



Acerinox: the reduction of costs and the integration of VDM mitigate the economic effect of COVID

- *The Group was able to generate cash flow, increase liquidity and achieve a positive result thanks to the speed and efficiency of management, despite the adverse conditions.*
- *The Group obtained adjusted EBITDA of EUR 179 million in the first half of 2020, just 4% down on the first half of 2019, thanks to the reduction of costs and the integration of its new high performance alloys division (VDM Metals).*

Acerinox ended the first half of 2020 with a turnover of EUR 2,331 million (5% down on that of the first half of 2019), an adjusted EBITDA of EUR 179 million (-4% compared to the same period in 2019), and at 30 June had immediate liquidity amounting to EUR 1,734 million (EUR 277 million at the end of the first quarter).

The Group has achieved these results, despite the fall in prices and the decrease in activity resulting from Covid-19, thanks to the Group's swift reaction to the crisis that resulted in efficient management of costs (fixed and variable) and the integration of VDM Metals, as well as sound performance in the US. Cost cutting has been applied especially to the stainless steel division.

Net profit for the first half of 2020, after tax and minority interests, totalled EUR 2 million (87% down compared to the first half of 2019), and was adjusted by an impairment of EUR 43 million on the assets in Bahru Stainless, which took place during the second quarter.

The effects of the pandemic were significant during the second quarter, leading to a 26% decrease in melting shop production compared to the first quarter. Even in this complicated context, adjusted EBITDA and turnover increased by 11% and 1%, respectively.

Good management has enabled the operating working capital to be reduced by EUR 50 million in the second quarter.

Outlook

Like the rest of the economy, the global stainless steel market is being severely affected by the situation created 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, only a short-term perspective can be offered.

"The significant cost reduction we are carrying out, combined with the improved relative performance of our main market, the US, and the signs of recovery of the European market, allow us to expect a third quarter in line with the second in terms of both activity and EBITDA, provided no setbacks occur in the economic recovery process", explained Bernardo Velázquez, Chief Executive Officer of Acerinox.

The synergy objective with VDM Metals increases to EUR 22 million

On 17 March 2020 Acerinox formalised the purchase of VDM Metals. The company, valued at EUR 532 million, is being incorporated into the Group as a new special alloys division, enabling Acerinox to access sectors with greater value added and offering it an opportunity to grow in areas such as gas and oil, chemical process industry, electronics, automotive and aerospace.

Following detailed analysis, the synergies identified have increased from EUR 14 million to EUR 22 million, and new areas of improvement have not been ruled out. Daniel Azpitarte, member of Senior Management and former Commercial Director of the Group, is leading the integration team which has been created for this purpose. In spite of the difficulties related to travel restrictions, the objectives are being met in a timely manner owing to the teams' efforts and commitment.



With its headquarters in Werdohl, Germany, VDM develops and manufactures special nickel and cobalt alloys and high-alloyed stainless steels with special alloys. VDM has 7 production plants in Germany and the US, nearly 2,000 employees and in 2018/19 recognised sales of EUR 852 million and EBITDA of EUR 97 million.

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

Appointments

Acerinox is reinforcing its Senior Management team with the incorporation of Hans Helmrich as Chief Operating Officer on 1 September 2020. Mr. Helmrich will report to the Chief Executive Officer of the Company, Bernardo Velázquez, and will be responsible for the profit and loss of the Group's traditional business and its operations, including customer acquisition, product development, manufacturing and distribution.

Hans has 26 years of extensive experience in the industrial sector (auxiliary automotive, paper and packaging), holding various management positions at national and international level.

Of late, he has held various positions in Cooper Standard in Germany and the US. His most recent role was that of Chief Global Manufacturing Officer.

Hans has a Bachelor's degree from ICADE and a Master's degree from IE Business School in Business Administration and Management.

Acerinox convenes its General Shareholders' Meeting

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

On 27 July 2020 the Board of Directors resolved to convene the General Shareholders' Meeting on 22 October with the same items on the agenda, and in similar terms to those established in the previous convening.

Sustainability

Acerinox is concluding the 2020-2025 Sustainability Master Plan, which will reinforce its commitment in this area, and is linked across the board to the Excellence 360 Plan, which leads to significant efficiencies and savings.

Furthermore, the Group has entered into the first loan linked to sustainability indexes with BBVA for EUR 80 million to partially finance the purchase of VDM Metals. This financing is sustainable since the operating margin is linked to the evolution of two indicators established, which will be reviewed annually: relative emissions intensity (direct and indirect) per tonne of steel produced and the frequency of occupational accidents. The external consultant Sustainalytics has issued an opinion that confirms that the operation is in line with the '2019 Sustainability Linked Loan Principles', the principles on which this type of transaction is based.

Similarly, agreements were entered into for the supply of 15% of electricity consumption in Spain from renewable energies in the coming years with the aim of reducing our carbon footprint.

Excellence 360°

In 2019 all the Digital Transformation initiatives were unified within a 5-year plan (2019-2023) called Excellence 360°. This plan brings together the Excellence Plans and all the projects that constitute the Group's Digital Strategy.

Excellence 360° is focused on strengthening the business comprehensively: production (increasing quality in the process and productivity), supply chain (optimising stock and increasing accuracy in deliveries), commercial/sales (improving margins) and procurement of raw materials (optimising the mix at all times). All this is thanks to the use of new technologies and putting the customer at the centre of the business.

The constant application of new technologies and data analysis are providing important support for improving efficiency even in situations such as the present. Thus, we have achieved annualised estimated savings of more than EUR 17 million, which is a 29% degree of achievement of the target set for 2020.