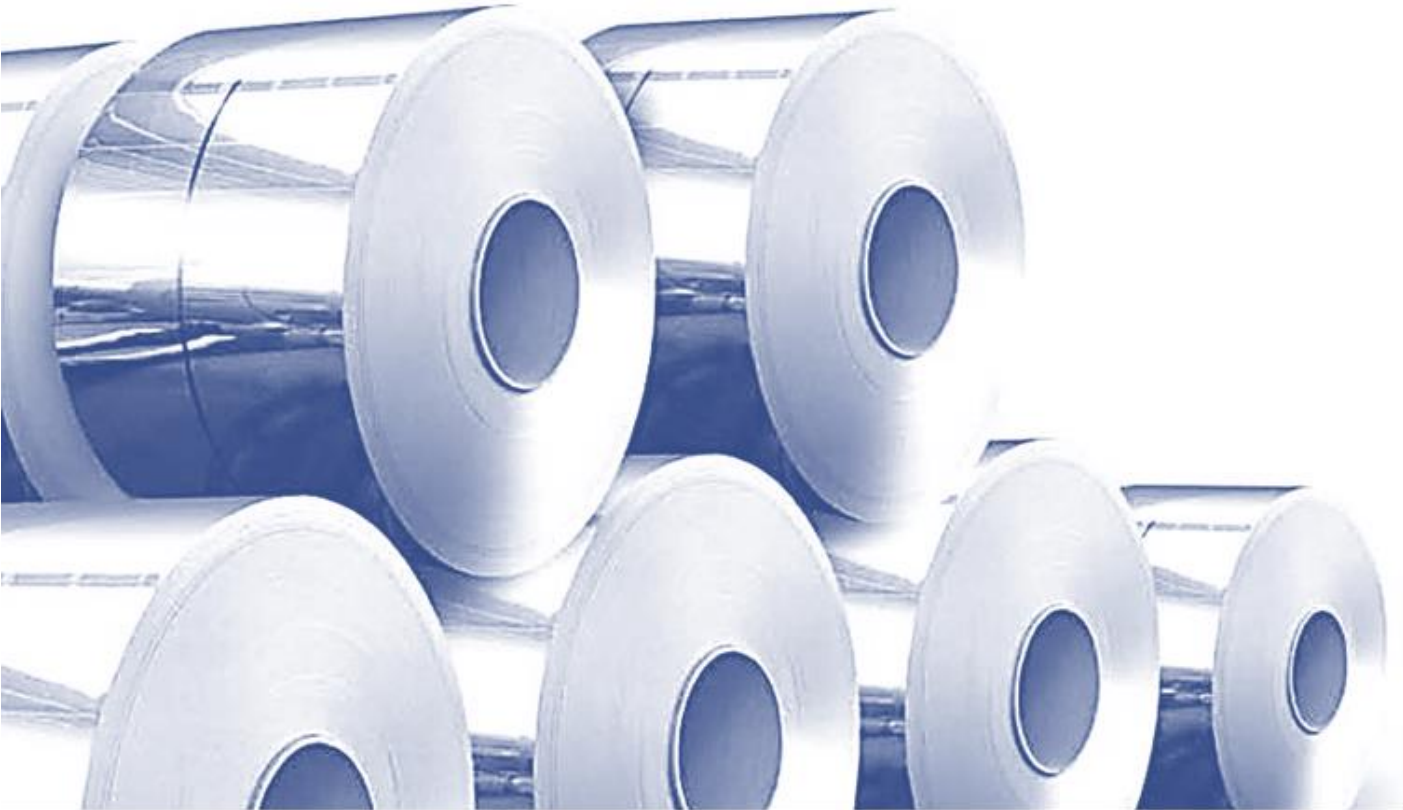


Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails



**2019 BUSINESS YEAR  
RESULTS REPORT**





## Telephone conference and live broadcast of the presentation of the results for Financial Year 2019

Acerinox will hold a presentation for its 2019 results today at 10.00 AM CET, with the presence of the Chairman, Mr Rafael Miranda, the CEO, Mr Bernardo Velázquez, CFO, Miguel Ferrandis, and the rest of the management 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 UK: +442071943759 PIN: 69965068#

From Spain and rest of the countries: +34911140101 PIN: 69965068#

You can follow the presentation through the Shareholders and Investors section of the Acerinox website ([www.acerinox.com](http://www.acerinox.com)).

Both the presentation and all the audiovisual material will be available on the Acerinox website after the event.

### **Annual Report for Financial Year 2019**

The audited Annual Report for the Financial Year 2019, which includes the Management Report, the Acerinox Annual Report and the auditors' opinion, are available on the Acerinox website, [www.acerinox.com](http://www.acerinox.com)

## Highlights

### Fourth Quarter

- Adjusted EBITDA amounted to 112 million euros, 8% higher than the previous quarter. After making a provision for lay offs in Acerinox Europa of 38 million euros, the EBITDA amounted to 74 million euros. A negative adjustment of inventories to net realizable value of 20 million euros has been made
- Net financial debt at December 31, 2019, 495 million euros, has been reduced by 88 million euros compared to September 30, 2019.
- We highlight the cash generation of 112 million euros of free cash flow (80 million euros in the third quarter)
- There was an impairment in the asset value of Bahru Stainless for an amount of 98 million euros, as well as write downs of the goodwill of Columbus Stainless for 68 million euros and reversal of tax credits in Spain for 61 million euros.
- After these extraordinary adjustments (which are all non-cash), the result after taxes and minorities for the quarter was a loss of 173 million euros. The result without these adjustments was 63 million euros.
- Melting production, 490,734 tons, decreased by 10% compared to the third quarter of 2019.
- Acerinox S.A reached an agreement to acquire the German company VDM Metals, world leader in the production of special alloys. The deal is subject to the corresponding competition authority approval, which is expected for the first quarter of 2020.

### Full Year 2019

- Acerinox generated an adjusted EBITDA of 402 million euros, 16% lower than in 2018. After making a provision for lay offs in Acerinox Europa totaling 38 million euros, the EBITDA was 364 million euros, 24% lower than in 2018. A negative adjustment of inventories to net realizable value of 20 million euros has been made.
- Free cash flow, before dividends, was 231 million euros (171 million euros in the 2018 financial year), including a significant reduction of 96 million euros in working capital.
- Net financial debt, 495 million euros, has been reduced by 57 million euros, in a year in which the shareholder remuneration increased by 44% (dividend and share buyback program).
- After all the extraordinary adjustments at the end of the year, the result after taxes and minorities was a loss of 60 million euros. Without these adjustments, the result would have been 176 million euros, 26% lower than the previous year.
- Melting production, 2,231,199 tons, was 9% lower than in 2018, as a result of lower consumption (in part by politic and economic uncertainties) as well as commercial tensions between major economic powers.
- The General Shareholders' Meeting approved an 11% increase in the dividend (from € 0.45 / share to € 0.50 / share) and the 2% amortization of Acerinox shares. The total disbursement has amounted to 184 million euros: 135 million euros of dividend and 49 million euros of the share buyback program.

## VDM Metals acquisition

We have received favorable authorization from the competition authorities of Europe and North America. We are now waiting to receive authorisation from the Taiwanese authorities in the coming days to move to the final phase of the process.

## Outlook

The strength of the North American market and its low import levels make the Group somewhat optimistic.

Uncertainty remains in the European market, although activity is improving. We trust that the European authorities impose further anti-dumping and anti-subsidy measures against Taiwan, China and Indonesia.

Asian markets continue to be affected by overcapacity and low prices.

According to our estimates, the EBITDA of the first quarter of 2020 will be broadly in line with that of the 4th quarter of 2019.

Upon publication of this report, we cannot confirm the impact that coronavirus may have on our sector. On our part, we have activated the relevant internal protocols in the work centres of the Group in the zones most exposed.

## Main Economic-Financial Figures

CONSOLIDATED GROUP	QUARTER				YEAR		
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	12M 2018	12M 2019	Variation 2019/2018
Melting shop (thousand Mt)	628	570	542	491	2,440	2,231	-9%
Net sales (million EUR)	1,202	1,240	1,220	1,093	5,011	4,754	-5%
<b>EBITDA adjusted (**)</b> (million EUR)	<b>90</b>	<b>97</b>	<b>103</b>	<b>112</b>	<b>480</b>	<b>402</b>	<b>-16%</b>
<i>% over sales</i>	7%	8%	8%	10%	10%	8%	
<b>EBITDA</b> (million EUR)	<b>90</b>	<b>97</b>	<b>103</b>	<b>74</b>	<b>480</b>	<b>364</b>	<b>-24%</b>
<i>% over sales</i>	7%	8%	8%	7%	10%	8%	
EBIT (million EUR)	45	54	59	-136	312	23	-93%
<i>% over sales</i>	4%	4%	5%	-12%	6%	0%	
Result before taxes and minorities (million EUR)	45	53	60	-135	310	23	-93%
Result after taxes and minorities (million EUR)	<b>33</b>	<b>37</b>	<b>44</b>	<b>-173</b>	<b>237</b>	<b>-60</b>	<b>---</b>
Depreciation (million EUR)	46	43	43	43	166	175	6%
Net cash flow (million EUR)	78	80	87	-130	403	116	-71%
Number of employees	6,768	6,836	6,809	6,605	6,709	6,605	-2%
Net financial debt (million EUR)	573	642	582	495	552	495	-10%
Debt to equity (%)	26.6%	31.8%	26.9%	25.6%	26.0%	25.6%	-2%
Number of shares (million)	276	271	271	271	276	271	-2%
Return to shareholders (per share)	0.18 (*)	0.30	0.20	0.00	0.45	0.50 / 0.68 (*)	11% / 51% (*)
Daily average shares traded (n° of shares, million)	1.09	0.99	0.97	1.24	1.21	1.07	-11%
Result after taxes and minorities per share	0.12	0.14	0.16	-0.64	0.86	-0.22	---
Net cash flow per share	0.28	0.29	0.32	-0.48	1.46	0.43	-71%

(\*) Indirect remuneration through the share buyback program

(\*\*) EBITDA adjusted by the 38 million euros lay offs in Acerinox Europa

## Stainless Steel Market

The year started with stronger demand in all markets. The first half saw considerable volume, but was followed by a slowdown in the third quarter. Volume remained low in the closing quarter.

According to data from ISSF (International Stainless Steel Forum), world production of stainless steel increased by 3.4% in the first nine months of 2019 compared to the same period last year.

In the absence of final data for the fourth quarter, Acerinox estimates growth in 2019 of around 3%. China was the only country to register growth this year, of around 10%, reaching nearly 30 million tonnes. In addition, the Chinese manufacturer Tsingshan in Indonesia produced over 2 million tonnes.

World melt shop production  
Thousands Mt

	Q1	Q2	Q3	Q4	Total
Year 2018	12,783	12,987	13,132	11,827	50,729
Year 2019e	12,711	13,408	13,686	12,434	52,240

Source: ISSF, Acerinox

Melting production by region  
Thousand Mt

	2018	2019e	Variation
Europe	7,385	6,734	-8.8%
USA	2,808	2,583	-8.0%
China	26,706	29,689	11.2%
India	3,740	3,785	1.2%
Japan	3,283	2,929	-10.8%
Others	6,807	6,519	-4.2%
<b>Total</b>	<b>50,729</b>	<b>52,240</b>	<b>3.0%</b>

Other: Brazil, Russia, South Africa, South Korea and Indonesia

Source: ISSF

This situation led to oversupply on the Asian market with very adverse effects on prices and hurting all markets. Matters were made worse by the uncertainty surrounding geopolitical tensions, such as Brexit in Europe or rising protectionism at global level in the framework of the relations between the United States and China.

Indonesia, in a few years, has become one of the world's leading stainless steel producers, driven by the Chinese manufacturer Tsingshan. This has led to increased tension in the markets, which have reacted with anti-dumping, safeguarding and anti-subsidy measures.

Paradoxically, China was the first market to impose anti-dumping measures in March. This was compounded by the rejection in April of the application in the United States for exclusion from Section 232 for Indonesian slabs (directed at Allegheny's joint venture with Tsingshan), the inclusion of Indonesia in EU safeguard measures from October, and anti-dumping and anti-subsidy investigations in the EU and India, which could also impose measures on Indonesia in the first half of 2020.

At present, practically all producer countries have some kind of trade barrier in place, including those where Acerinox has its production plants.

## Europe

In terms of final demand, the market behaved in line with the economic slowdown in the EU as a whole, and particularly in the two main stainless steel markets: Germany and Italy. On a sector level, according to Eurofer's estimates, there was 3.8% growth in construction, while both for cars and household appliances Eurofer revised its estimates downwards in January with falls of -5.9% and -1.4% respectively.

The final safeguard measures adopted in February 2019 modified those preliminarily imposed in July 2018, establishing annual quotas per country for the main sources (those accounting for more than 5% of imports in the three-year period 2015-2017) and a residual quota for the rest, revisable on a quarterly basis.

The 25% over-quota tariff and the exclusion of developing countries below the 3% import threshold were maintained under WTO rules, as well as that of countries in the European Economic Area and the countries of the trade agreement in force between the European Union and southern Africa, including South Africa. Hence our factory, Columbus Stainless, remained unaffected.

In September, a revision of the definitive measures was approved, providing for a reduction of the annual quota increase from 5% to 3%, and the inclusion of Indonesia in the residual quota as of 1 October, as imports from this developing country will have exceeded the 3% threshold in 2018, both hot and cold.

Despite these measures, European producers were unable to avoid the pressure of imports which, with the US market closed, went to Europe as the main destination of their surplus. This was reflected in the fact that imports into Europe only fell by 5%, in line with the fall in the market.

Imports from Indonesia rose strongly until their inclusion in the safeguard measures. This, together with other Asian imports, had a very adverse impact on prices.

In August, the European Union started an anti-dumping investigation for materials from Indonesia, China and Taiwan, followed by the start in October of an anti-subsidy investigation for materials from Indonesia and China, in both cases for hot-rolled flat products.

Inventories rose due to increased imports in anticipation of the safeguard measures, and were not corrected, owing to lower market consumption.

## United States

The American market was not immune to macroeconomic uncertainties and suffered a 10% drop in apparent consumption. However, the strength of its economy, coupled with Section 232 tariffs, supported better performance and greater stability in base prices.

The reduction in imports due to Section 232 measures by around -30% through September partially offset the fall in apparent consumption of flat products, which saw a decrease of -10.0% in the same period, according to our estimates.

By sector of activity, according to our data, in the period from January to October construction fell by -1.7%, automobiles by -3.9%, and household appliances by -2.4%. In household appliances, the materials of the new bright annealing line by North American Stainless stood out for their strong uptake in the market, exceeding the targets set by the company.

Inventories at warehouses were below average following the usual trend of reductions towards the close of the year, and ended 2019 at the lowest levels seen in recent years.

Finally, as noted above, in April the United States Department of Commerce refused to grant the Section 232 exemption requested by the joint venture between Allegheny and Tsingshan for the import of slabs from Indonesia.

## Africa, Middle East and Turkey

The South African economy grew slightly in 2019, albeit at a slower rate than expected (below 1%), although this rise was not reflected in the sector as apparent consumption of stainless steel contracted by around 10% in 2019, in line with the behaviour of the main consumer sectors, especially the automobile industry, due to economic uncertainty and the scarcity of major projects during the year.

In the markets of North Africa and the Middle East, there was strong demand until Ramadan in May. Later demand declined, due to the widespread uncertainty in the area.

In Turkey, one of the countries affected most by market uncertainties, apparent consumption fell by 20%. By final sectors, white goods maintained similar figures to those of the previous year while the automobile industry fell. The construction sector saw a sharper decline.

## Asia

Overcapacity in Asia was the dominant factor during the past year, mainly due to the new plant of the Chinese producer Tsingshan in Indonesia which entered the cold rolling market at very low prices. This had a knock-on effect on all Asian markets, which reached record low prices.

This exacerbated the overcapacity in Asia, as frequently mentioned earlier.

Apparent consumption in China grew, but to a lesser extent than production, leading to increased inventories.

## Prices

Average quarterly prices of stainless steel sheet, AISI 304 cold-rolled 2.0mm (source: CRU)

USD / Mt	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	T4
United States	2,725	3,053	3,121	2,858	2,643	2,786	2,716	2,964
Europe	2,974	2,908	2,772	2,438	2,361	2,483	2,504	2,458
Taiwan	2,269	2,261	2,143	2,050	1,850	1,861	1,930	2,029

Europe: difficult to transfer the stainless steel alloy surcharge

United States: stable base prices



## Raw Materials

The gradual fall in demand, coupled with trade tensions and their potential impact on consumption, drove a downward trend in commodity prices, with the exception of nickel, where speculative movements led to different behaviour.

### Nickel

From an annual low of USD 10,485/t on 2 January, nickel prices improved throughout the first half of the year thanks to the recovery in nickel consumption, mainly in China, closing the half-year at around USD 12,600/t, while nickel inventories on the London Metal Exchange (LME) gradually declined.

The second half of the year saw a sharp rise in nickel prices, mainly due to rumours of an early ban on nickel ore exports from Indonesia, which brought its price on the LME to USD 16,000/t in mid-August. At the end of the month, the Indonesian government gave its final confirmation, bringing forward the export ban to 1 January 2020, which caused the price of nickel to soar to an annual high of 18,550 USD/t on 2 September.

As a result, nickel inventories fell by 85,830 tonnes in October alone. This was thought to be a speculative move by an Asian manufacturer to raise the price on the LME, which led to a complaint by the European Union to the World Trade Organization and the start of an internal investigation on 23 January 2020 in the LME. Later, market dynamics drove up inventories, which ended the year at 153,318 tonnes.

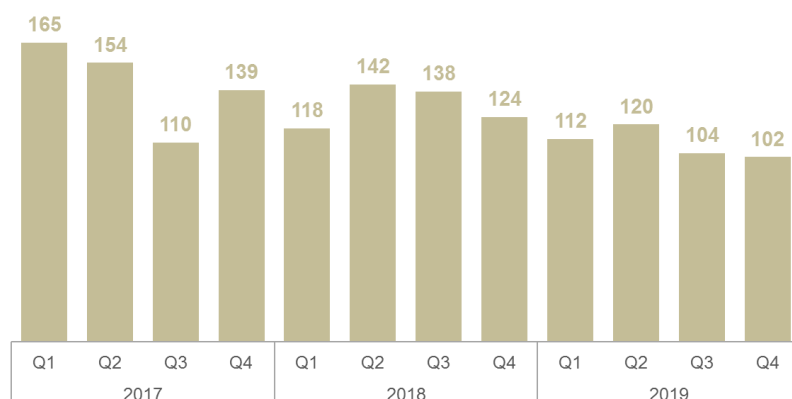
Official nickel price in the LME (up to 12/31/2019)  
Average prices cash/three months USD/t.



## Ferrochrome

Over the year, ferrochrome prices remained relatively stable in line with the demand for stainless steel, moving between 112 US\$/Lb at the end of the first quarter, with a slight improvement in the second quarter to 120 US\$/Lb and then falling in the third, due to the increase in production of ferrochrome in China, reaching 102 US\$/Lb at the end of the year, equalling 2016 levels.

Average quarterly price US\$/Lb. Cr



## Acerinox Production

Thousand Mt	2018					2019					Variation 2019 over 2018	
	Q1	Q2	Q3	T4	12 Months	Q1	Q2	Q3	T4	12 Months	Q4	12 Months
Melting shop	668	639	617	516	2,440	628	570	542	490.734	2,231	-5%	-9%
Hot rolling shop	577	561	524	458	2,120	531	514	471	434.085	1,951	-5%	-8%
Cold rolling shop	462	471	443	377	1,752	422	441	394	349.748	1,607	-7%	-8%
Long product (Hot rolling)	65	70	61	60	255	66	58	50	45.3063	220	-24%	-14%

As a result of the decline in consumption in Europe and the United States, as well as global overcapacity, Acerinox Group production was affected in 2019.

As a result, the Group's total steel production shrank by 8.6%: hot rolling declined by 8.0% and cold rolling by 8.3%.

The production of hot-rolled long products fell by 13.8% compared to the previous year, with 219,557 tonnes compared to 254,629 tonnes in 2018.

## Results

In an environment as complicated as 2019, the adjusted EBITDA obtained by the Group of €402 million, and, in particular, the cash flow generation of €231 million, enabled increased shareholder returns by 44%, to €184 million, and a reduction of the group's net debt by 10% to €495 million, the lowest since 2002.

The historically low price levels seen in Europe, and the increase in record levels of imports despite safeguard measures, led the Group to seek a new efficiency threshold for Acerinox Europa. One of the first measures was to cut 215 jobs, which had an accounting impact for the financial year of €38 million, with no immediate cash outflow. As a consequence, the Group published an adjusted EBITDA of €402 million, separate from the reported EBITDA of €364 million.

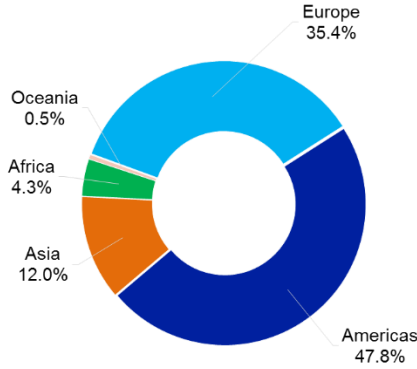
At the end of the year, conservative projections regarding price recovery in the Asian and European markets, has led the Group to take impairment losses in Bahru Stainless of €98 million, as well as writing off the goodwill from the acquisition of Columbus Stainless in 2002 of €68 million. Similarly, in view of the limitations imposed by Spanish legislation on tax loss carrybacks from previous years, tax credits were written off amounting to €61 million. All these extraordinary and non-recurring impairments have no effect on cash flow.

The cumulative impact of all these measures amounts to €38 million with regard to EBITDA (lay offs in Acerinox Europa), €204 million with regard to pre-tax result (lay offs, impairment of assets in Bahru and goodwill in Columbus) and €236 million in net result (the foregoing, and the tax credit impairment losses).

The most significant statistics for the year and the variation compared with the previous year are summarised in the following table (in million euros):

	2019 Reported	2019 Adjusted	2018	% 2019 Adj. over 2018
Net sales	4,754	4,754	5,011	-5.1%
EBITDA	364	402	480	-16.3%
EBIT	23	226	312	-27.5%
Results before taxes and minorities	23	227	310	-26.9%
Results after taxes and minorities	-60	176	237	-25.6%

Revenue for the year: €4.8 billion fell by 5%, as did sales in tonnes, which also fell by 5%. Nevertheless, it is the second highest level of sales in the last decade, only behind 2018.

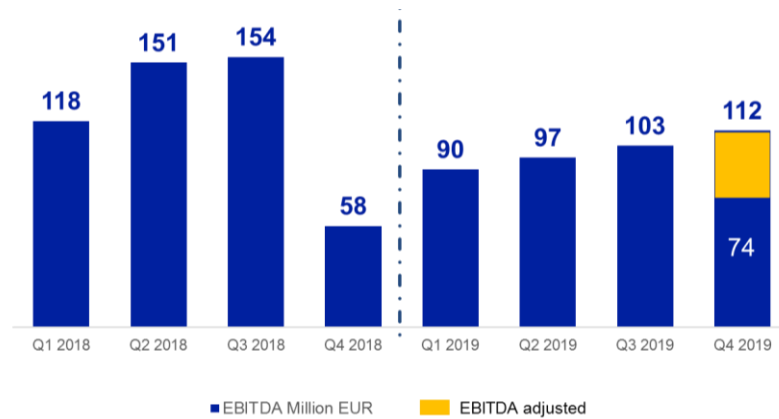


Adjusted EBITDA of €402 million was 16% lower than 2018. The EBITDA margin was 8% (10% in 2018). At the end of the financial year an inventory adjustment to net realizable value totalling €20 million was carried out.

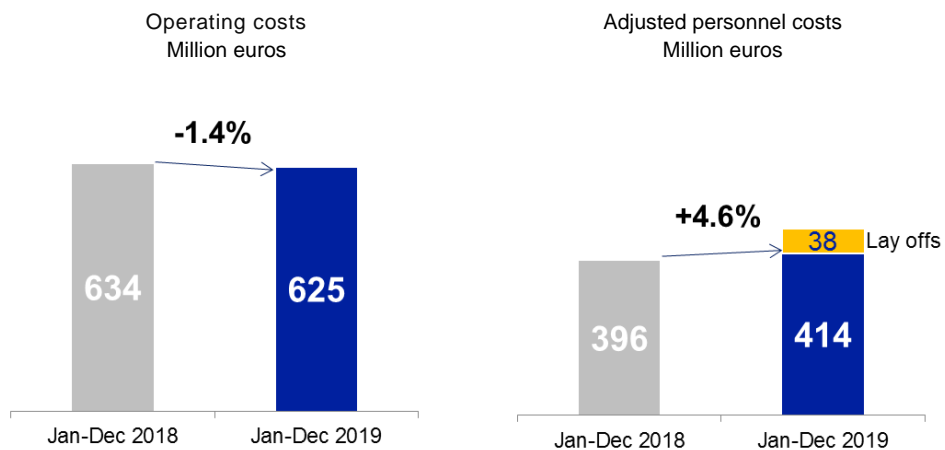
After making a provision for the lay offs in Acerinox Europa, the EBITDA was €364 million.

In such a complex environment, it is worth noting the consistency of the Group's results, with a trend of continuous growth in EBITDA over the last five quarters.

Quarterly EBITDA (million euros)



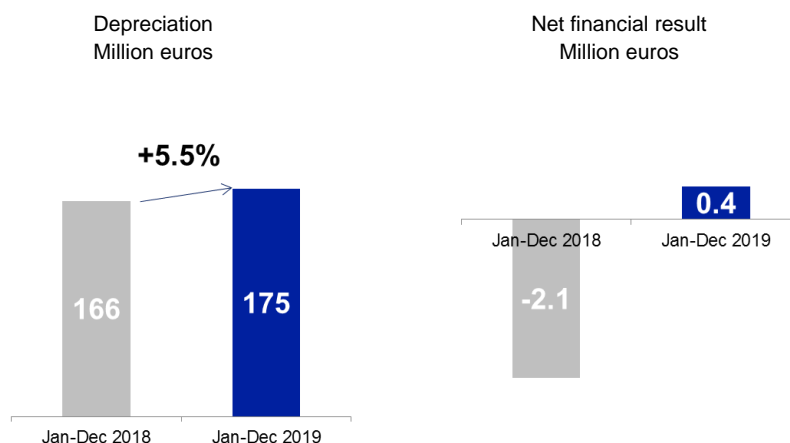
Personnel costs without taking into account the lay offs amounted to €414 million, an increase of 5%, while other operating costs, €625 million, decreased by 1%.



Depreciation of €175 million, was 6% higher than the previous year, mainly due to the depreciation of new investments in Acerinox Europa.

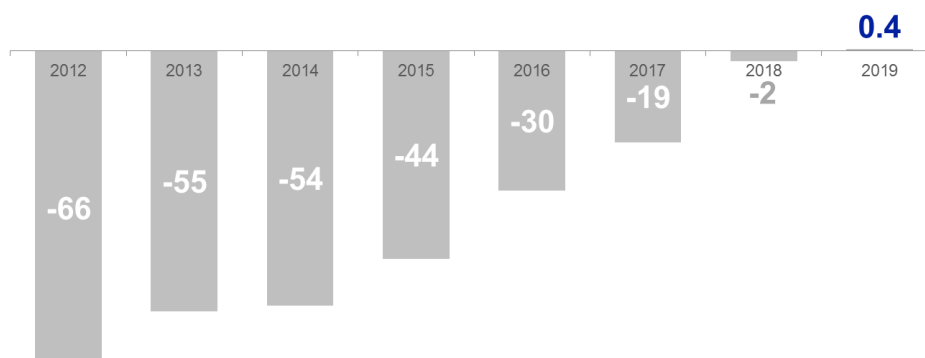
The adjusted EBIT of €226 million, was 28% lower than in 2018 (€312 million). The net financial result of €0.4 million in 2019, improved compared to 2018 (-€2 million).

We believe it noteworthy that, closing the financial year with net debt of €495 million, the group's financial management lead the net financial result to be positive.



It is the eight consecutive year that the net financial result has reduced, having decreased by €67 million since 2012.

Evolution of the net financial result (Million euros)



At the end of the financial year, the Group has made very conservative projections for the coming years in view of the economic, protectionist, sanitary and political uncertainties and the effect these may have on overall economic growth.

As a result of the foregoing, and taking into account the limitations imposed by Spanish legislation in accounting terms for the recovery of tax losses, deferred tax assets were impaired for an amount of €61 million. This measure, which is a consequence of the Company's accounting prudence, could be reversed in years to come, if the aforementioned uncertainties are resolved.

The profit after tax and minority interests increased to €176 million. After all the end-of-year adjustments discussed, Acerinox reported a loss of €60 million.

Result after taxes and minorities (Million euros)



## Cash Flow Generation

Cash flow generation, established as one of the priority objectives in the Group's Strategic Plan, was outstanding.

The free cash flow generation of €231 million, enabled the Group to increase returns to shareholders (€184 million) by 44%, and to reduce net financial debt by 10% to €495 million. Despite the increase in the returns to shareholders, debt was reduced by €57 million, the same figure as in 2018.

The reduction in working capital was particularly strong, generating €96 million of cash flow, of which €44 million corresponded to operating cash flow.

The increase in taxes paid with respect to the previous year includes €29 million paid to the Spanish Public Treasury, which will be reimbursed in 2020.

Payments for investments in fixed assets in 2019 amounted to €128 million.

Cash Flow (Million euros)

	Jan - Dec 2019	Jan - Dec 2018
<b>EBITDA</b>	<b>364</b>	<b>480</b>
Changes in working capital	96	-87
Changes in operating working capital	44	-74
- Inventories	2	-28
- Trade debtors	41	27
- Trade creditors	0	-73
Other adjustments to working capital	52	-14
Income tax	-116	-81
Financial expenses	-15	-15
Other adjustments to the result	29	30
<b>OPERATING CASH FLOW</b>	<b>359</b>	<b>326</b>
Payments for investments on fixed assets	-128	-155
<b>FREE CASH FLOW</b>	<b>231</b>	<b>171</b>
Dividends and treasury shares	-184	-128
<b>CASH FLOW AFTER DIVIDENDS</b>	<b>47</b>	<b>43</b>
Conversion differences	10	14
<b>Variation in net financial debt</b>	<b>57</b> ↓	<b>57</b> ↓

## Balance Sheet

Operating working capital of €716 million, decreased by €44 million compared to 31 December, 2018, mainly due to the reduction in trade debtors.

Operating working capital (Million euros)

	December 2019	December 2018
Inventories	1,016	1,019
Trade debtors	484	525
Trade creditors	784	784
<b>Working capital</b>	<b>716</b>	<b>760</b>

The net financial debt, as of 31 December 2019 of €495 million, was reduced by €57 million (from €552 million as of 31 December 2018).

ASSETS				LIABILITIES			
	2019	2018	Variation		2019	2018	Variation
<b>Non-current assets</b>	<b>1,933.33</b>	<b>2,133.77</b>	<b>-9.4%</b>	<b>Equity</b>	<b>1,928.99</b>	<b>2,119.30</b>	<b>-9.0%</b>
<b>Current assets</b>	<b>2,463.46</b>	<b>2,473.82</b>	<b>-0.4%</b>	<b>Non-current liabilities</b>	<b>1,253.68</b>	<b>1,226.22</b>	<b>2.2%</b>
- Inventories	1,016.26	1,018.74	-0.2%	- Interest-bearing loans and borrowings	1,051.74	1,026.29	2.5%
- Debtors	554.52	589.78	-6.0%	- Other non-current liabilities	201.95	199.93	1.0%
<i>Trade debtors</i>	<i>483.66</i>	<i>524.69</i>	<i>-7.8%</i>	<b>Current liabilities</b>	<b>1,214.13</b>	<b>1,262.07</b>	<b>-3.8%</b>
<i>Other debtors</i>	<i>70.86</i>	<i>65.09</i>	<i>8.9%</i>	- Interest-bearing loans and borrowings	319.83	375.89	-14.9%
- Cash	876.94	850.11	3.2%	- Trade creditors	783.86	783.86	0.0%
- Other current assets	15.74	15.18	3.7%	- Other current liabilities	110.44	102.32	7.9%
<b>TOTAL ASSETS</b>	<b>4,396.80</b>	<b>4,607.59</b>	<b>-4.6%</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,396.80</b>	<b>4,607.59</b>	<b>-4.6%</b>
				Net Financial Debt	494.63	552.07	
				Operating Working Capital	716.06	759.57	

As of 31 December, Acerinox had €1.965 billion in credit lines, 30% of which were available.

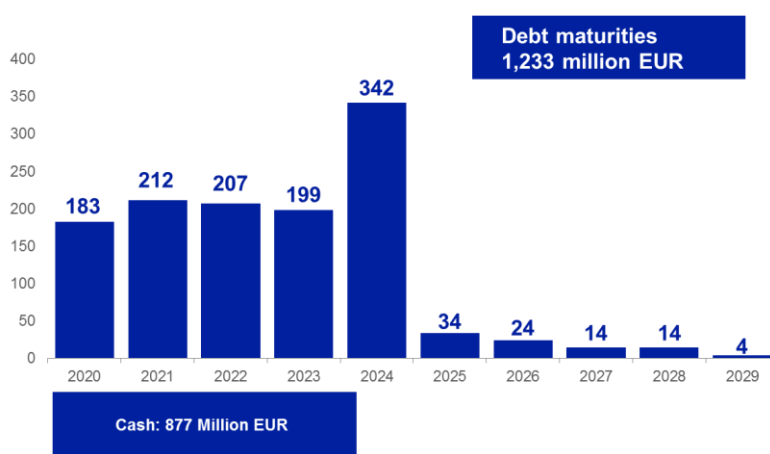
## Financing

The strategy followed during the last number of years has focused on optimising the cost of financing, taking advantage of existing liquidity in the markets, extending maturities, increasing fixed rate debt and benefiting from the low interest rate environment.

All the Group's financing as of 31 December was term debt. Of this, 77% of the maturities are greater than one year. 92% of the Group's loans are at fixed interest rates.

The cash deposits held by the Group at the end of the year of €877 million enable it to cover the maturities of the loans until 2024.

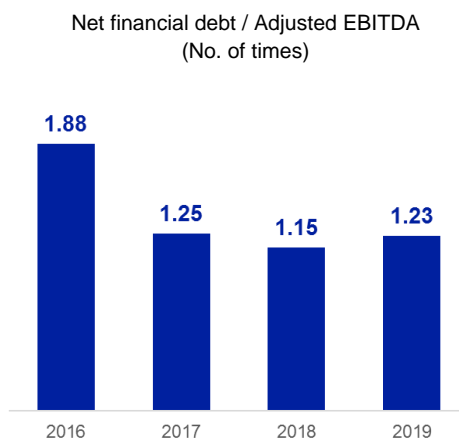
Debt maturities (Million euros)



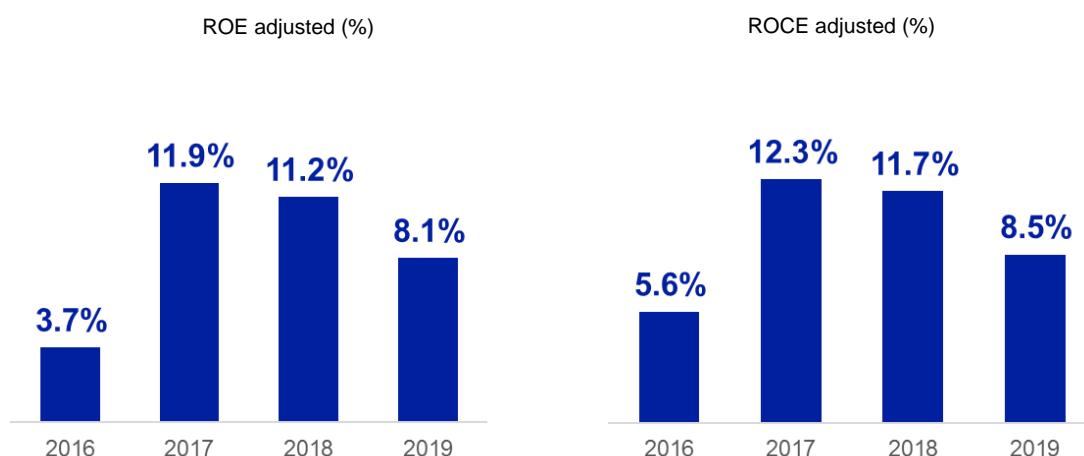
## Financial Ratios

The net financial debt / adjusted EBITDA ratio, 1.23x, has been reduced by 35% since 2016, and remained below 2x for the fourth consecutive year.

The adjusted ROE in 2019 was 8,1% while the ROCE was 8.5%.







## Shareholder Remuneration

At the General Meeting of Acerinox S.A. held on 11 April in Madrid, the shareholders approved a dividend of 0.50 euros per share, versus the 0.45 euros per share that had been paid in recent years.

The dividend was 11% higher than last year and was paid out in a first payment from unrestricted reserves of 0.30 euros per share on 5 June 2019 and a second payment from the share premium account of 0.20 euros per share on 5 July 2019 (EUR 54 million).

In addition, the shareholders resolved to complete a capital reduction of up to 2%, through redemption of treasury shares acquired in the course of the buyback programme, as approved by the Board of Directors in December. On 13 June, 5,521,350 shares of Acerinox, S.A., equivalent to 2% of share capital, were redeemed and removed from trading on the Madrid and Barcelona stock exchanges. The new number of outstanding shares is 270,546,193

## VDM

On 8 November 2019, Acerinox announced the acquisition of 100% of the German company VDM Metals after reaching an agreement with Lindsay Goldberg Vogel, a private equity firm and current owner of VDM.

VDM is the world leader in the production of special alloys and is the acknowledged benchmark for R&D in the sector. Based in Werdohl, Germany, the firm 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 an opportunity to grow 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 will pay EUR 310 million and take on EUR 57 million of debt, making for an Enterprise Value/EBITDA ratio of 5.5x before synergies.

The final closing of this transaction is subject to the approval of the European and North American competition authorities, among others, and is expected to be completed during the first quarter of 2020. Moreover, the acquisition was presented to the union representatives of both companies and, until the completion of the purchase, Acerinox and VDM Metals will continue to operate as independent companies.

We have received favorable authorization from the competition authorities of Europe and North America. We are now waiting to receive authorisation from the Taiwanese authorities, that we expect to come in the first quarter.

## Excellence 360°

In 2019, all Digital Transformation initiatives were amalgamated into a 5-year plan (2019-2023) called Excellence 360°. The plan brings together the traditional Excellence Plans (2008-2018) with all the projects that make up the Group's Digital Strategy.

Excellence 360° is designed to enhance the business in a comprehensive way: Production (increasing process quality and productivity), Supply Chain (optimising stocks and increasing delivery accuracy), Sales (improving margins) and Raw Material Purchasing (optimising the mix at all times). These aims will be achieved through new technologies and placing our clients at the centre of the business.

In the first year of the Excellence 360° plan, Acerinox made estimated savings of more than EUR 24 million, representing 20% of the total scope, and in line with the progress target of 19% for the first year.

## Sustainability

This year, Acerinox presents the 2019 Sustainability Report as part of the Group's Management Report, prepared in accordance with GRI Standards in their "essential" version, to comply with the requirements under Law 11/2018 on Non-Financial Information and Diversity.

In this field we focus on being a sustainable company in the long term, producing steels that rise to the challenges of a changing world that is increasingly concerned with climate change and how we affect the environment. We are committed to the highest standards of safety, operational excellence and innovation, creating value for society, investors, clients and employees. Respect for human rights and adherence to the UN Global Compact's SDGs are part of the Group's initiatives in all areas.

Safety in the workplace continues to be the Group's priority, with continuous prevention and training leading to a gradual decrease in the number of accidents and incidents in recent years.

Acerinox has ratified its commitment to achieve climate neutrality by 2050, in line with the announcement made by UNESID. (Spanish association of steel companies). We are actively working towards accurate reporting of our carbon footprint in 2021. In 2019, EUR 110 million was invested in initiatives aimed at improving production efficiency and reducing emissions, including environmental costs.

The Circular Economy, which lies at the heart of Acerinox's business, is reflected in the high scrap rates used in our manufacturing process: above 90% in its plants in Spain and the United States. We work closely with universities and public and private entities towards more efficient reuse of all waste generated during manufacturing processes.

## The US Senate's approval of the amendment of the Dual Taxation Agreement between Spain and the United States

On 16 July 2019, the United States Senate ratified the new Protocol signed by both States in 2013, which amends the 1990 Double Taxation Agreement between Spain and the United States.

The Protocol amends aspects of the double taxation agreement between Spain and the United States that are highly significant for the Group, such as the elimination of withholdings on interest, and withholdings on dividends when the parent company owns at least 80% of the shares with voting rights during the previous twelve months.

This will enable the Acerinox Group to avoid the 10% withholding tax on distribution of dividends from North American Stainless to the parent company.

The amendments under the new protocol entered into force on 27 November.

## Alternative Performance Measures (definitions of terms used)

**Excellence 360° Plan:** estimated efficiency savings for a period of 2019-2023

**Operating Working Capital:** Inventories + Trade receivables – Trade payables

**Net Cash Flow:** Results after taxes and minority interest + depreciation and amortisation

**Net Financial Debt:** Debt with banks + bond issuance - cash

**Net Financial Debt / EBITDA:** Net Financial Debt / annualized EBITDA

**EBIT:** Operating income

**Adjusted EBIT:** EBIT without impact of the lay offs provision in Acerinox Europa and year-end impairment

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

**Adjusted EBITDA:** EBITDA without impact of the lay offs provision in Acerinox Europa

**Result after taxes and minorities adjusted:** Result obtained without impact of the lay offs in Acerinox Europa and year-end impairment

**Debt Ratio:** Net Financial Debt / Equity

**Net financial result:** Financial income – financial expenses ± exchange rate variations

**ROCE:** Operating income / (Equity + Net financial debt)

**ROCE adjusted:** ROCE without impact of the lay offs in Acerinox Europa and year-end impairment

**ROE:** Results after taxes and minority interest / Equity

**ROE adjusted:** ROE without impact of the lay offs in Acerinox Europa and year-end impairment

**ICR (interest coverage ratio):** EBIT/Net financial result

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