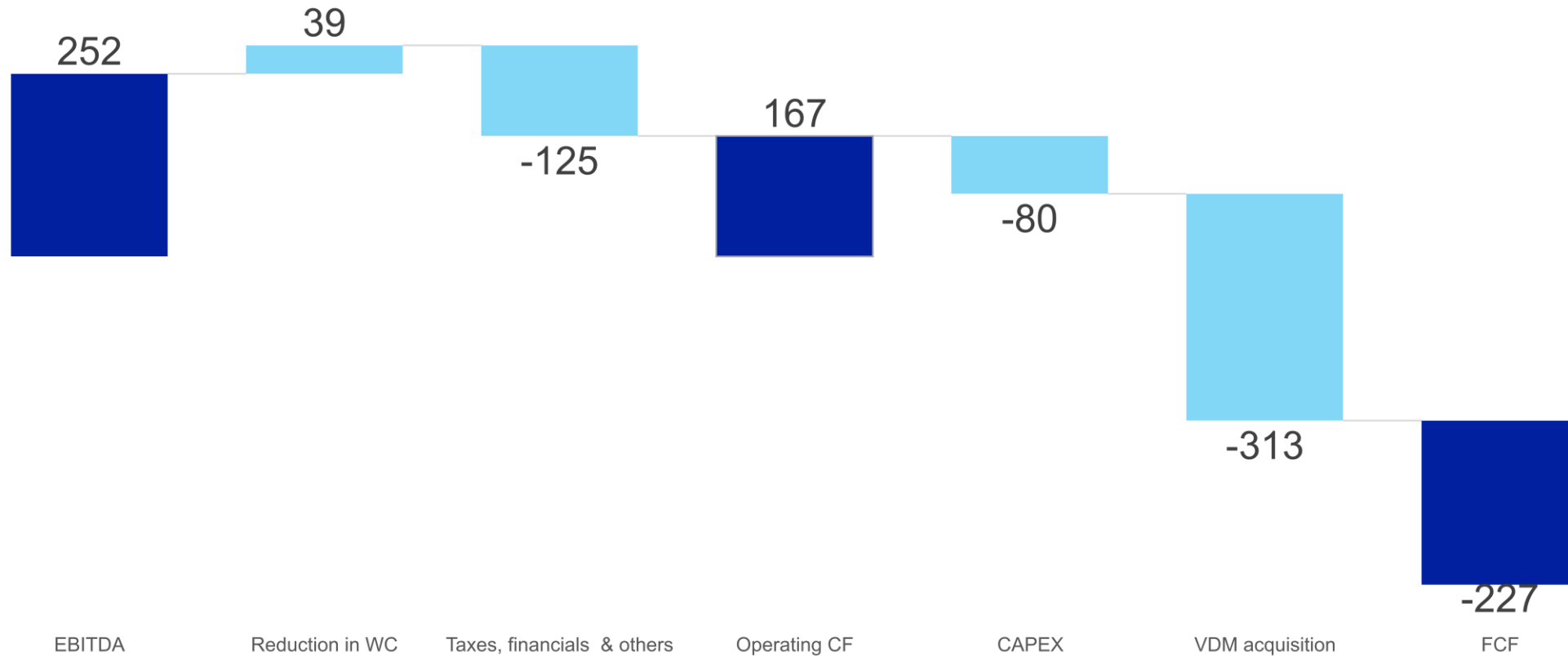
Million EUR





# 9M Operating cash flow of 167 Million EUR

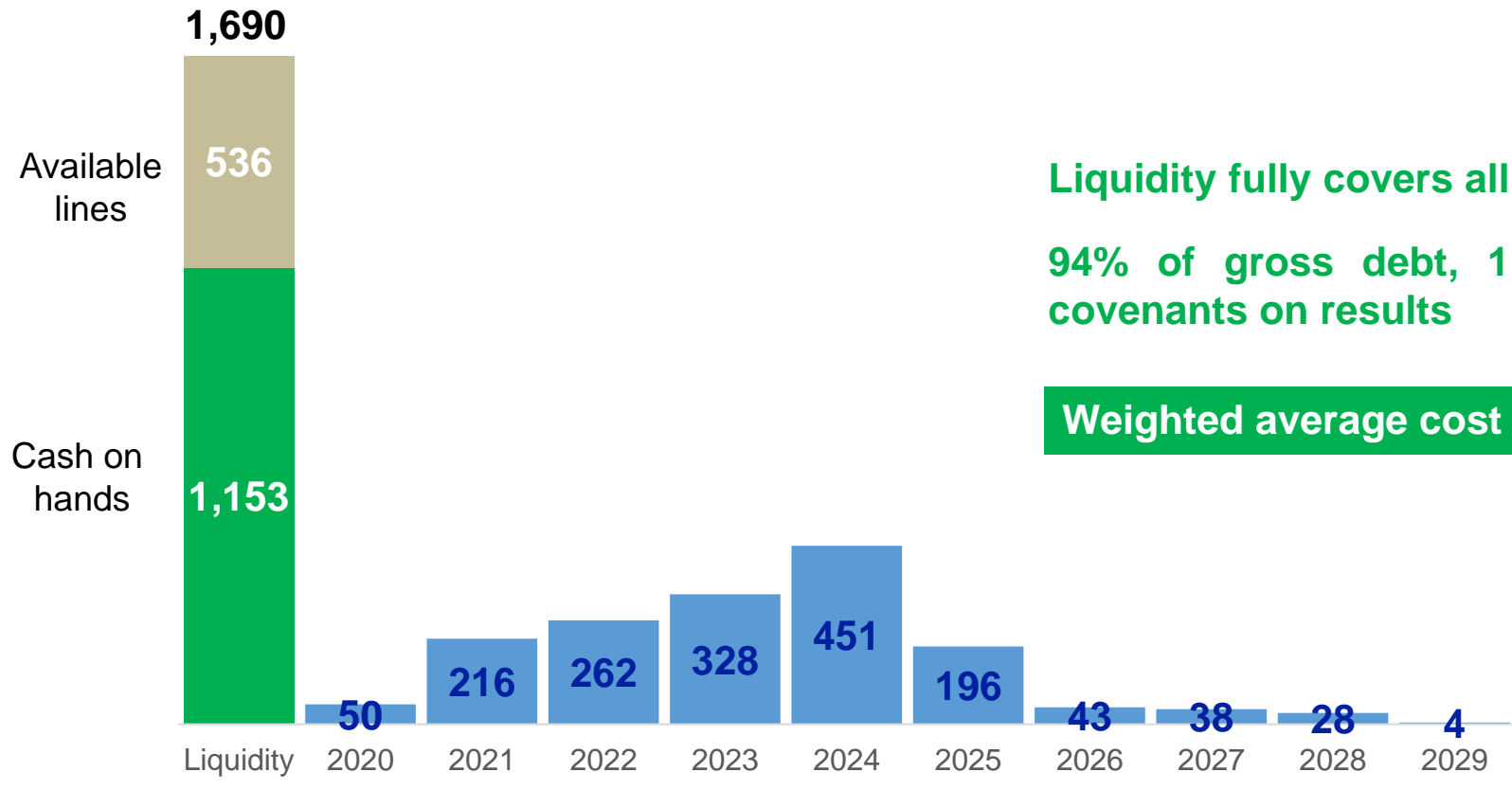
Million EUR





# Liquidity remains best in class

Million EUR



Long-term maturities: 1,618 million EUR

Liquidity fully covers all maturities

94% of gross debt, 1,994 million EUR, is free of covenants on results

Weighted average cost of term debt is 1.5%

## Outlook and conclusions

- We have continued to focus on controlling the controllable aspects of the business, adapting rapidly to the challenges of the COVID-19
- Consequently results have been incredibly resilient in a very tough year and cashflow has remained very strong
- Liquidity remains excellent and balance sheet robust because we already started from a position of strength going into 2020
- Capital allocation: we maintained investment in the business and have approved a dividend yielding 7% - all paid from FC generation
- Regardless of how challenging 2020 has been we have never taken our eye off the long term strategy
- **OUTLOOK**
  - The US market remains very robust, although we should be aware of seasonal Q4 slowdown
  - Slight recovery in the European market for Q4
  - We have started to see signs of recovery in the High Performance Alloy sector, although the situation remains challenging
  - We expect Q4 EBITDA broadly in line with Q3 reported EBITDA





**VALUE CREATION FOR ALL STAKEHOLDERS**





# APPENDIX





**A new global leader in stainless and high performance alloys**

**Acerinox is a global leader in stainless steel**

**VDM Metals is a global leader in high performance alloys**

**Acerinox + VDM Metals add growth opportunities**



**A new global leader in stainless and high performance alloys**

**Acerinox is a global leader in stainless steel**

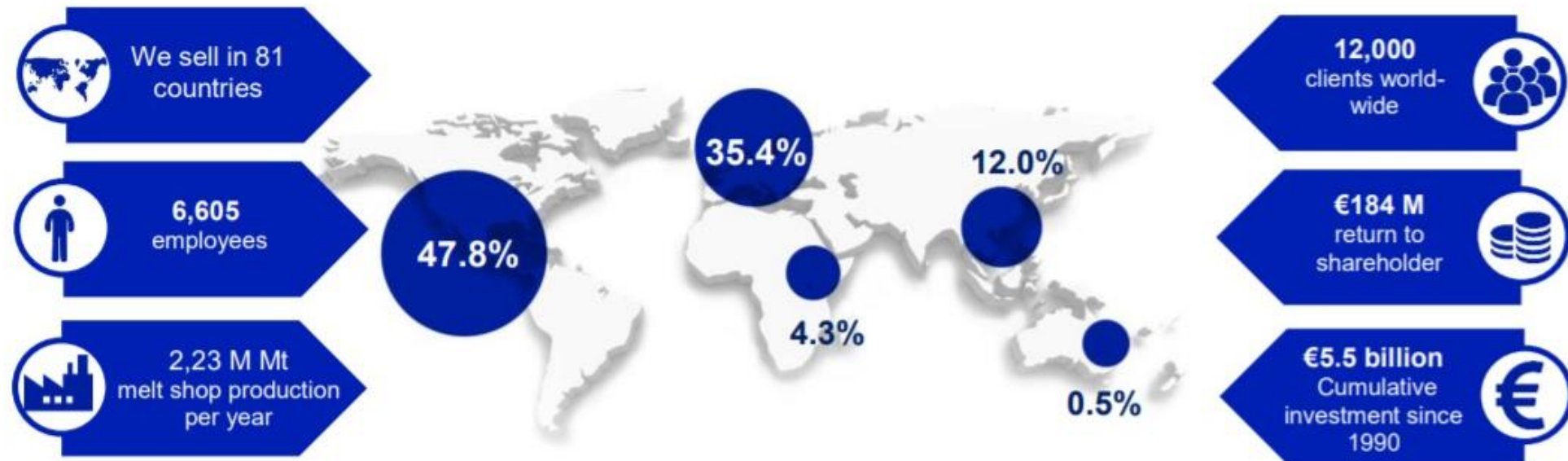
VDM Metals is a global leader in high performance alloys

Acerinox + VDM Metals add growth opportunities



## 2019 Acerinox

- Acerinox is the **most global** stainless steel manufacturing in the world
- Presence on **five continents**, factories on four of them, supplying to customers in 81 countries
- The marketing and sale of the products is carried out through a network consisting of service **centres, warehouses, offices** and **commercial agents**





# 2019 Acerinox: Global Presence

PRESENCE IN 56 COUNTRIES IN THE 5 CONTINENTS

6,709

EUROPE 3,207  
 AMERICA 1,541  
 AFRICA 1,298  
 ASIA/OC 663

- ▲ Warehouses (25)
- Sales offices (35)
- Service centres (18)
- 👤 Sales agents (15 in 27 countries)
- 🏭 Plants (6)



### AFRICA

- Algeria
- Egypt
- Morocco
- South Africa
- Tunisia

### AMERICA

- Argentina
- Brazil
- Canada
- Chile
- Colombia
- Guatemala
- Mexico
- Panama
- Peru
- United States
- Venezuela

### ASIA

- Azerbaijan
- China
- Hong Kong
- India
- Indonesia
- Kazakhstan
- Malaysia
- Pakistan
- Philippines
- Singapore
- South Korea
- Taiwan
- Thailand
- Vietnam

### EUROPE

- Belgium
- Czech Republic
- France
- Germany
- Italy
- Norway
- Poland
- Portugal
- Russia
- Spain
- Sweden
- Switzerland
- United Kingdom

### THE MIDDLE EAST

- Bahrain
- Iraq
- Israel
- Jordan
- Kuwait
- Lebanon
- Libya
- Oman
- Qatar
- Saudi Arabia
- Turkey
- United Arab Emirates

### OCEANIA

- Australia

Source: WTO, ISITC, CRU, ACX



## Acerinox: History

**1970**, incorporation of ACERINOX, S.A.(Spain)

**1990**, incorporation of NORTH AMERICAN STAINLESS (USA)

**Acerinox S.A. 100%**

**2002**, incorporation of COLUMBUS STAINLESS (South Africa)

**Acerinox, S.A. 76%**  
**I.D.C. 24%**

**2009**, incorporation of BAHRU STAINLESS (Malaysia)

**Acerinox, S.A. 98%**  
**Hanwa 2%**

**2020**, incorporation of VDM Metals (Germany)

**Acerinox S.A. 100%**

### MAIN ACERINOX SHAREHOLDERS

<b>Corporación Financiera Alba, S.A .</b>	<b>18.96%</b>
<b>Nippon Steel Stainless Steel Corp.</b>	<b>15.49%</b>
<b>Industrial Development Corp. (I.D.C.)</b>	<b>3.04%</b>
<b>Bravo Andreu, Daniel</b>	<b>3.00%</b>
<b>Citadel Multi-strategy Equities Master Fund Ltd.</b>	<b>1.11%</b>

Source: CNMV (09/09/2020)





# Acerinox Principles And Values

## VISION

Pillars	Drivers	Strategic Lines			
Belief on a leader product	Growing consumption No replacement	Stainless Steel specialists	Continuous search of product excellence. R+D+i programs in every BU	Presence on global leading projects. Empower Acerinox brand.	Wide product mix, both on steel types, products and finishes.
Operative Excellence	Continuous research of the better quality at the lower cost	Integrated Mills with optimal layout	Light structure. Flexibility on production and commercial management.	Technological innovation. Continuous equipment improve, with the latest technologies	Fixed costs control. Continuous improve programs on variable costs. Excellence Plans.
Global Presence	Organic growth	Strategic Mills location. Production on 4 continents	Exclusive and owned commercial network. Societies in the 5 continents.	Continuous internationalization process	
Financial Strength	Accomplishment of financial ratios	Financial awareness Low leverage Balance strength	Liquidity	Ensure an adequate and competitive dividend to shareholders	Controlled profit reinvestment. Investment plan Capex 2015-2018
Sustainability	Social Commitment	"Zero Accidents" policy	Global leader on climate change	Implementation of environmental footprint programs. Responsible use of resources.	Maximum grade "A" at "Carbon Disclosure Project" (CDP) High marks at GRI program





# Our Main Product: Stainless Steel

Is an alloy of iron + chrome ( $\geq 10.5\%$ ) + carbon ( $\leq 1.2\%$ )

chrome allows the formation of a thin and invisible film on the steel surface, that prevents corrosion to the material

## Benefits of Stainless Steel

Excellent corrosion resistance	Long term value	Easy cleaning	Durability	100% recyclable
Impact and mechanical resistance	Fire and heat resistance	Visual attractiveness	Strength-to-weight advantage	Minimal maintenance

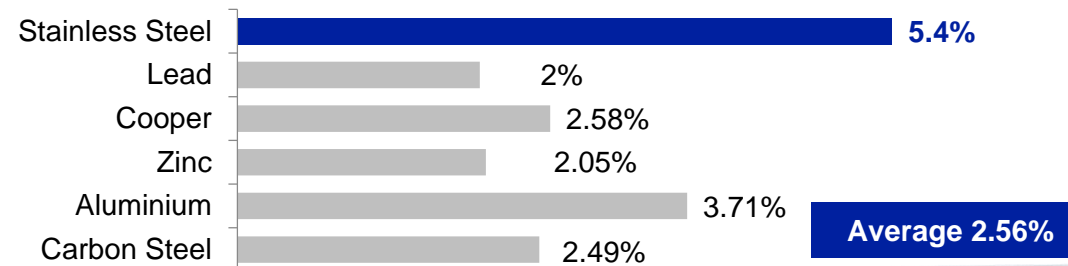
## Stainless Steel Grades

	IRON				PRODUCTION
	CARBON	CHROME	NICKEL	MANGANESE	
<b>Ferritic</b>	<0.1%	16-18%	---	<2.0%	25%
<b>Austenitic</b>	200 series	17-20%	1-6%	5.5-10%	20%
	300 series	<0.1%	17-20%	6-22%	<2.0%
<b>Duplex</b>	<0.03%	22-23%	4-7%	<2%	2%

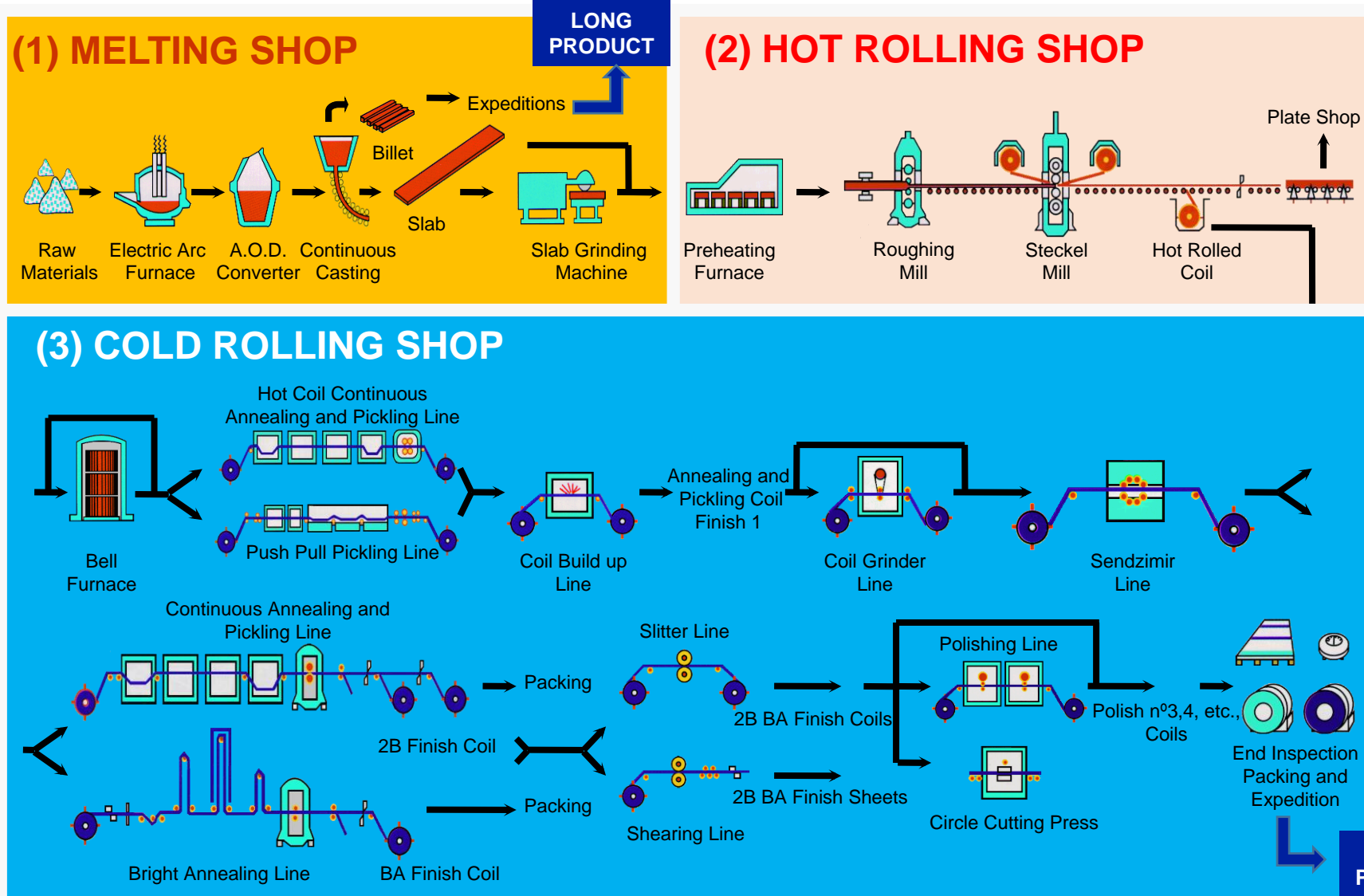
## Growth of stainless steel and alternative metallic materials

Compound annual growth in % (year 1980-2019)

Source: ISSF



# Stainless Steel Production Process





# Acerinox Products

## FLAT PRODUCT

## LONG PRODUCT



**Algeciras**

**1970 | Spain**  
Melting Shop  
Hot Rolling Shop  
Cold Rolling Shop



**Ponferrada**

**1957 | Spain**  
Hot Rolling  
Finished Product



**Kentucky**

**1990 | USA**  
Melting Shop  
Hot Rolling Shop  
Cold Rolling Shop



**Igualada**

**1990 | Spain**  
Finished product



**Middelburg**

**2002 | South Africa**  
Melting Shop  
Hot Rolling Shop  
Cold Rolling Shop



**Kentucky**

**2003 | USA**  
Hot Rolling  
Finished Product  
Integrated with the flat product plant



**Johor**

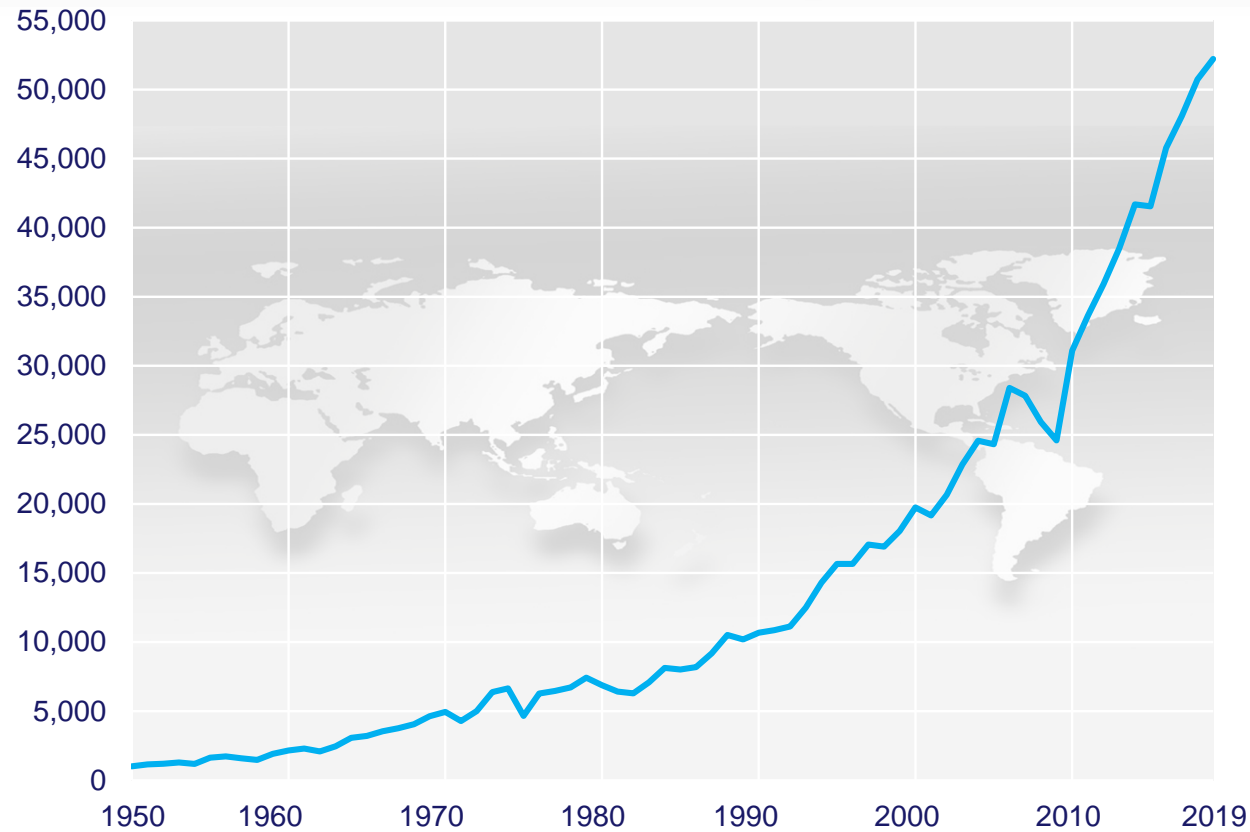
**2009 | Malaysia**  
Cold Rolling Shop



# Stainless Steel World Production

Thousand Mt

**Compound annual growth rate 1950–2019: + 5.9%**



**World production of Stainless Steel in 2019: 52.2 million mt**

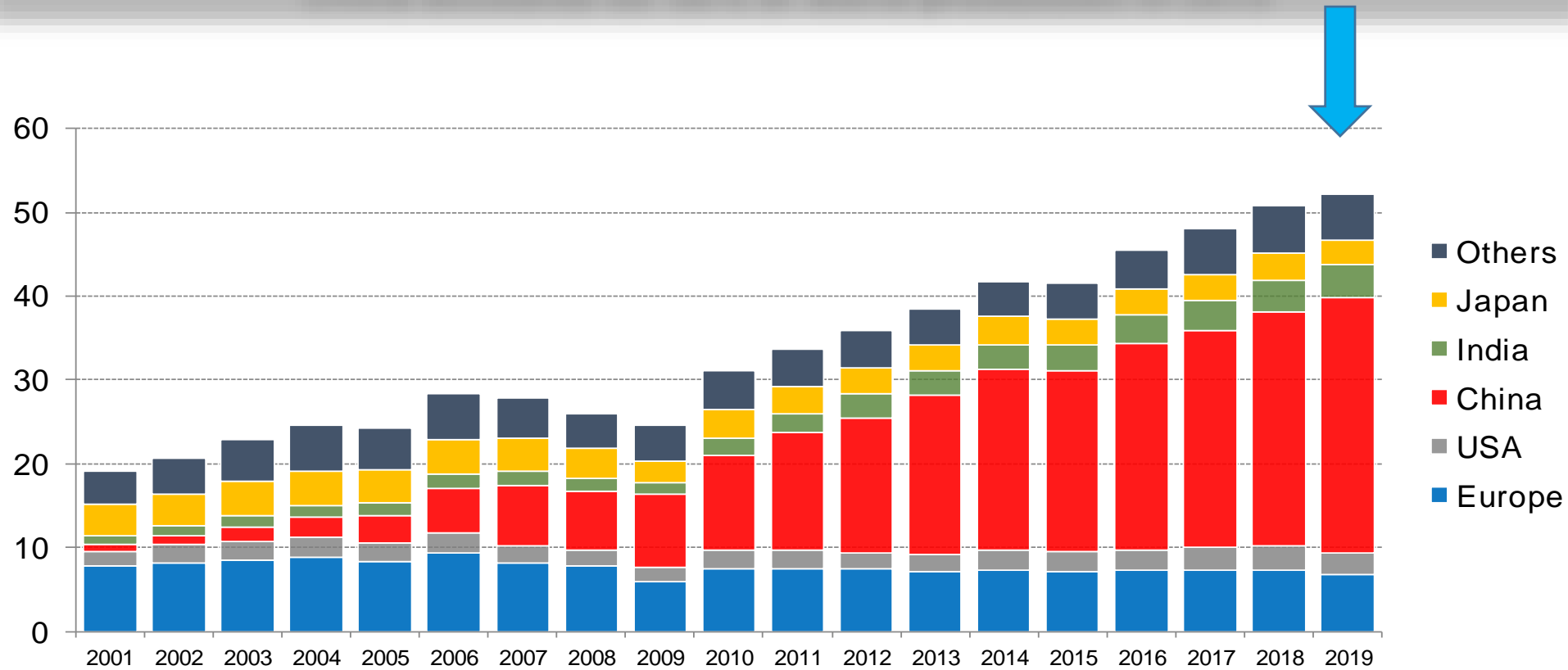
Source: ISSF and Acerinox



# Stainless Steel World Production

Million Mt

China accounts for 58% of world production in 2019



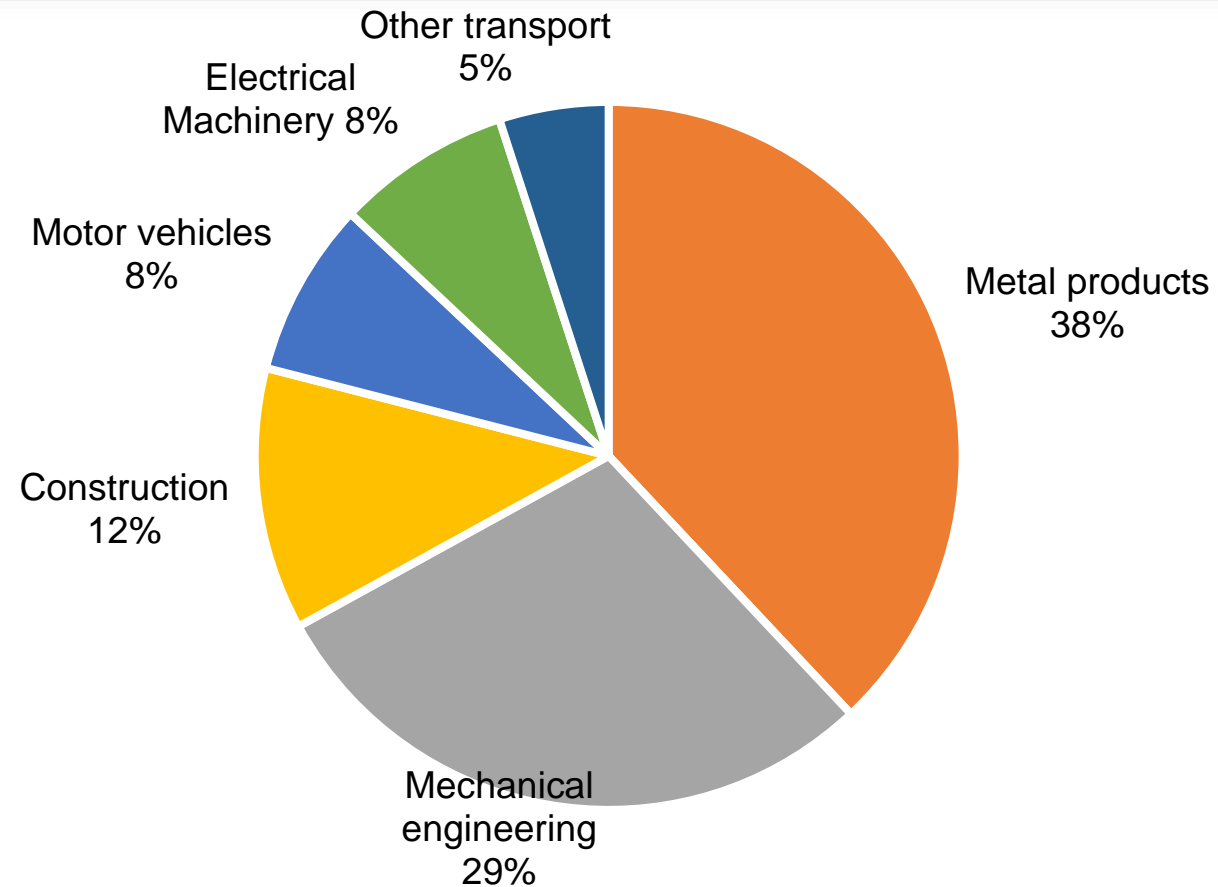
Others: Brazil, Russia, S. Africa, S. Korea, Indonesia

Source: ISSF



## Stainless Steel Use Per Sector, 2019

### Diversified end users

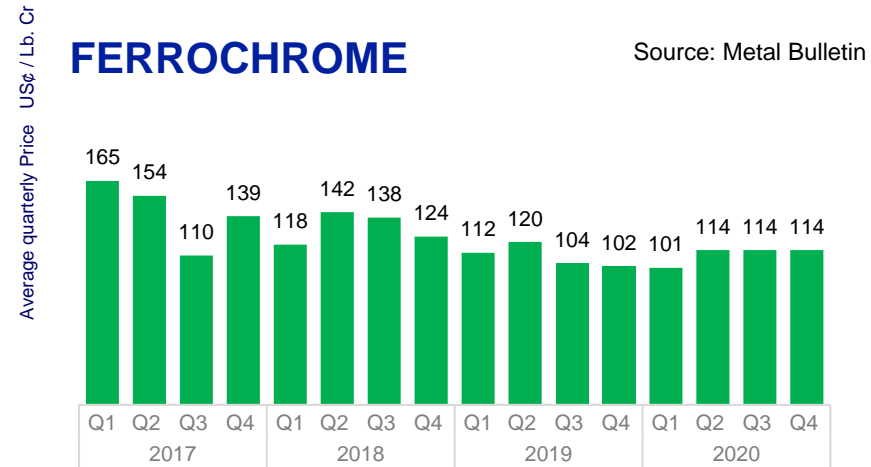
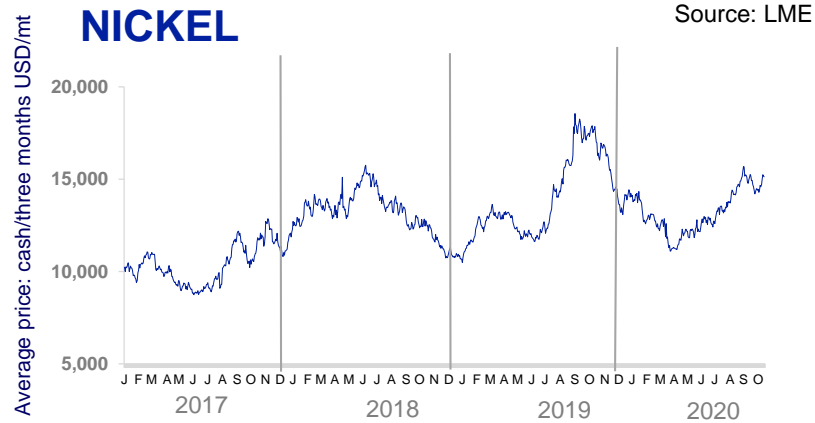




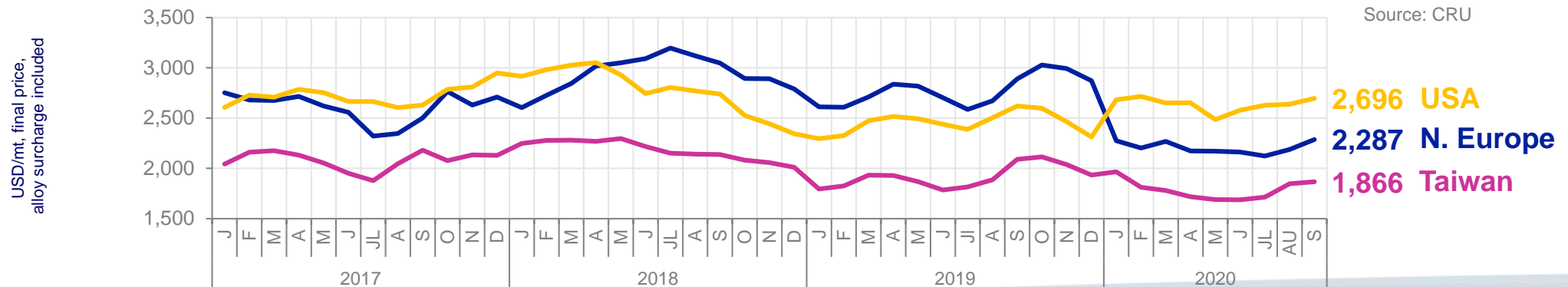


# Market Performance: Prices

## Raw materials



## Stainless steel cold rolled sheet prices aisi 304 2.0 mm



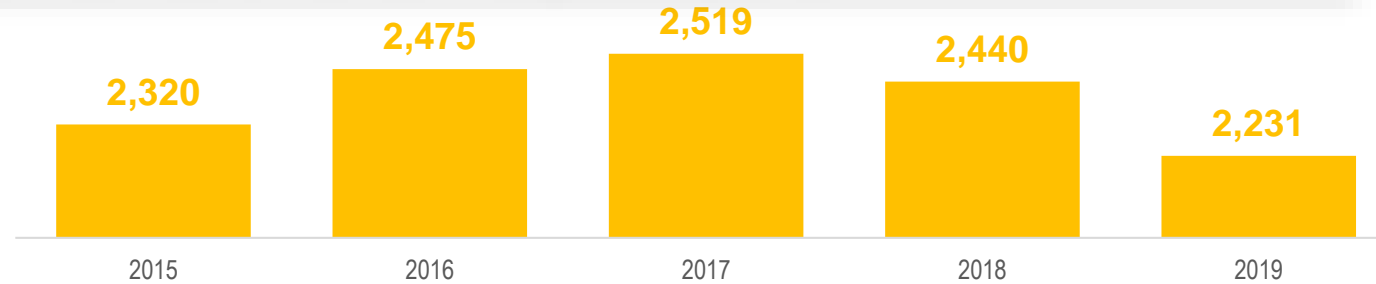


# Acerinox Stainless Steel Production

Thousand Mt

Acerinox has three full integrated plants

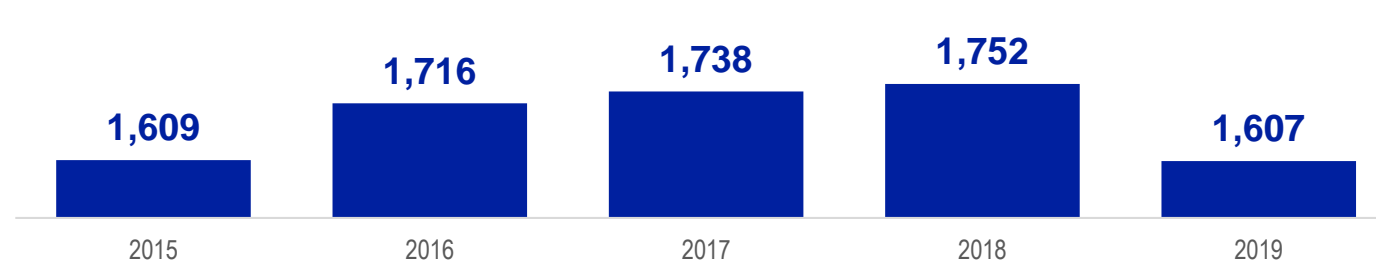
## MELTING SHOP



## HOT ROLLING



## COLD ROLLING

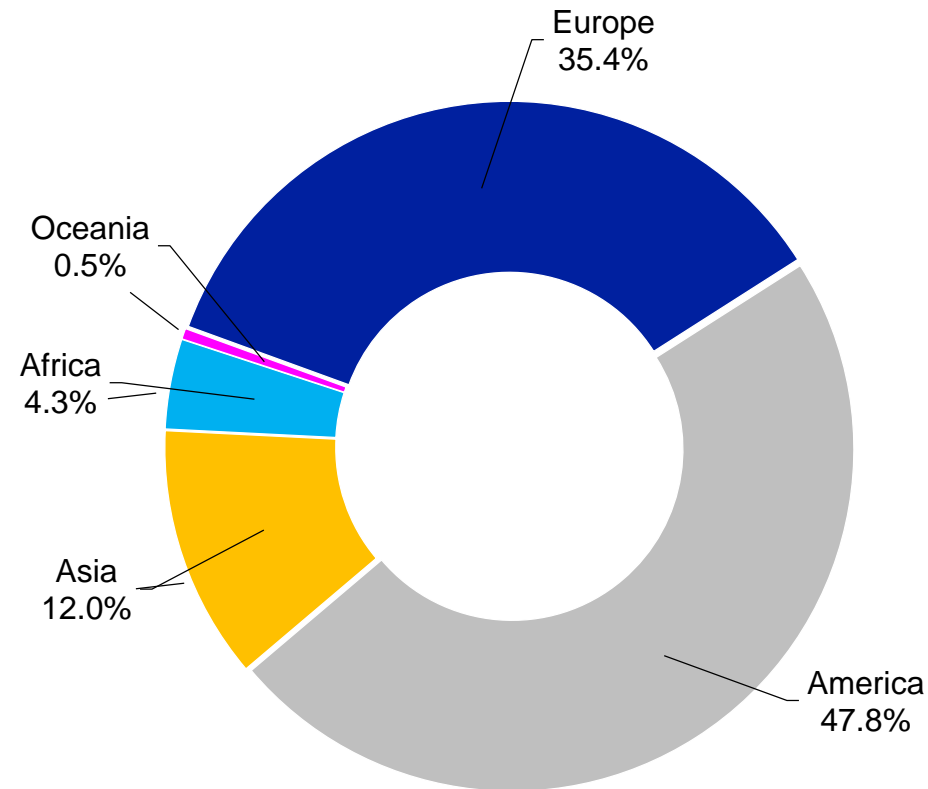




# Acerinox Stainless Steel Division: sales geographical mix

## Presence in 5 continents

Year 2019

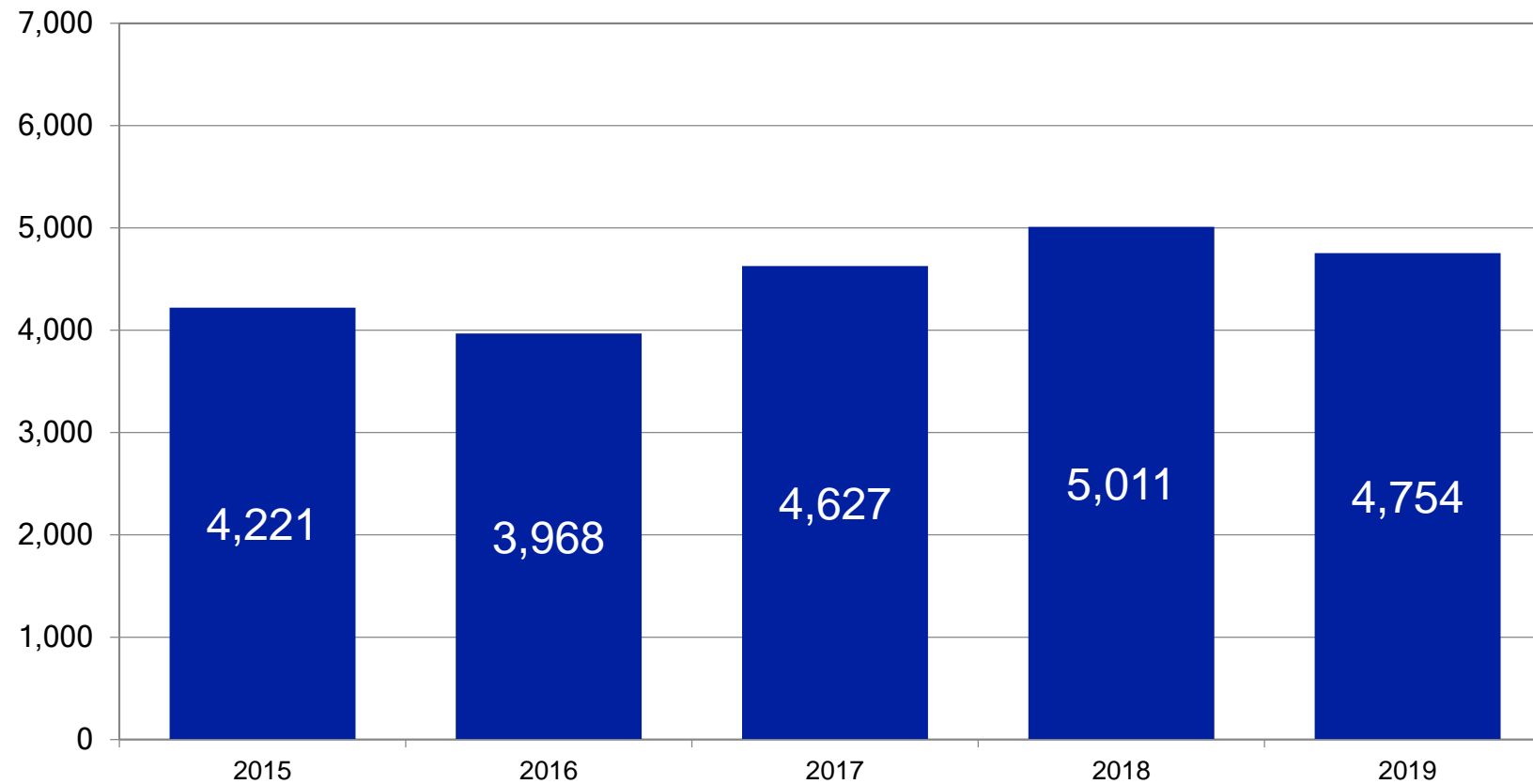




## Acerinox stainless steel main figures

### Net sales

Million EUR

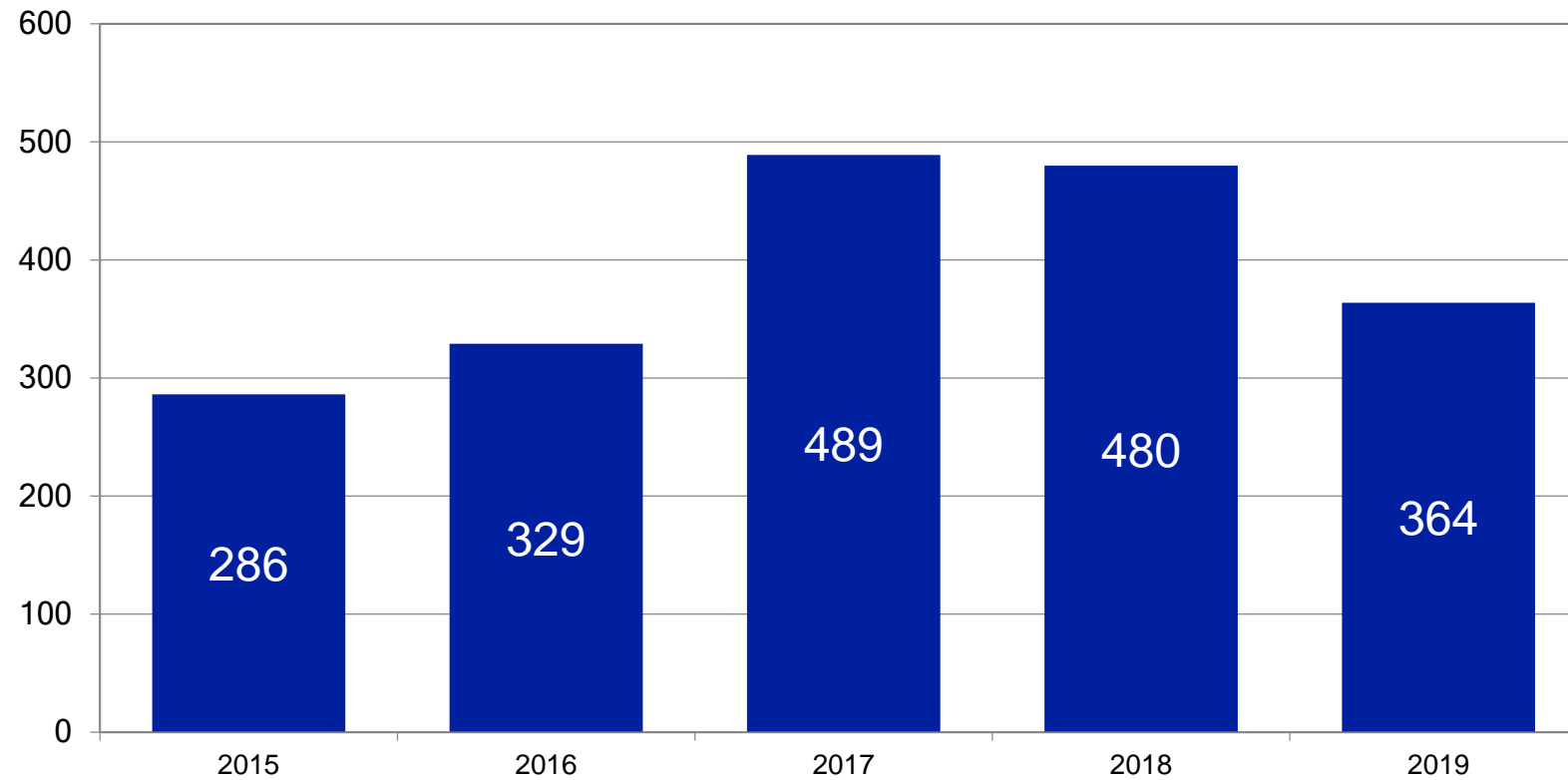




## Acerinox stainless steel main figures

### EBITDA

Million EUR

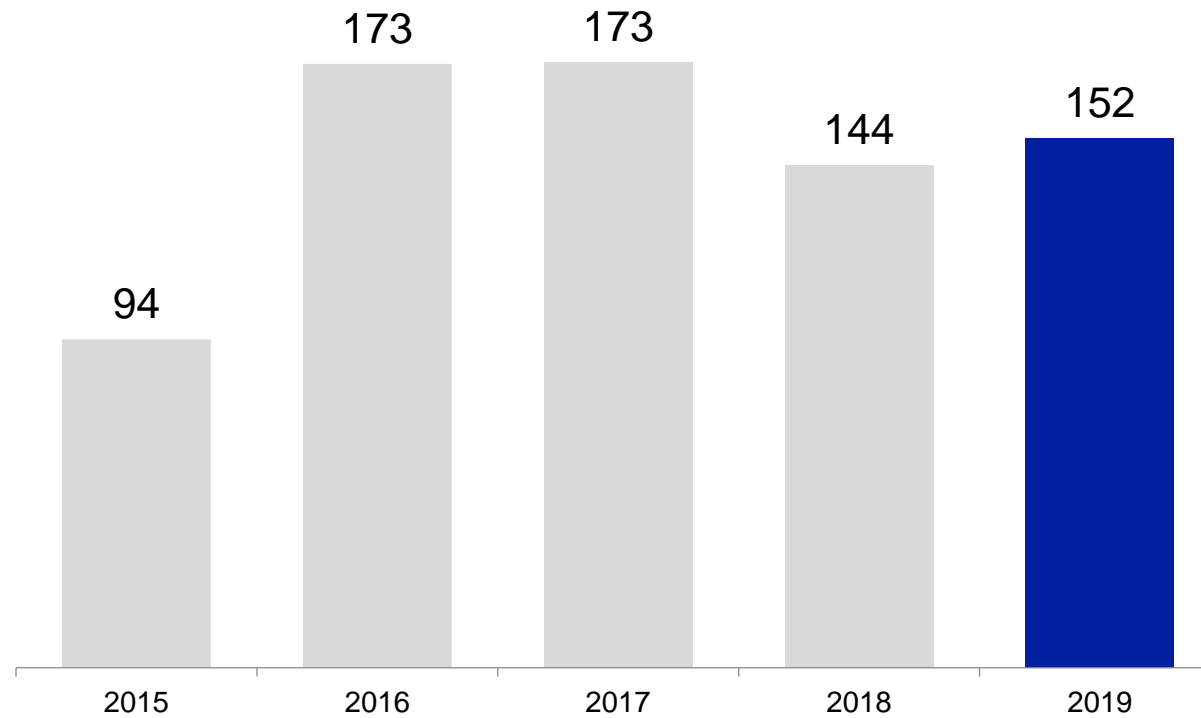




## Acerinox stainless steel main figures

### CAPEX 2015-2019

Million EUR



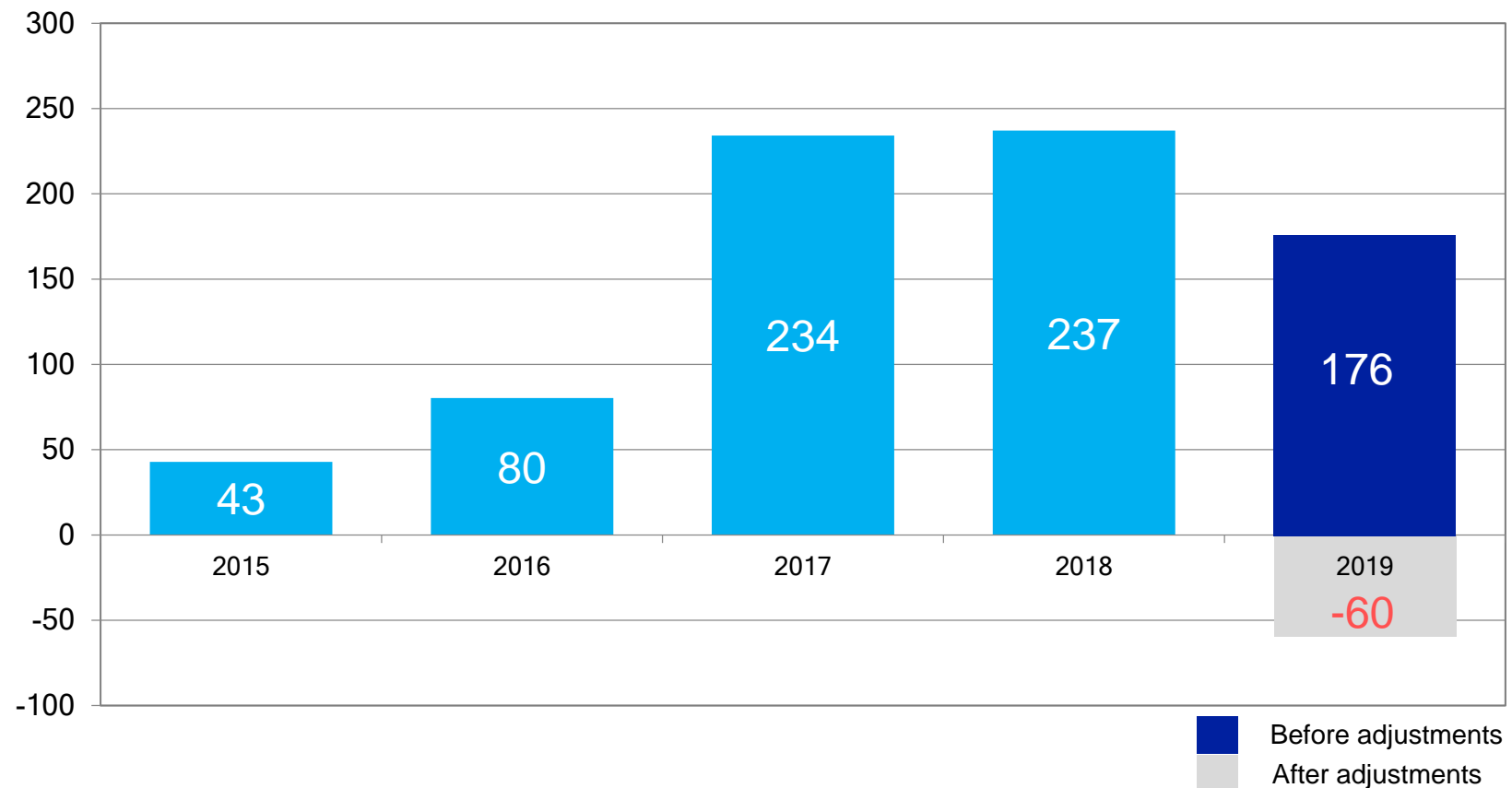




## Acerinox stainless steel main figures

### Net profit

Million EUR

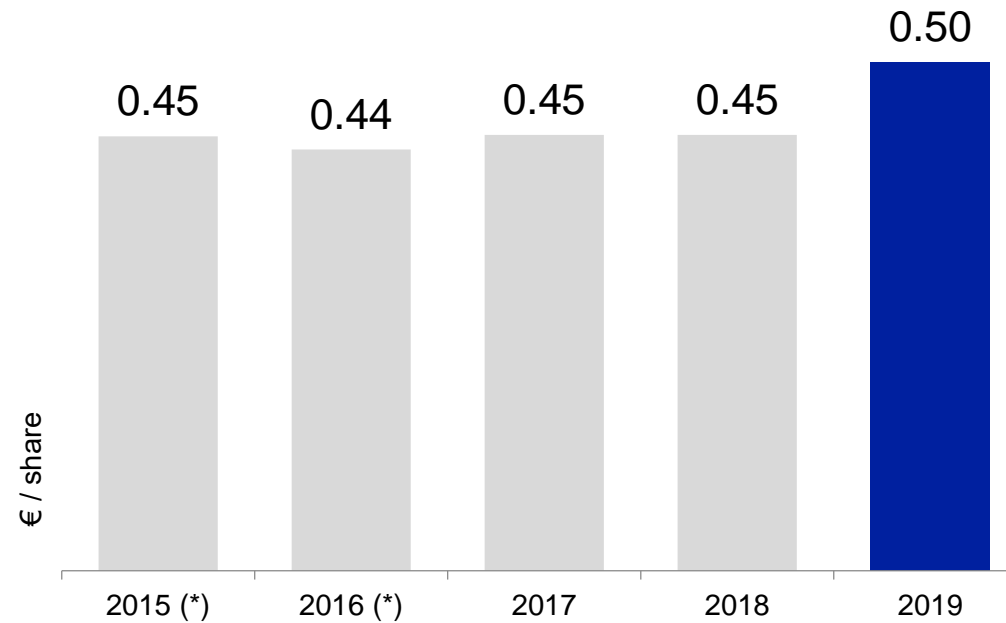




# Acerinox stainless steel main figures

## Return to Shareholders

(\*) Scrip dividend





## A new global leader in stainless and high performance alloys

Acerinox is a global leader in stainless steel

**VDM Metals is a global leader in high performance alloys**

Acerinox + VDM Metals add growth opportunities



## About VDM Metals

<b>Technology Leader in High Performance Alloys for Mission-Critical Applications</b>		<b>7</b> Production Facilities in Germany and the US	
<b>12</b> Subsidiaries, <b>6</b> Sales Offices, <b>4</b> Service Centres, <b>18</b> Agents		<b>62</b> Alloy Patent Applications	
<b>Global leader in High Performance Alloys</b>		Serving International <b>CPI, O&amp;G, Automotive, E&amp;E and Aerospace</b> End Markets	
<b>€97 million</b> FY 2018/19 <sup>(1)</sup> Adjusted EBITDA <sup>(2)</sup>	<b>€852 million</b> FY 2018/19 <sup>(1)</sup> Production Sales	<b>11%</b> FY 2018/19 <sup>(1)</sup> Adjusted EBITDA Margin	<b>&gt; 1,700</b> Customers <b>&gt; 2,000</b> Employees

**Note:**

1. Fiscal year ending on 30 September 2019
2. Excluding non recurrent items

**CPI: Chemical, Processing Industry**  
**O&G: Oil and Gas**  
**E&E: Electrical and Engineering**



## 2020 Added value enhanced by VDM metals

### Why does VDM Metals add value?

Market leader with growth Potential

- Globally #1 in high performance 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 €22 million per annum
- Synergies beyond synergies



# High Performance Alloys: not always visible but always indispensable now and for a sustainable future

## Sophisticated niche products with high growth potential

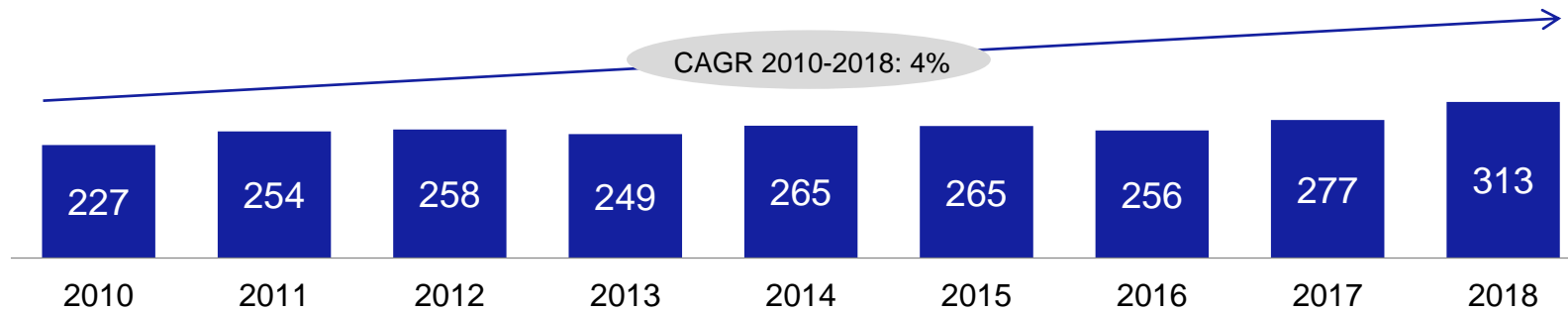




# Demand for high performance alloys

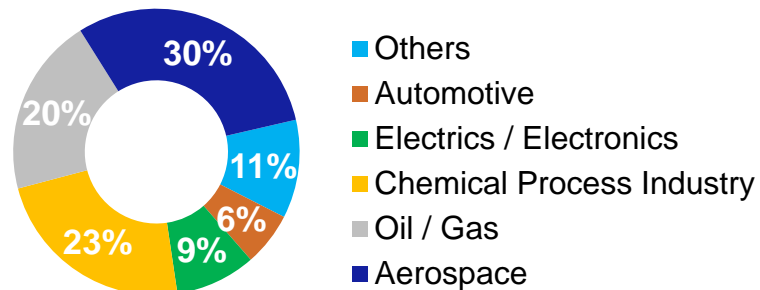
**High performance alloys is a strong growth market**

Specialty Alloys' Market (excl. Seamless Tube)

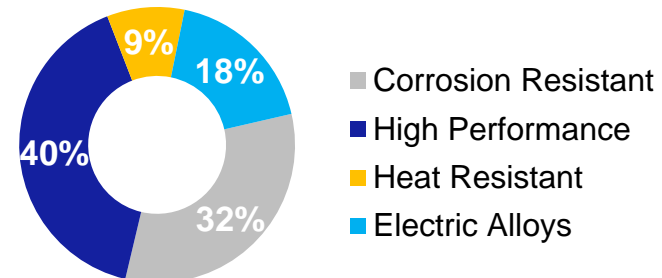


■ Market (000' tonnes)

Market Breakdown by End-User (2018)



Market Breakdown by Alloy type (2018)



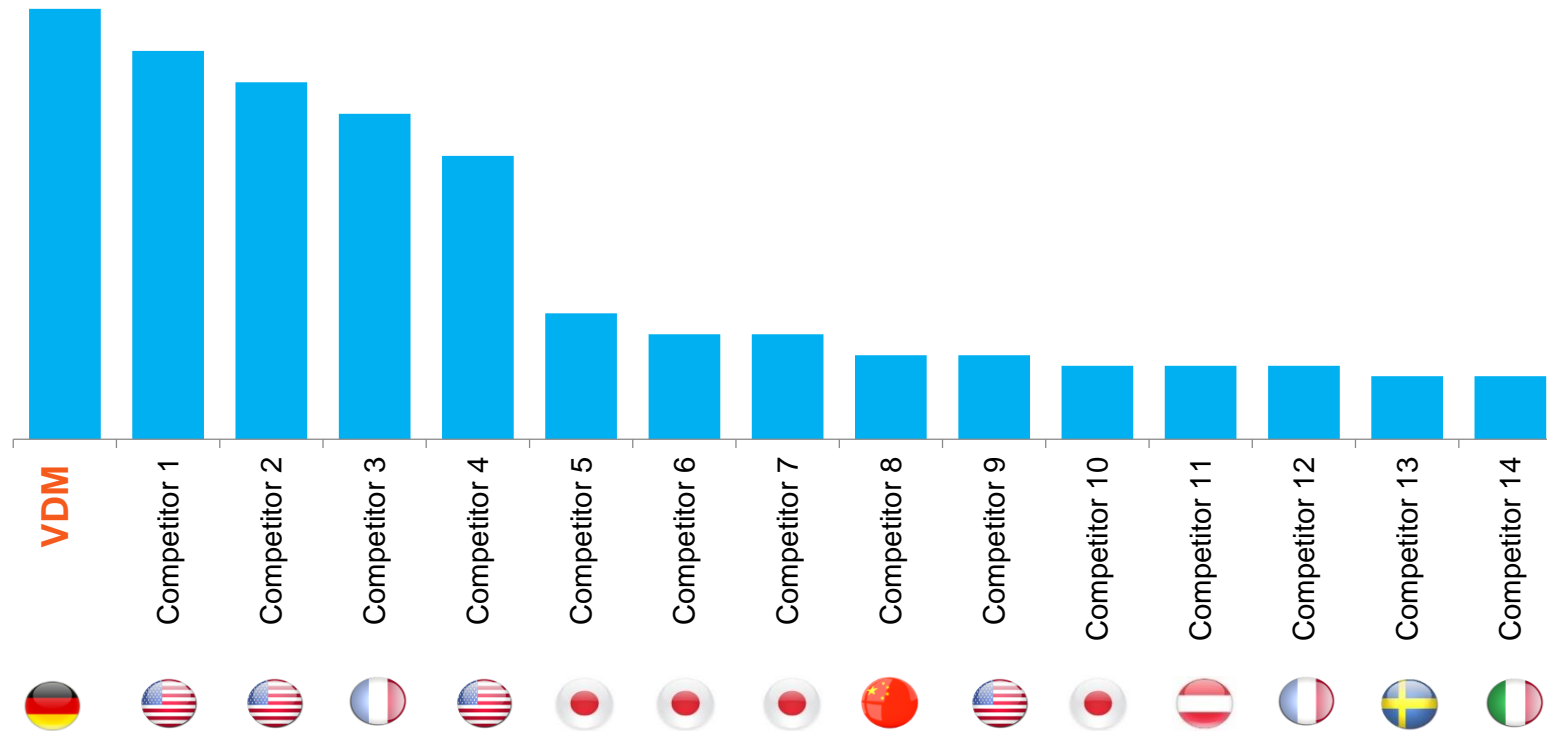
Source: SMR



# VDM Metals global market position

Unique opportunity as the largest producer in high performance alloys

in 000' tons

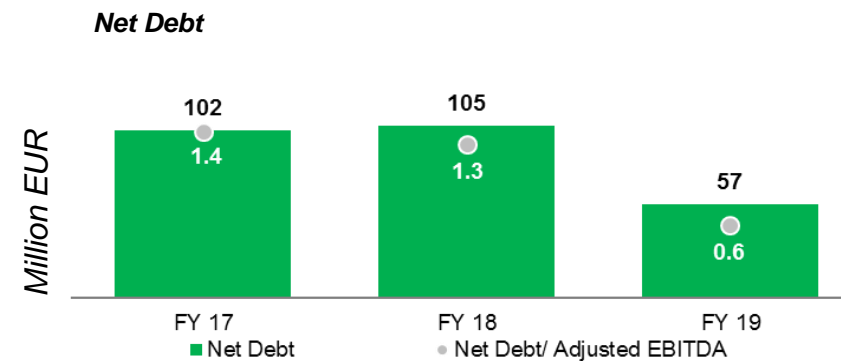
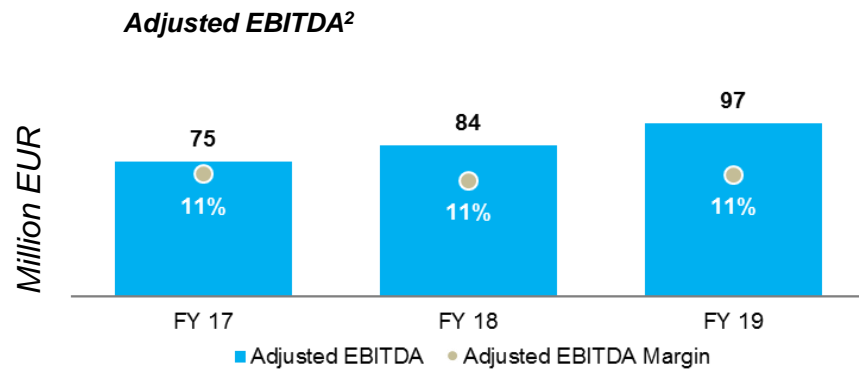
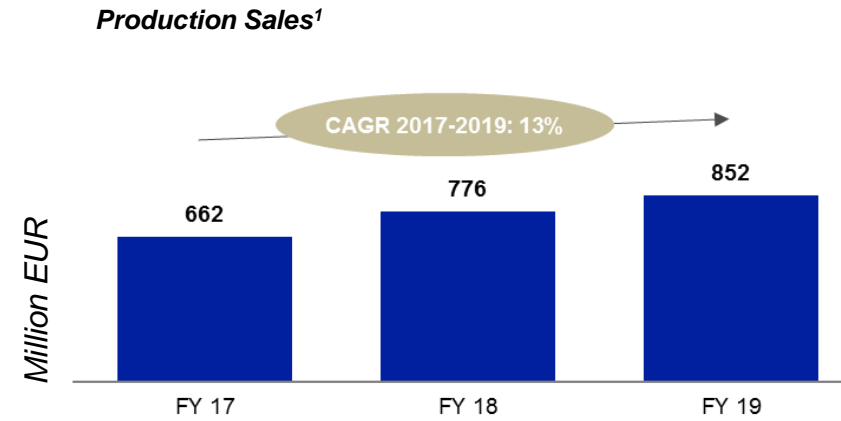
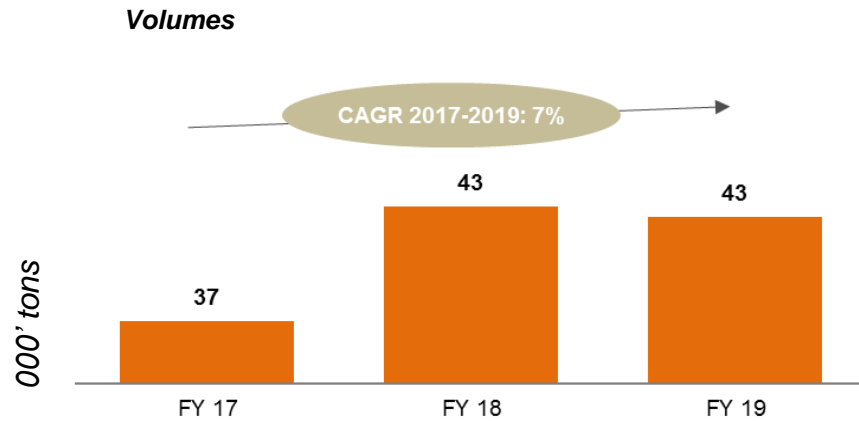


Source: SMR Q3 2018



# VDM Metals global market position

## Solid revenue and earnings growth in recent years



Note: FY ending in September, 30; <sup>1</sup> Production Sales relate to the sale of metal alloy products and services (primarily toll manufacturing), and excludes revenues from nickel trading and semiconductor and system technology products; <sup>2</sup> Excluding non recurrent items



## A new global leader in stainless and high performance alloys

Acerinox is a global leader in stainless steel

VDM Metals is a global leader in high performance alloys

**Acerinox + VDM Metals add growth opportunities**





# Acerinox Products

## FLAT PRODUCT



**Campo de Gibraltar**

**1970 | Spain**  
Melting Shop  
Hot Rolling Shop  
Cold Rolling Shop



**Kentucky**

**1990 | USA**  
Melting Shop  
Hot Rolling Shop  
Cold Rolling Shop



**Middelburg**

**2002 | South Africa**  
Melting Shop  
Hot Rolling Shop  
Cold Rolling Shop



**Johor**

**2009 | Malaysia**  
Cold Rolling Shop

## LONG PRODUCT



**Ponferrada**

**1957 | Spain**  
Hot Rolling  
Finished Product



**Igualada**

**1990 | Spain**  
Finished product



**Kentucky**

**2003 | USA**  
Hot Rolling  
Finished Product  
Integrated with the flat product plant

## HIGH PERFORMANCE ALLOYS

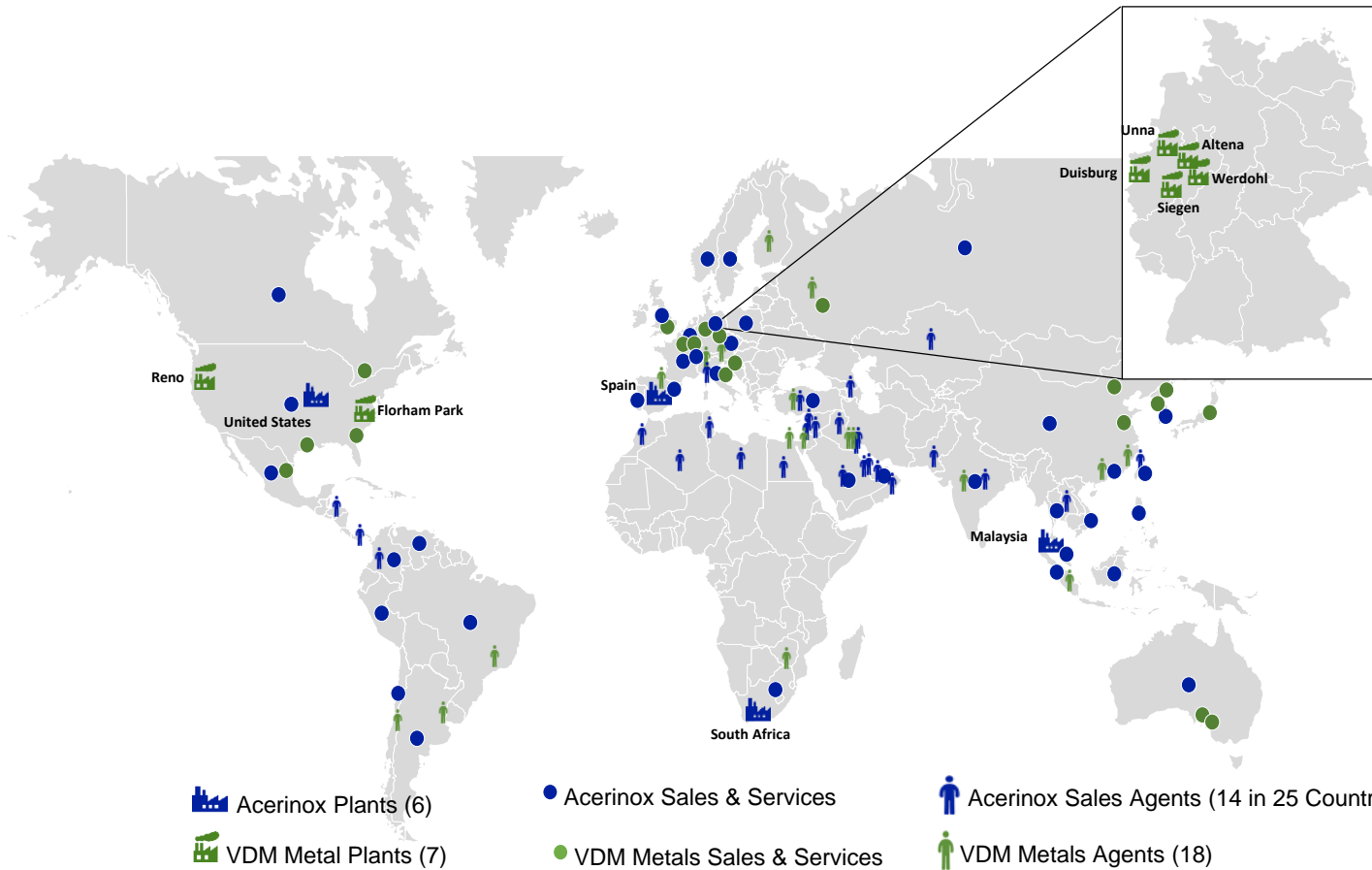


**2020 | Germany**

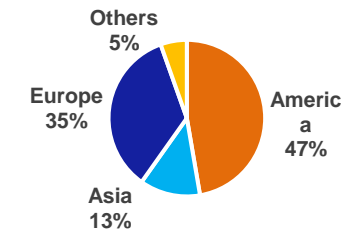


# Combined global footprint and sales by region

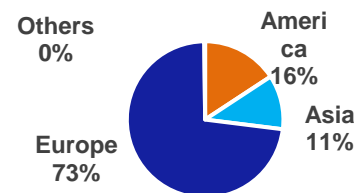
## Strong regional complementarity



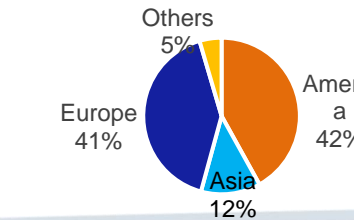
**Acerinox (2018)**



**VDM Metals (2018)**

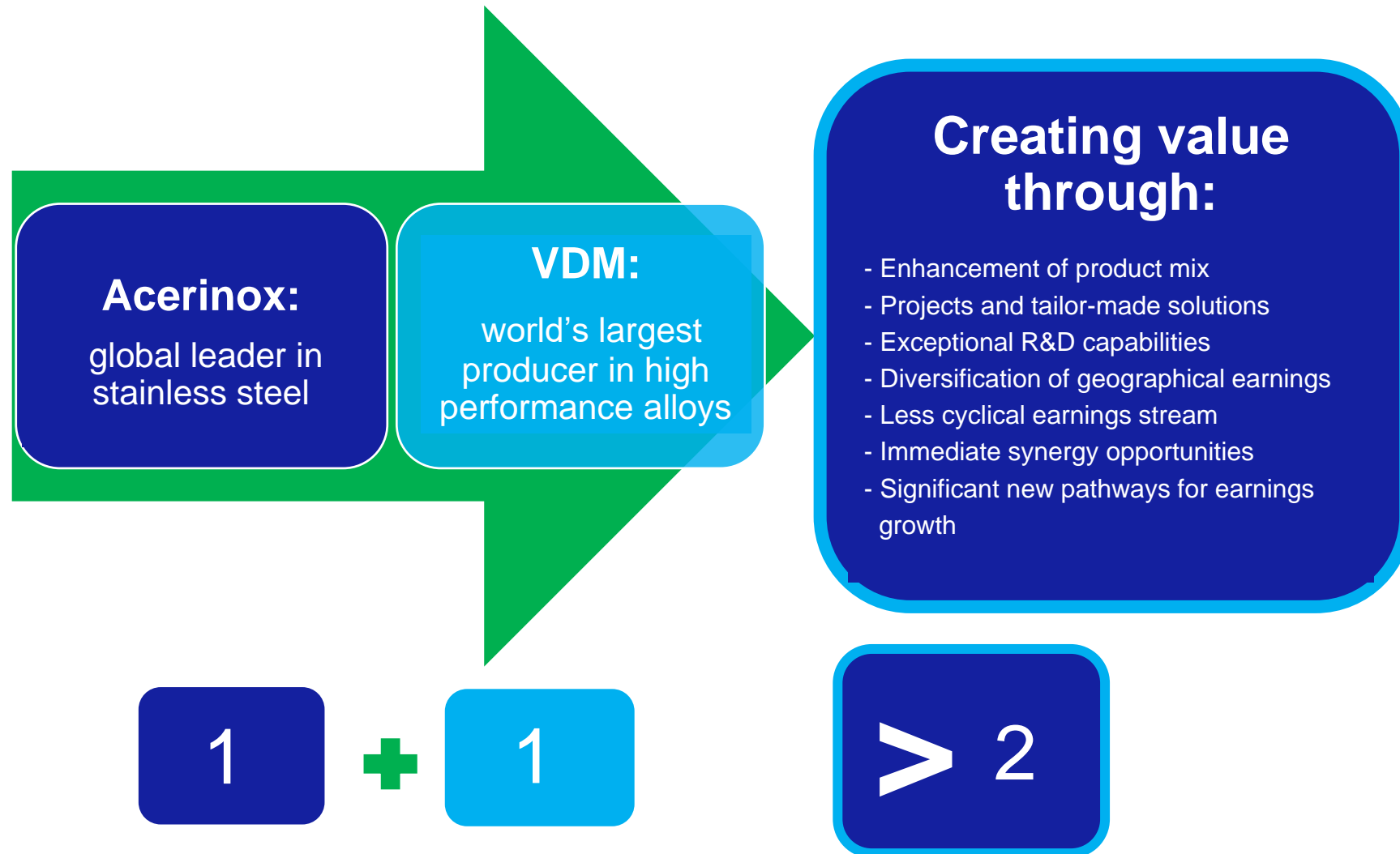


**Combined (2018)**





## A new global leader in stainless and high performance alloys







**VALUE CREATION FOR ALL STAKEHOLDERS**