ACERINOX
CAPITAL MARKETS DAY

Campo de Gibraltar, 2-3 October 2018

#CMDAcerinox18

Welcome

Rafael Miranda, Chairman of Acerinox

01

Acerinox Capital Markets Day

New Equipment that Makes the Difference

Antonio Moreno, Production Director of Acerinox

02

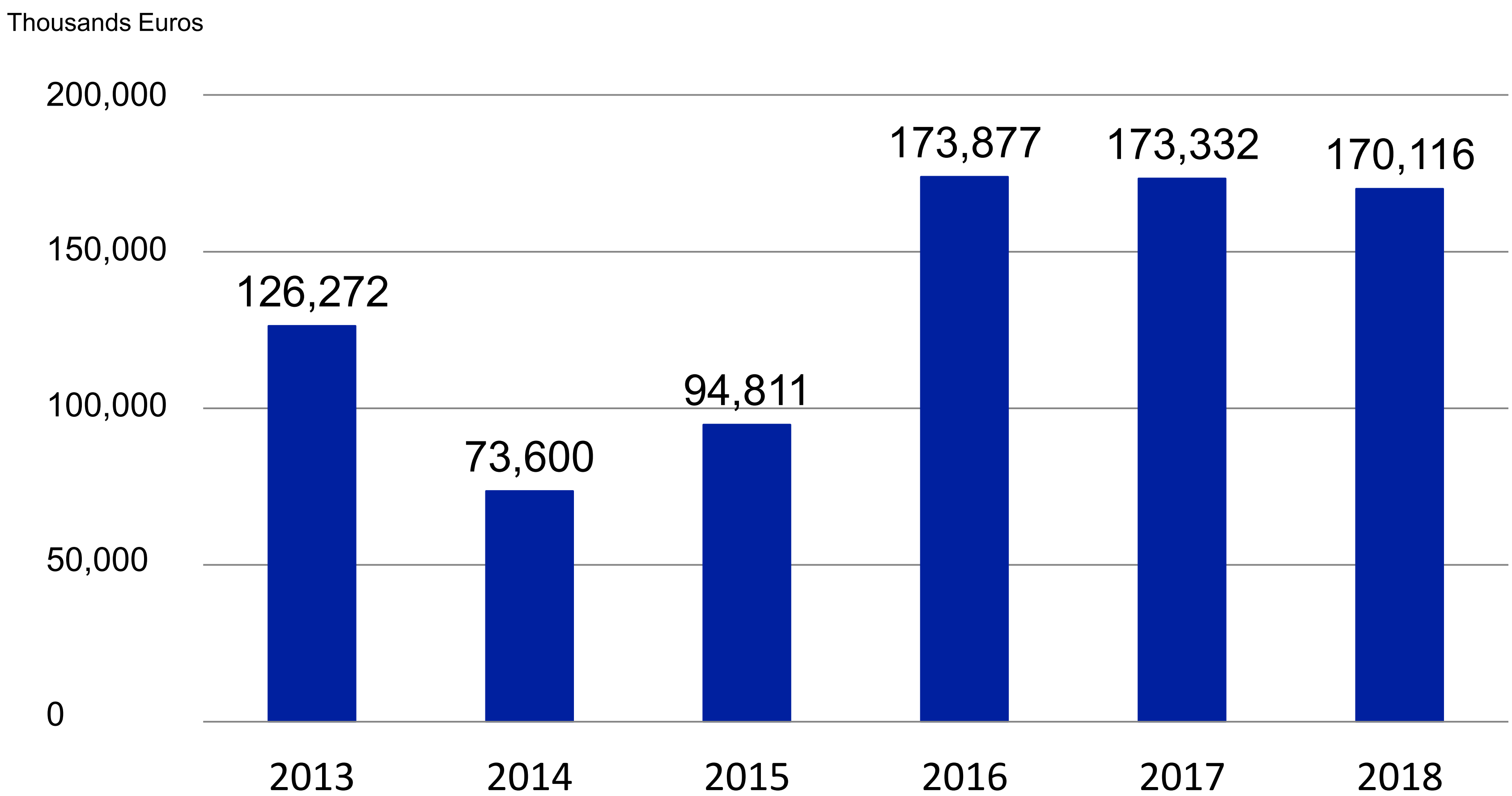
Acerinox Capital Markets Day

What are our objectives with the investments?

- To be efficient.
- To have high productivity.
- To reduce costs.
- To have the best quality.
- Service to our clients.

CAPEX

The capex we have had over the last few years is as shown in the graph.



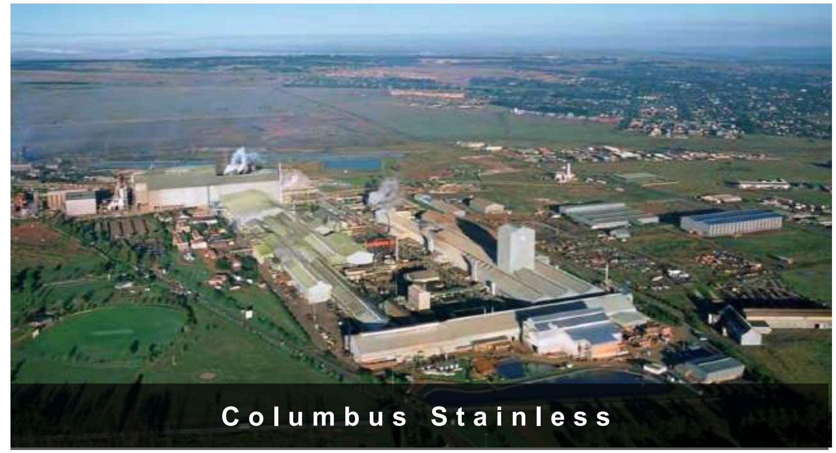
Where have we invested this money?

What equipment or lines do we have?

What do we have in place at our plants?

NEW EQUIPMENT THAT MAKES THE DIFFERENCE


Bahru Stainless


Columbus Stainless


North American Stainless


Acerinox Europa

BAHRU STAINLESS

- Rolling Mill no. 2 (2012)
- Final Annealing Line (2013)
- Longitudinal Slitting Line (2014)

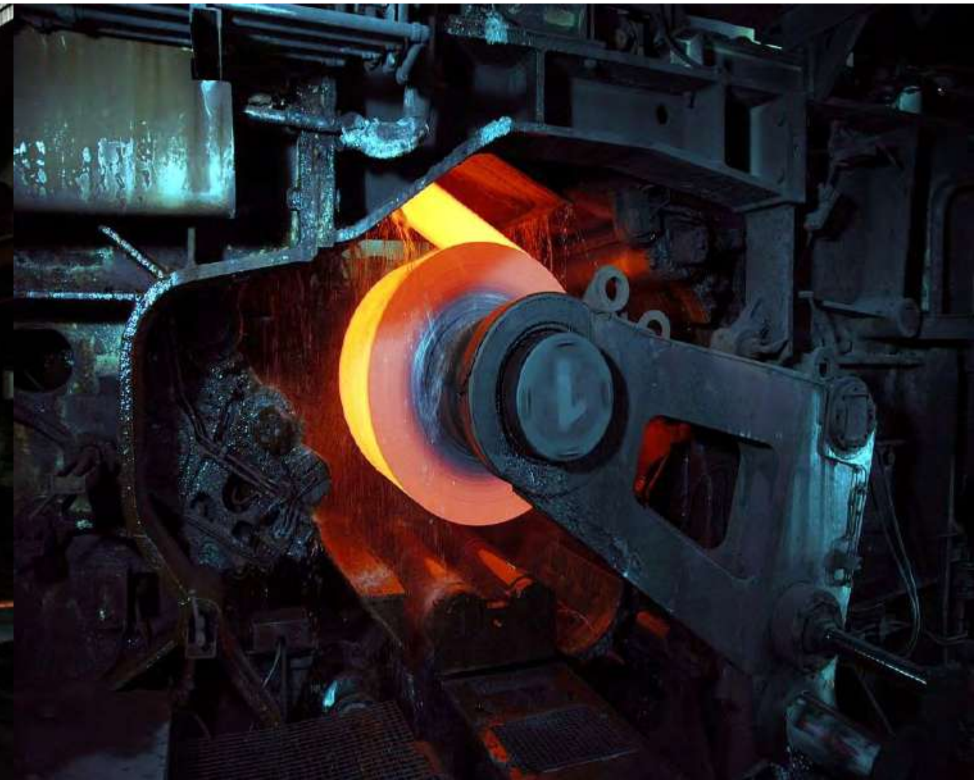
COLUMBUS STAINLESS

- Longitudinal slitting line <650 width (2014)
- Longitudinal slitting line of 0.15/30 gauge (being installed) (2019
- Ladle furnace 4th quarter (2019)

NAS

- Longitudinal slitting line (thick gauges) (2016)
- Rolling mill no. 6 (2017)
- Bright annealing line (2017)
- CB Line being installed (2018)

ACERINOX EUROPA



Replacement of Hot Rolling AC motors (2013)

ACERINOX EUROPA

Replacement of Hot Rolling AC motors (2013)

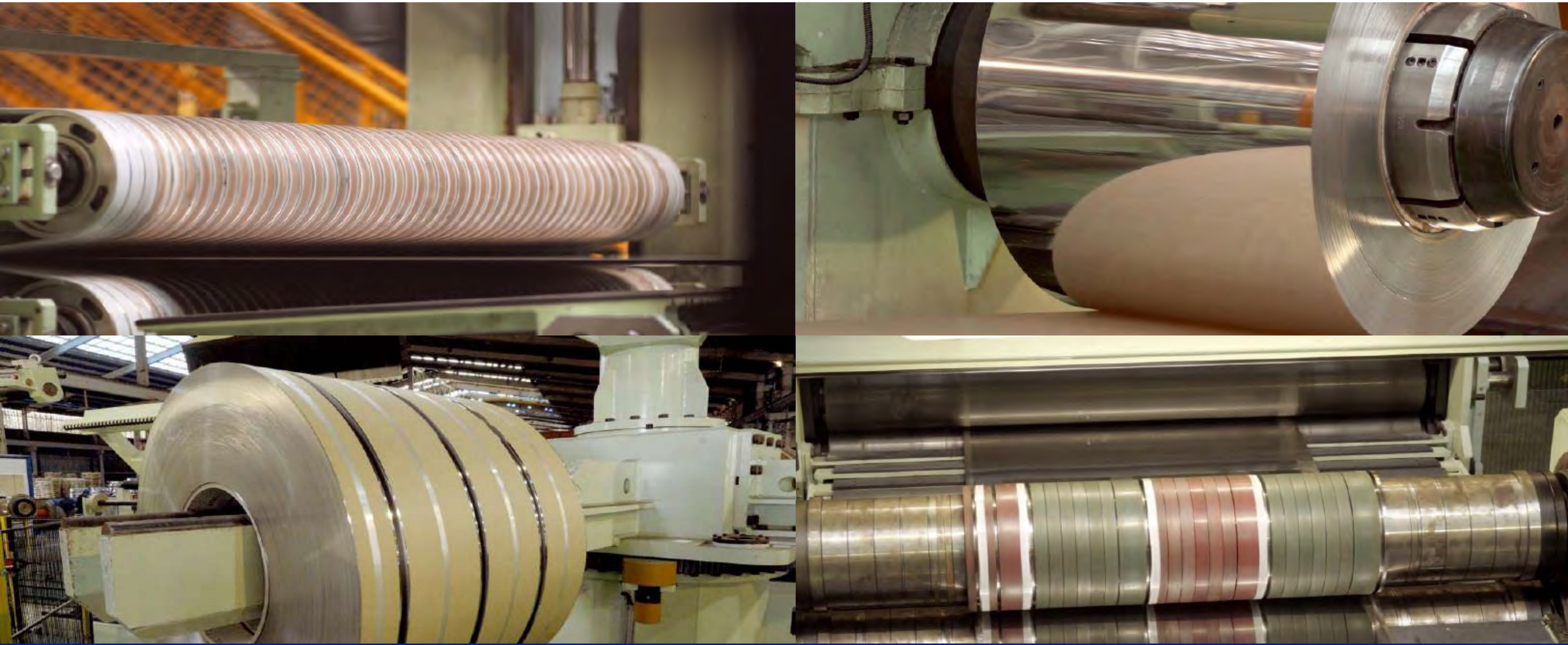
ACERINOX EUROPA

CS-1 modification. Cut-to-length slitting line (2014)

ACERINOX EUROPA

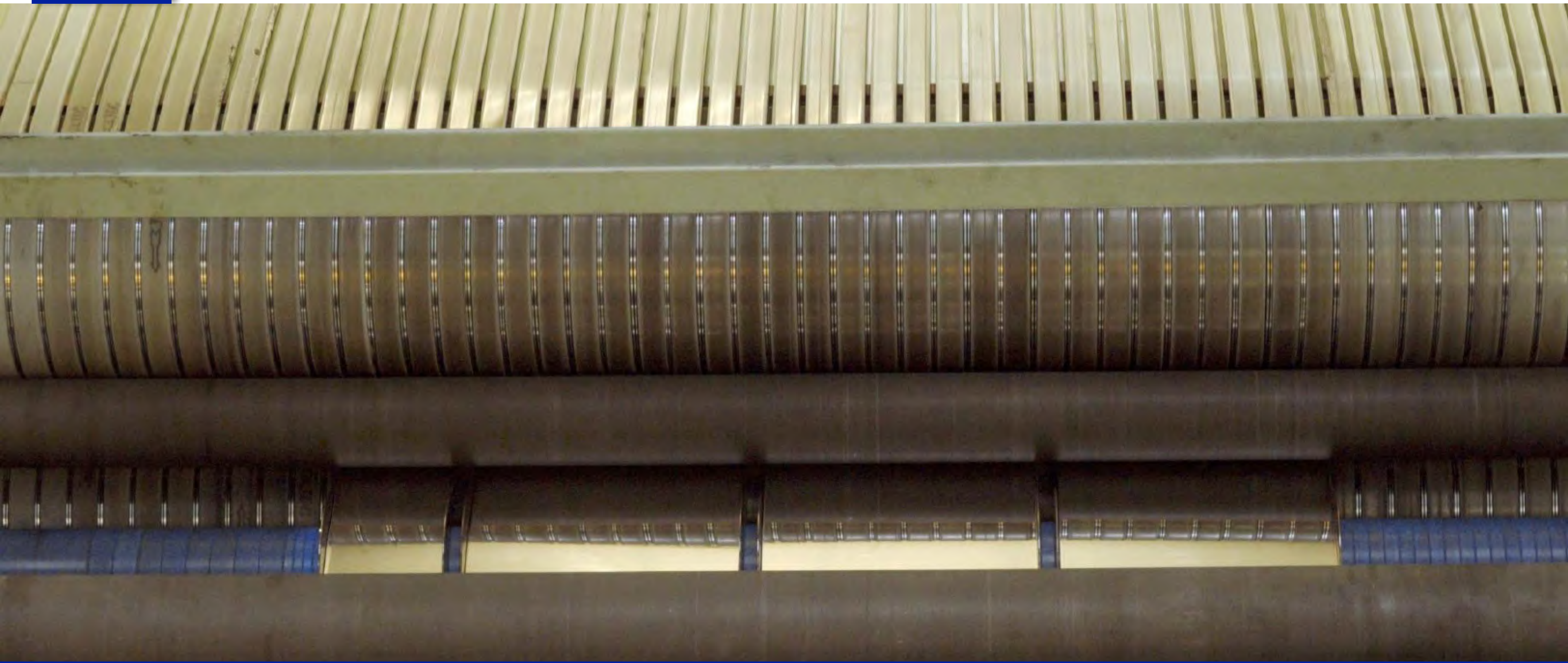
Replacement of ZM-3 motors and drivers (2017)

ACERINOX EUROPA



SL-9 longitudinal slitting line (2017)

ACERINOX EUROPA



SL-9 Longitudinal slitting line (2017)

ACERINOX EUROPA

Rolling mill no. 7 (March 2018)

AP-5 MARCH 2018

WHAT IS IT?

WHAT ARE ITS TECHNOLOGICAL DEVELOPMENTS?

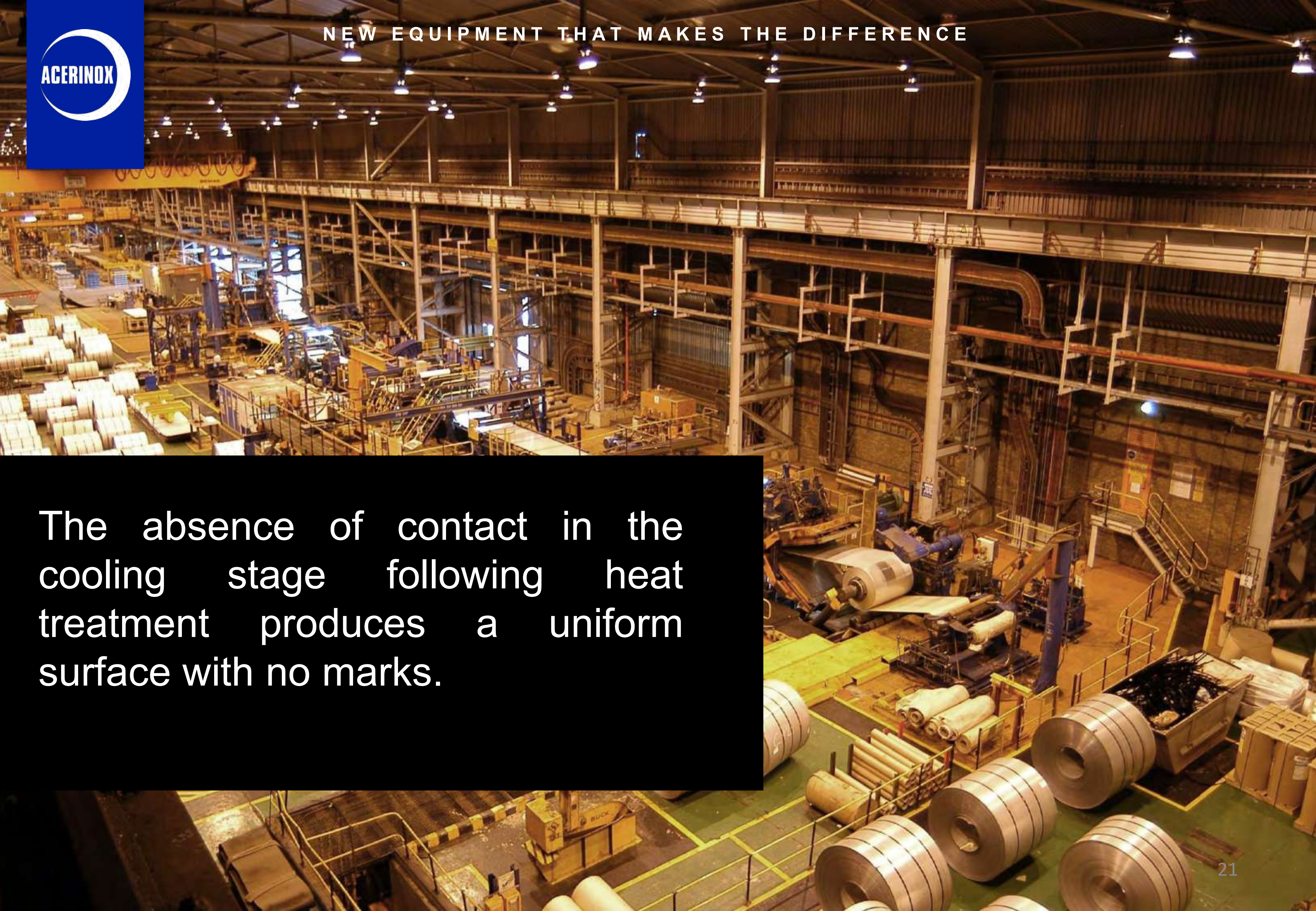
WHAT BENEFITS DOES IT PROVIDE?

ACERINOX EUROPA

Final annealing and pickling line (March 2018)

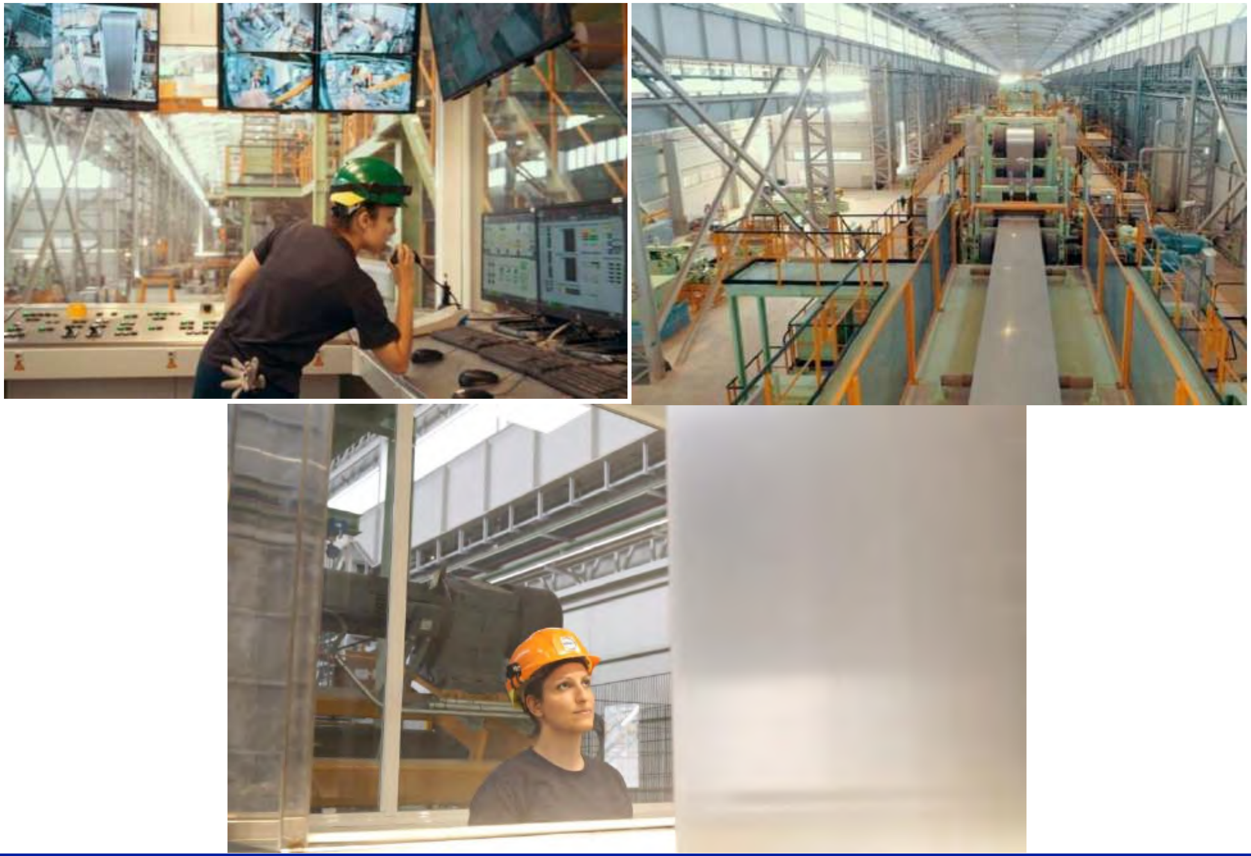
ACERINOX EUROPA

Final annealing and pickling line (March 2018)



The absence of contact in the cooling stage following heat treatment produces a uniform surface with no marks.

ACERINOX EUROPA



Final annealing and pickling line (March 2018)

ACERINOX EUROPA

SKP Y TLU AP-5

ACERINOX EUROPA

Pickling control AP-5

What features has the pickling?

What is achieved with these plants?

1º Emission are 2/3 times lower than the legal limit.

2º The conditions of acids, salts and water is 40% lower than what we have had until now.

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AP-3 Revamping (August 2018)

ACERINOX EUROPA

AP-3 Revamping (August 2018)

ACERINOX EUROPA: UPCOMING PROJECTS TO BE IMPLEMENTED

- There is another series of investments underway for all the departments: Cold Rolling, Hot Rolling and Melt Shop (ladle furnace) with the same objective:
  - Improve quality
  - Reduce costs
  - Increase production
- There are also other investments for environmental improvements, some already made and others in progress and pending completion before the end of 2019.

All of our effort is focused on having the best installations with the best equipments in order to be the best:

In competitiveness

In quality

In customer service

In environment

NEW EQUIPMENT THAT MAKES THE DIFFERENCE

Stainless Steel in Transport: New Opportunities

Luis Peiró, Technical Director of CEDINOX

ACERINOX

1 | Historical evolution

2 | Current situation

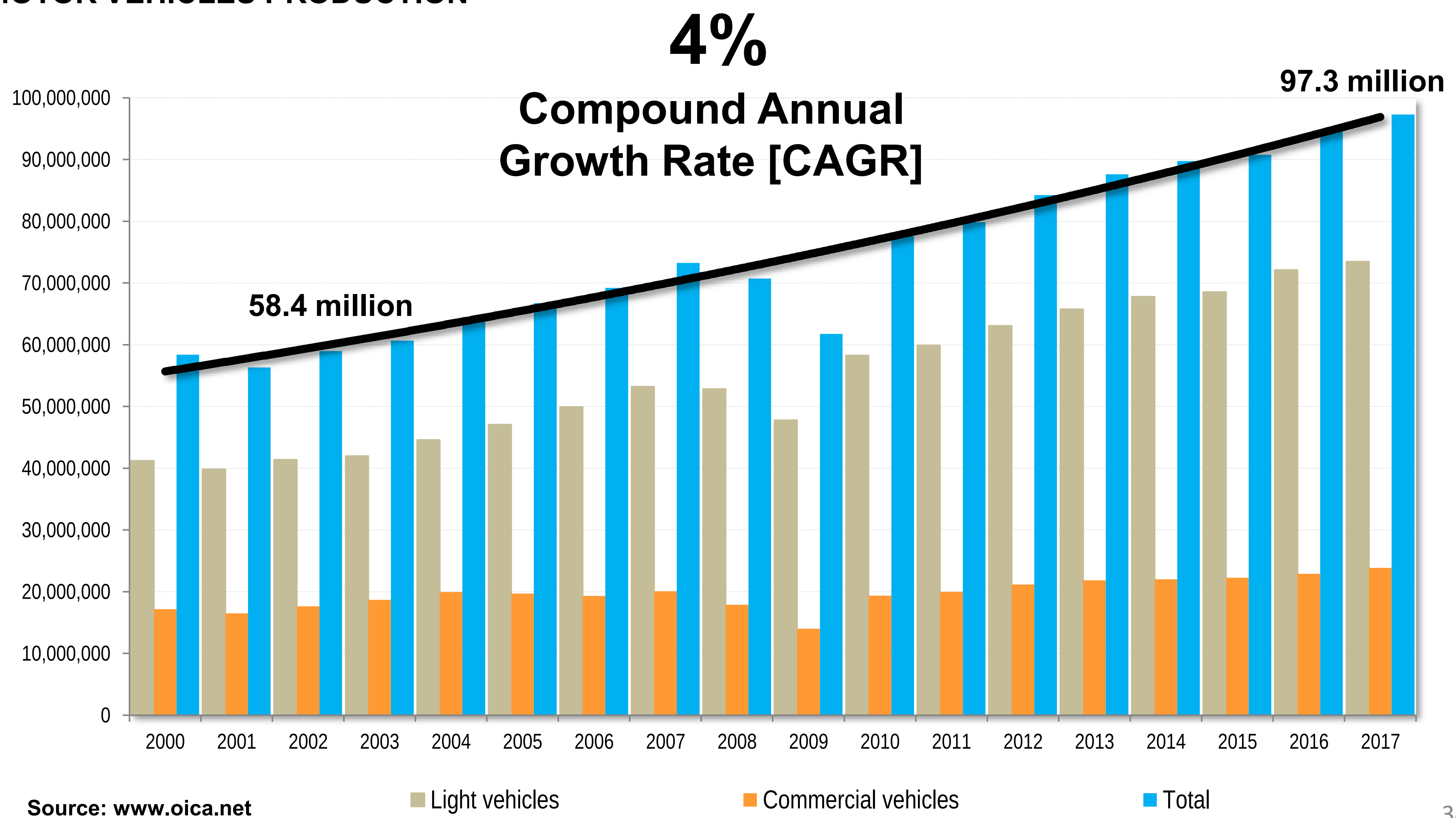
3 | Expected development in the coming years

4 | Goals in the automotive industry

5 | Conclusions

HISTORICAL EVOLUTION 2000-2017

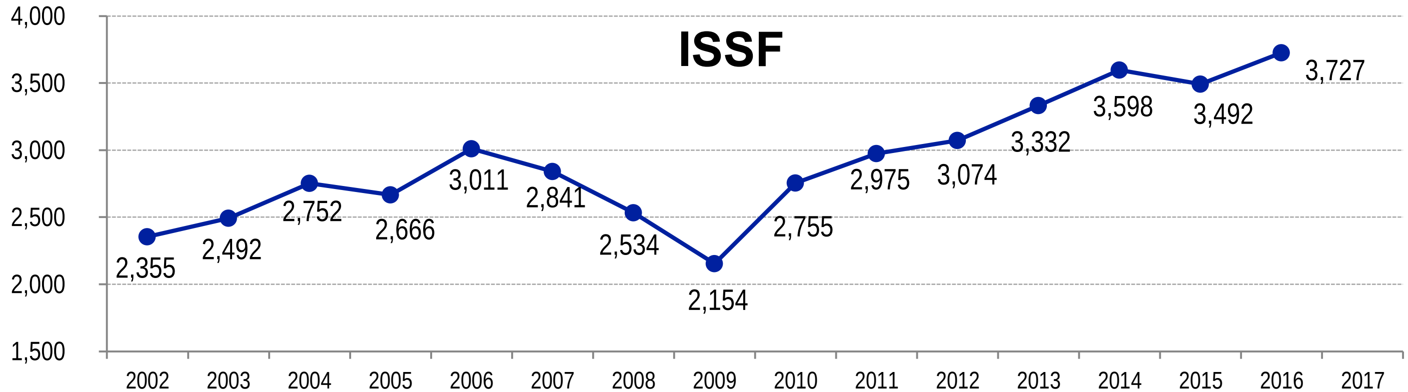
MOTOR VEHICLES PRODUCTION



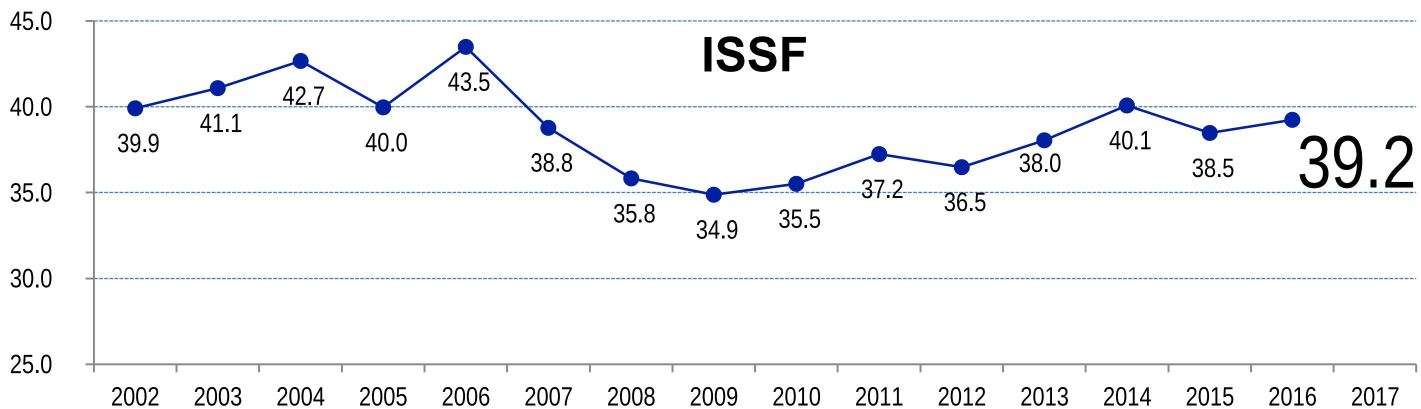
Source: www.oica.net

HISTORICAL EVOLUTION 2000-2017

MOTOR VEHICLES: STAINLESS STEEL WORLD CONSUMPTION (x1000 t)

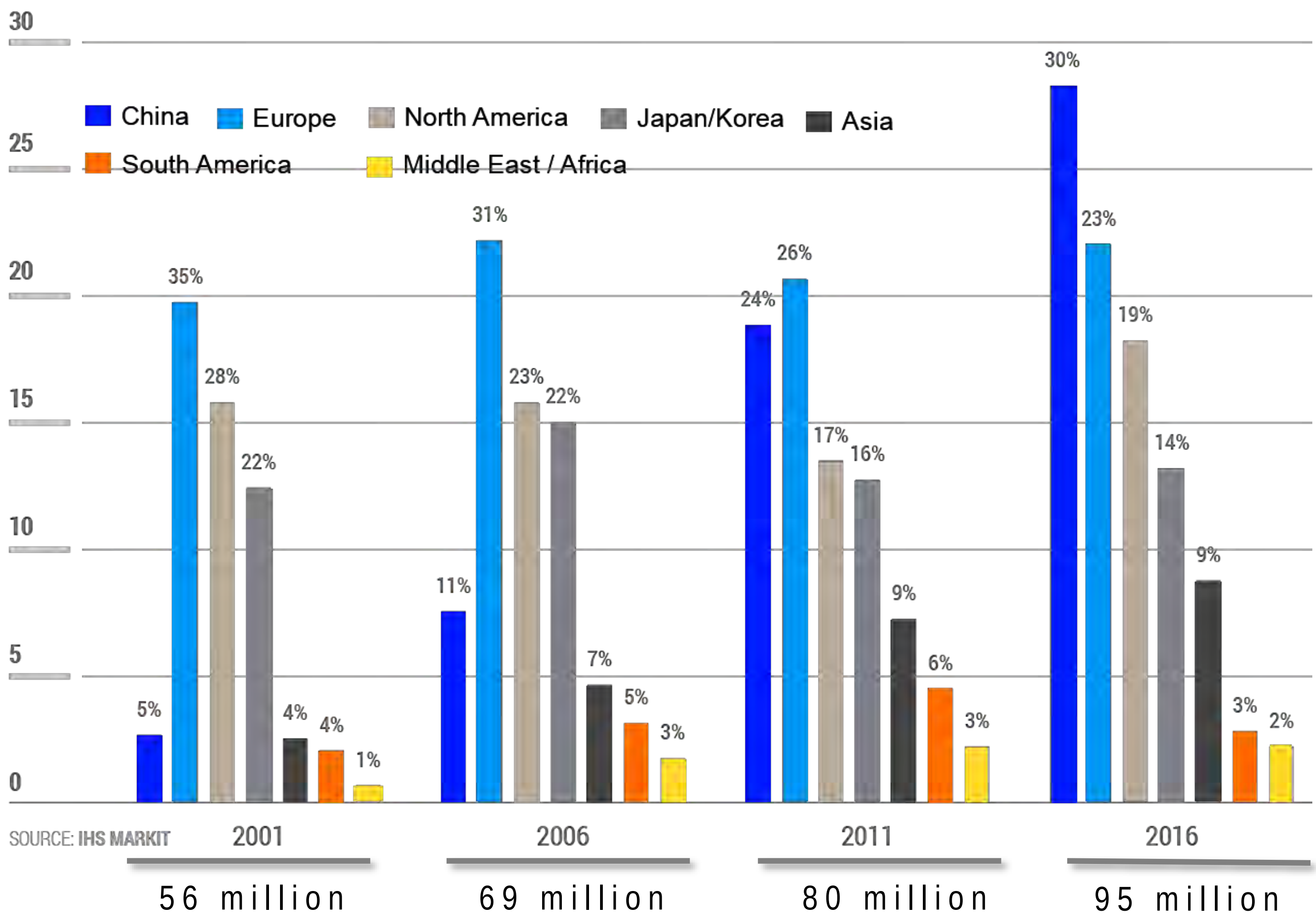


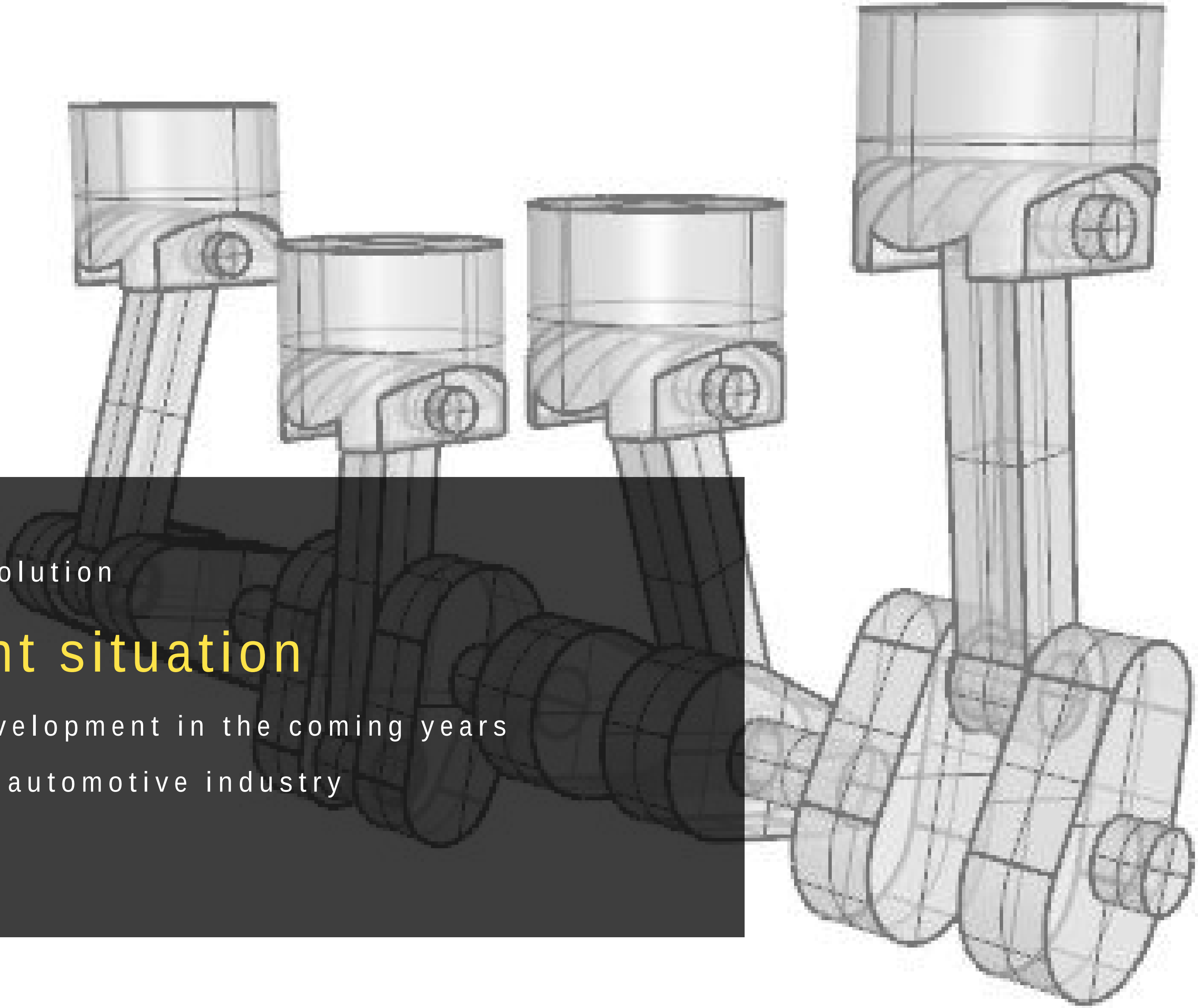
AVERAGE CONSUMPTION PER VEHICLE (KG)



HISTORICAL EVOLUTION 2000-2017

WORLD MOTOR VEHICLE PRODUCTION (MILLION UNITS - % SHARE)





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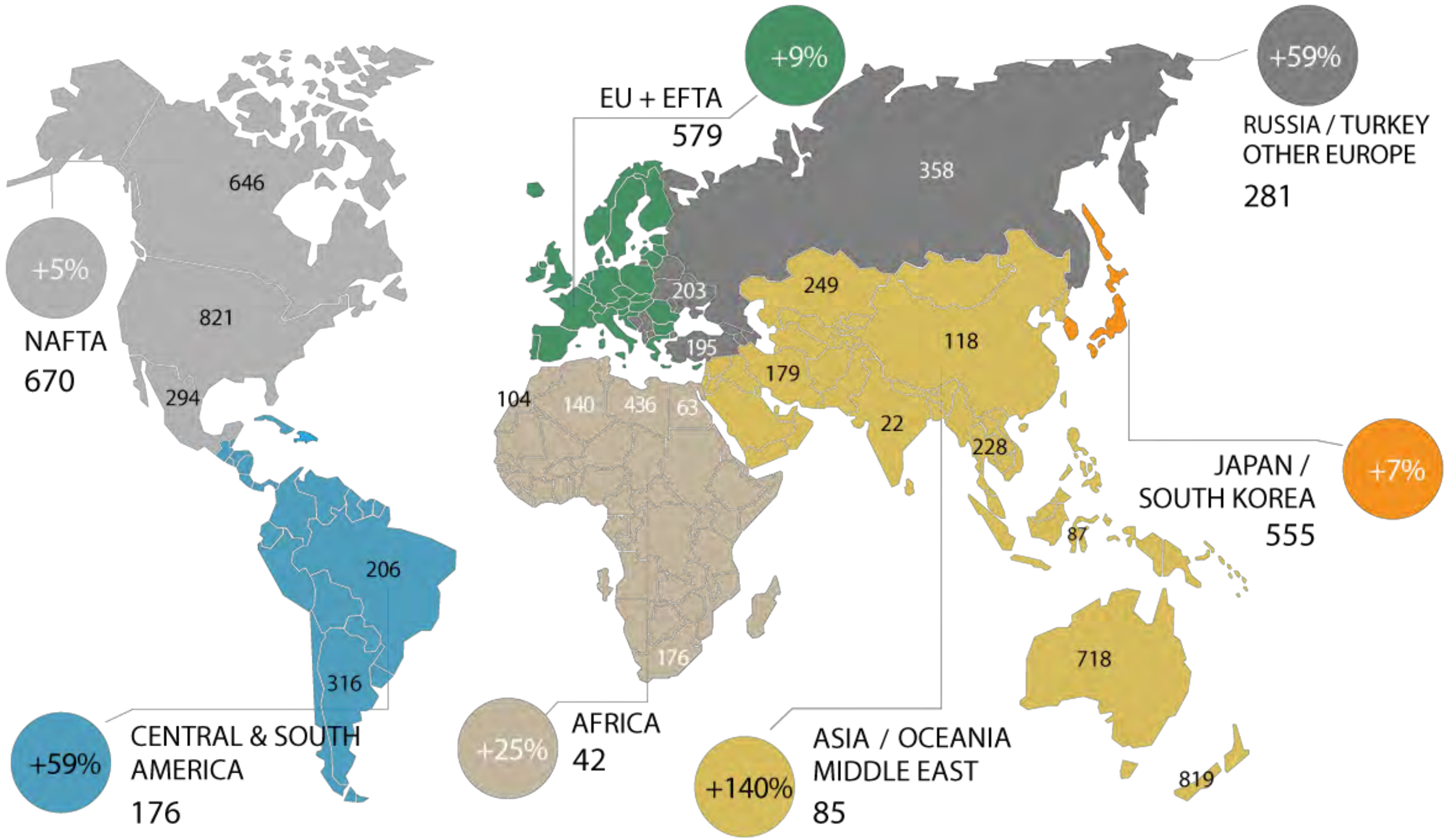
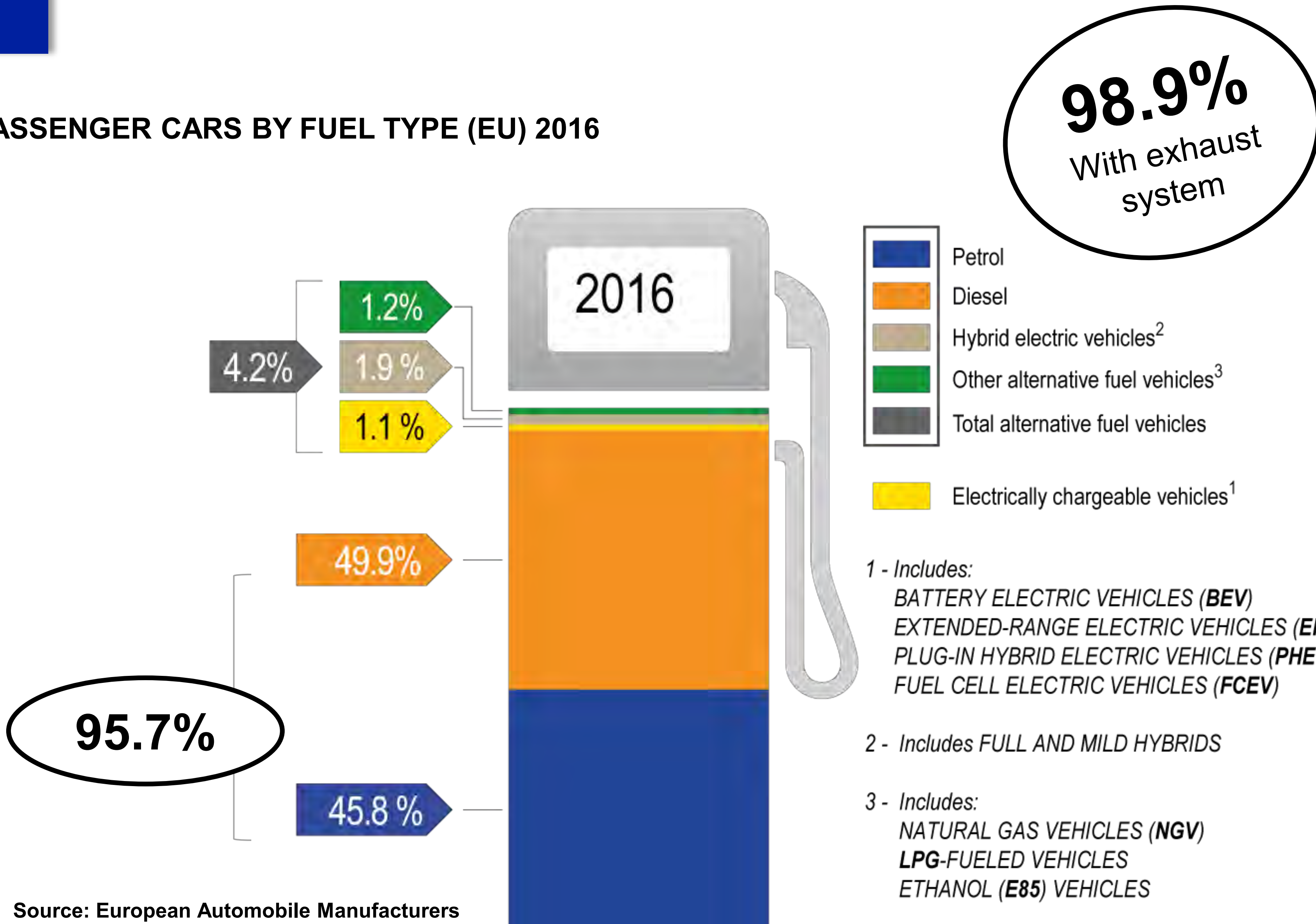
CURRENT SITUATION

MOTORISATION RATE PER 1,000 INHABITANTS (in units, % change 2015-2005)



CURRENT SITUATION

PASSENGER CARS BY FUEL TYPE (EU) 2016



1 - Includes:
*BATTERY ELECTRIC VEHICLES (**BEV**)*
*EXTENDED-RANGE ELECTRIC VEHICLES (**EREV**)*
*PLUG-IN HYBRID ELECTRIC VEHICLES (**PHEV**)*
*FUEL CELL ELECTRIC VEHICLES (**FCEV**)*

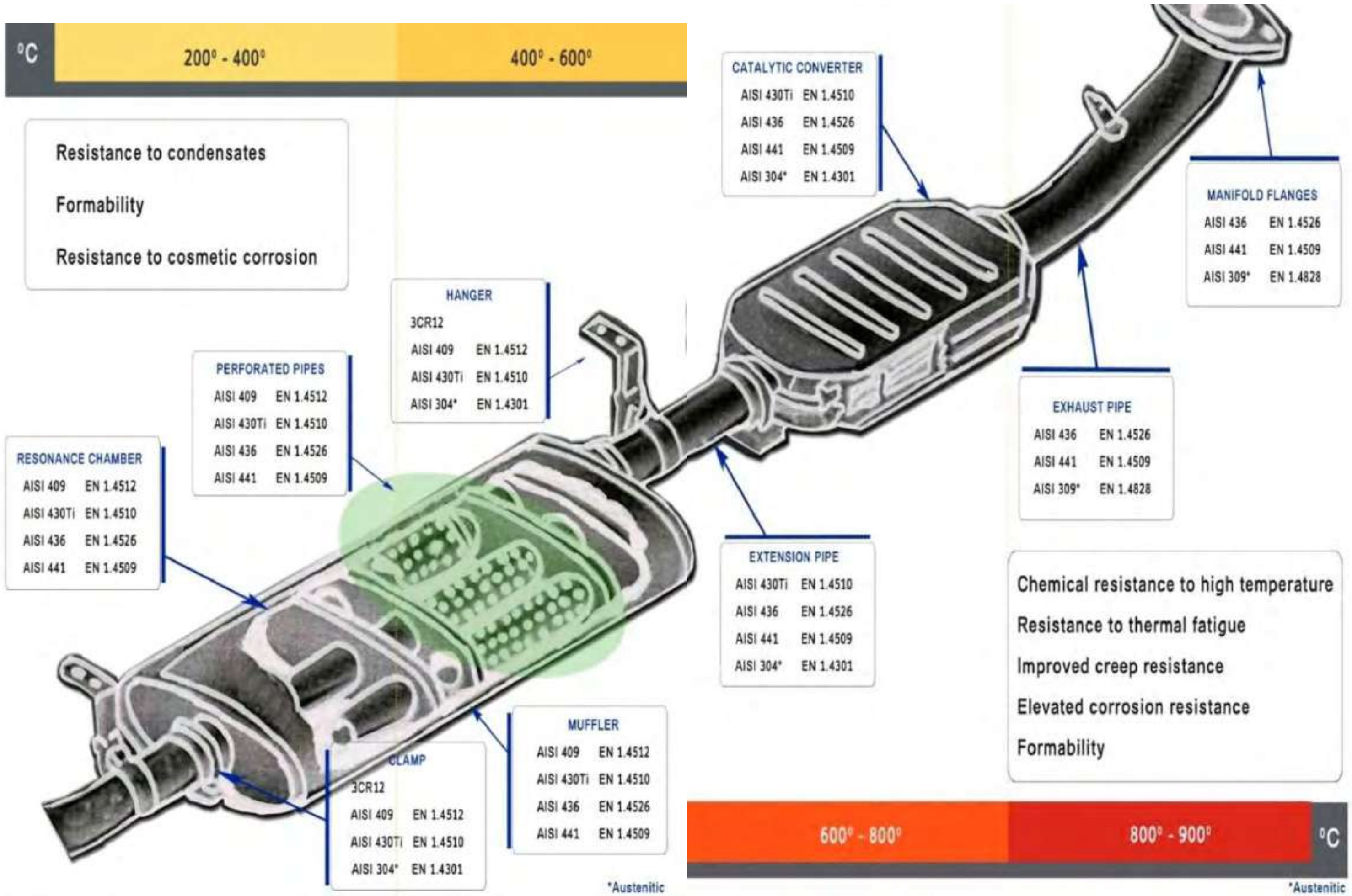
2 - Includes FULL AND MILD HYBRIDS

3 - Includes:
*NATURAL GAS VEHICLES (**NGV**)*
***LPG**-FUELED VEHICLES*
*ETHANOL (**E85**) VEHICLES*

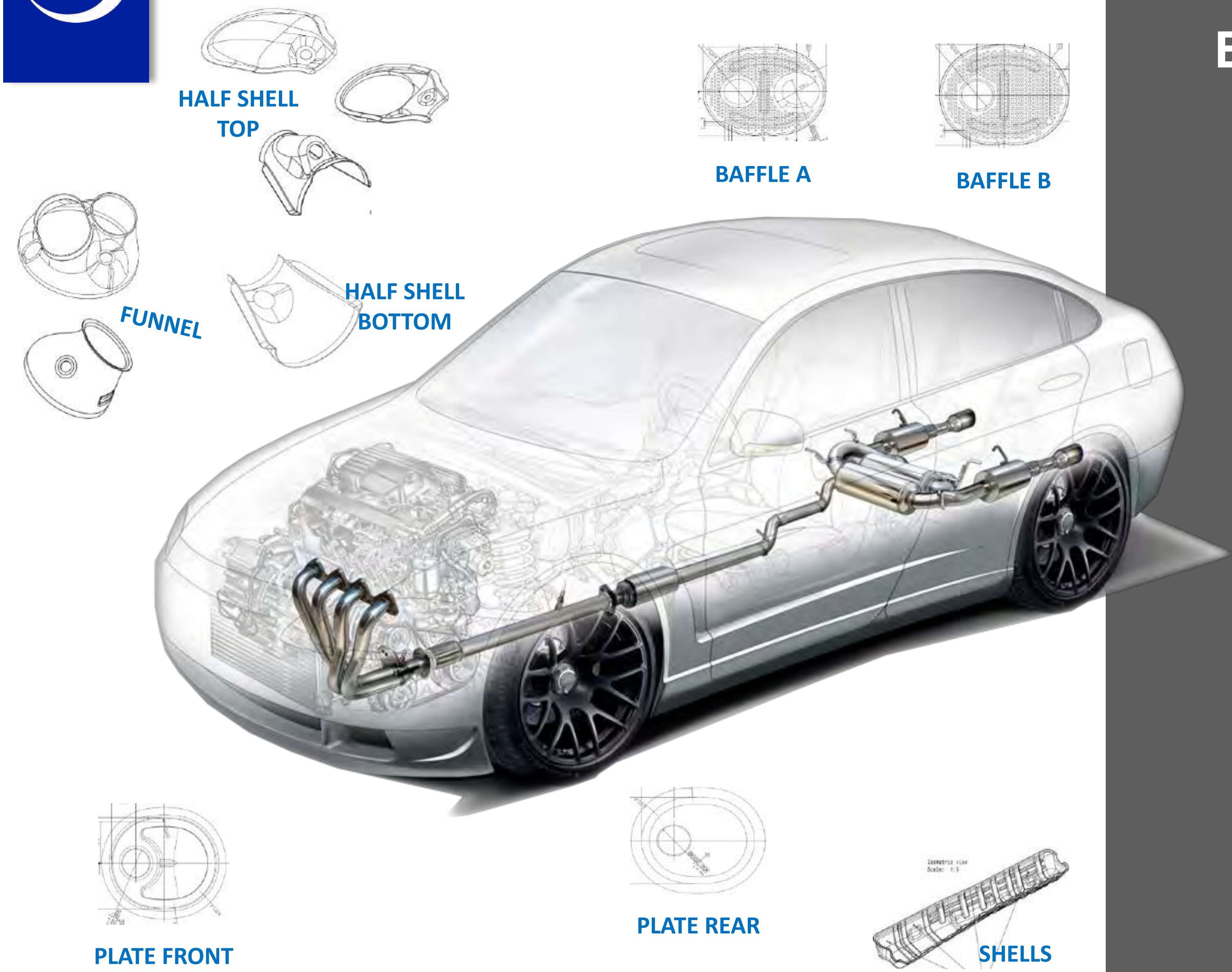
Source: European Automobile Manufacturers Association. www.acea.be

CURRENT SITUATION

EXHAUST SYSTEMS: 90-95% STAINLESS STEEL CONSUMPTION

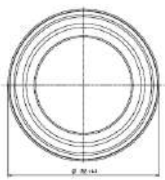


EXHAUST SYSTEM

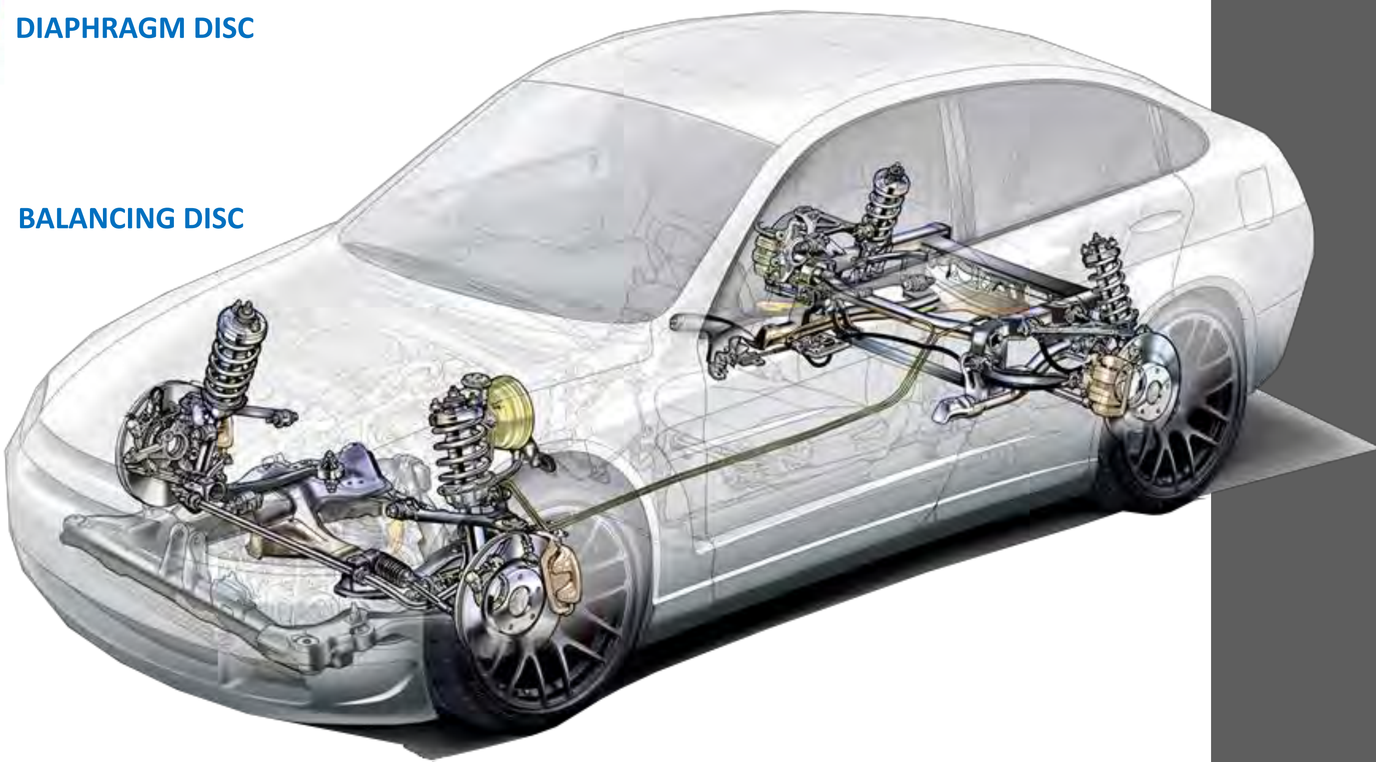


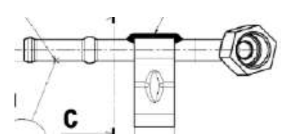
SUSPENSION & BRAKING SYSTEM

DIAPHRAGM DISC



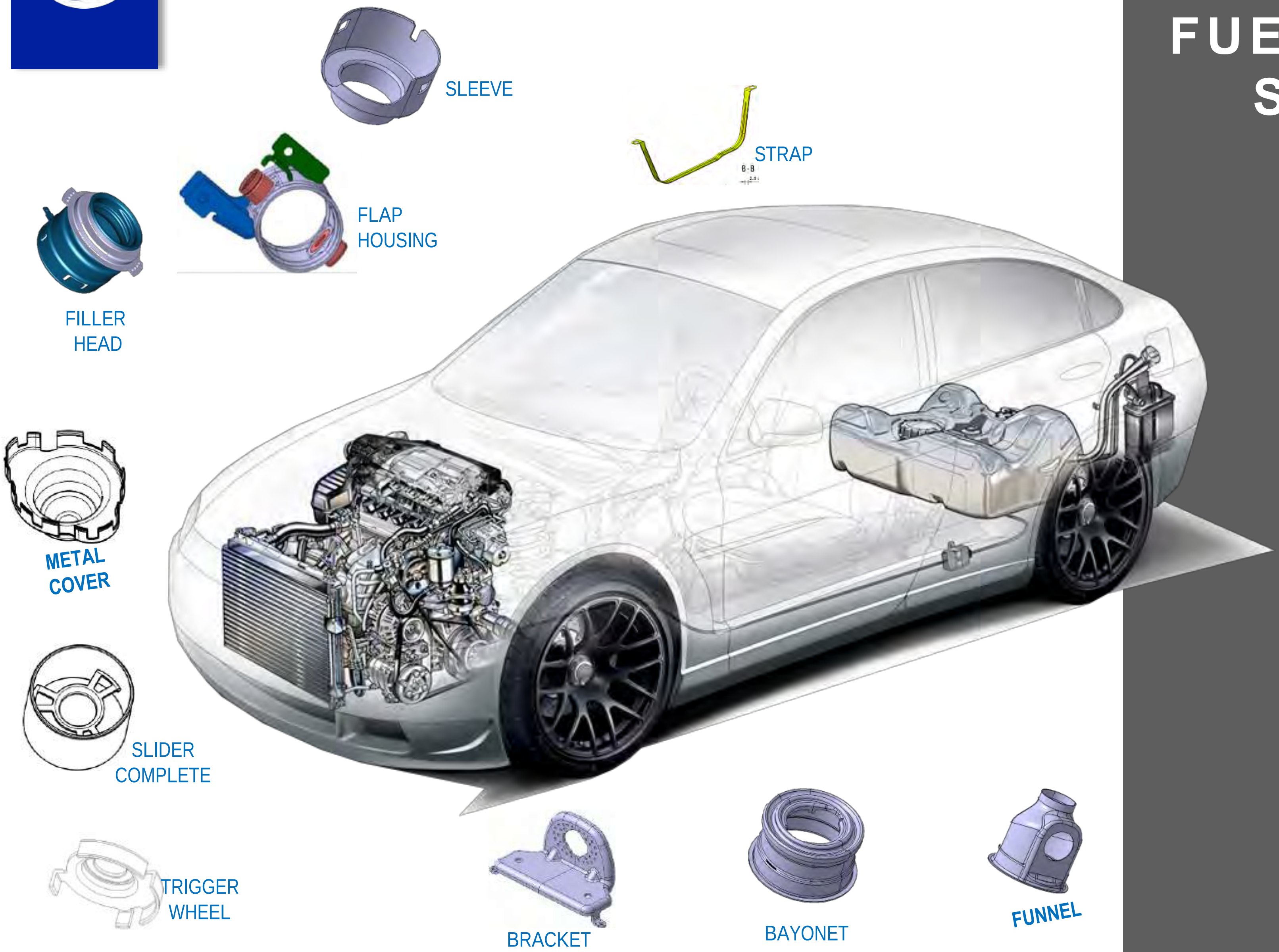
BALANCING DISC



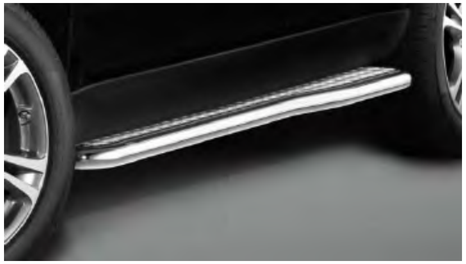


PRESS PIPES

FUEL SUPPLY SYSTEM



OTHER PARTS



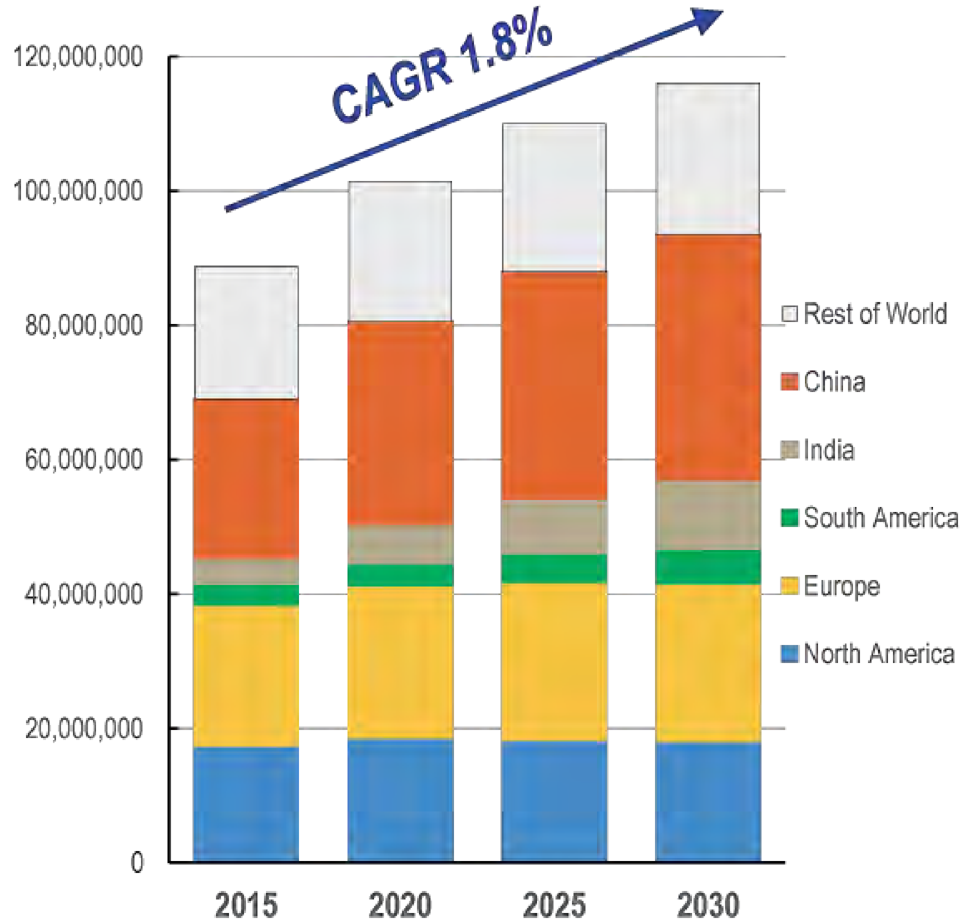
OTHER PARTS

3 | Expected development in the coming years

EXPECTED DEVELOPMENT

LIGHT VEHICLE UNIT GROWTH TREND

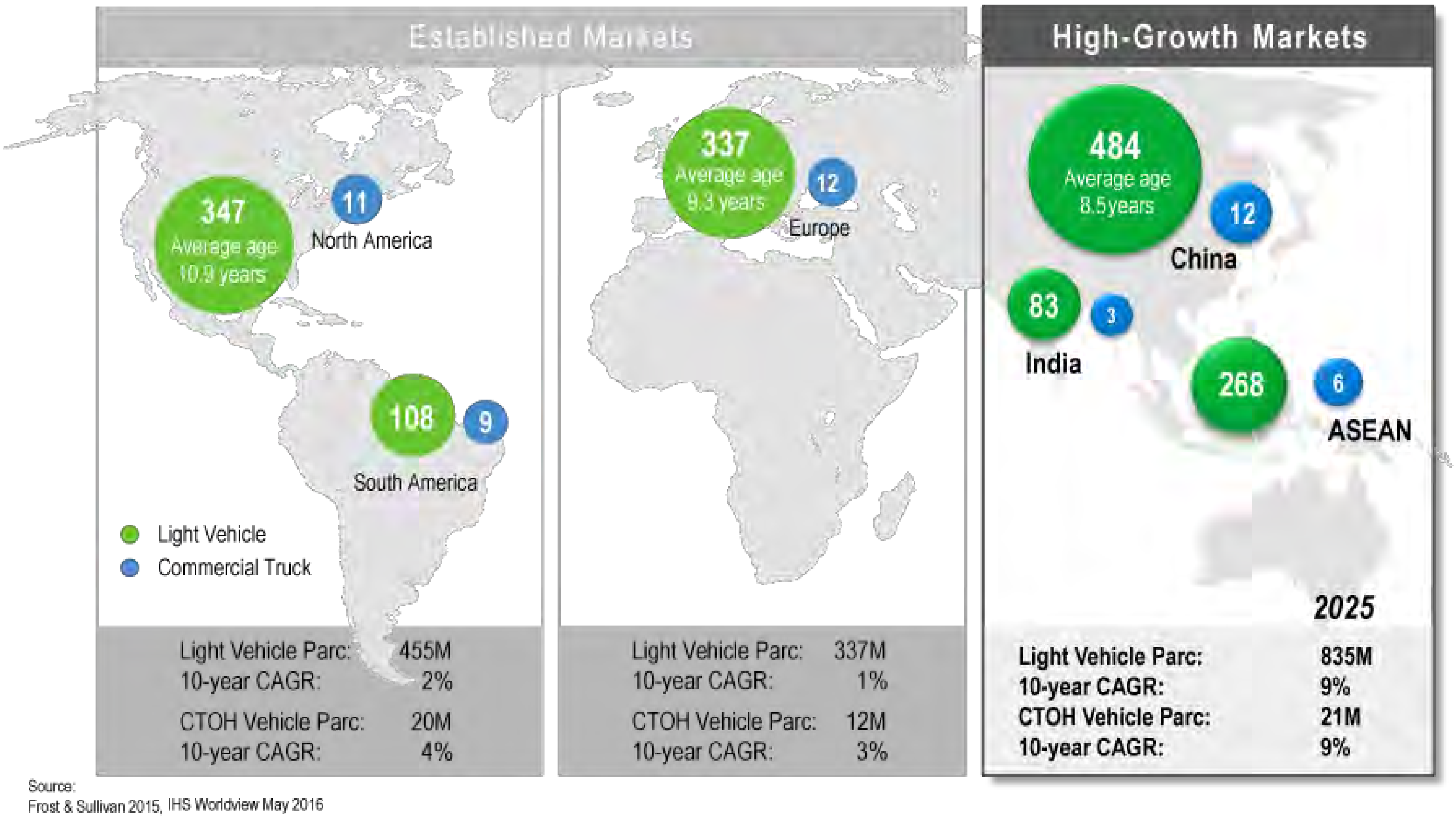
ASIA PACIFIC IS +70% THROUGH 2030



Source: Frost & Sullivan 2015, IHS Worldview May 2016, Tenneco 2017 Investor Day

EXPECTED DEVELOPMENT

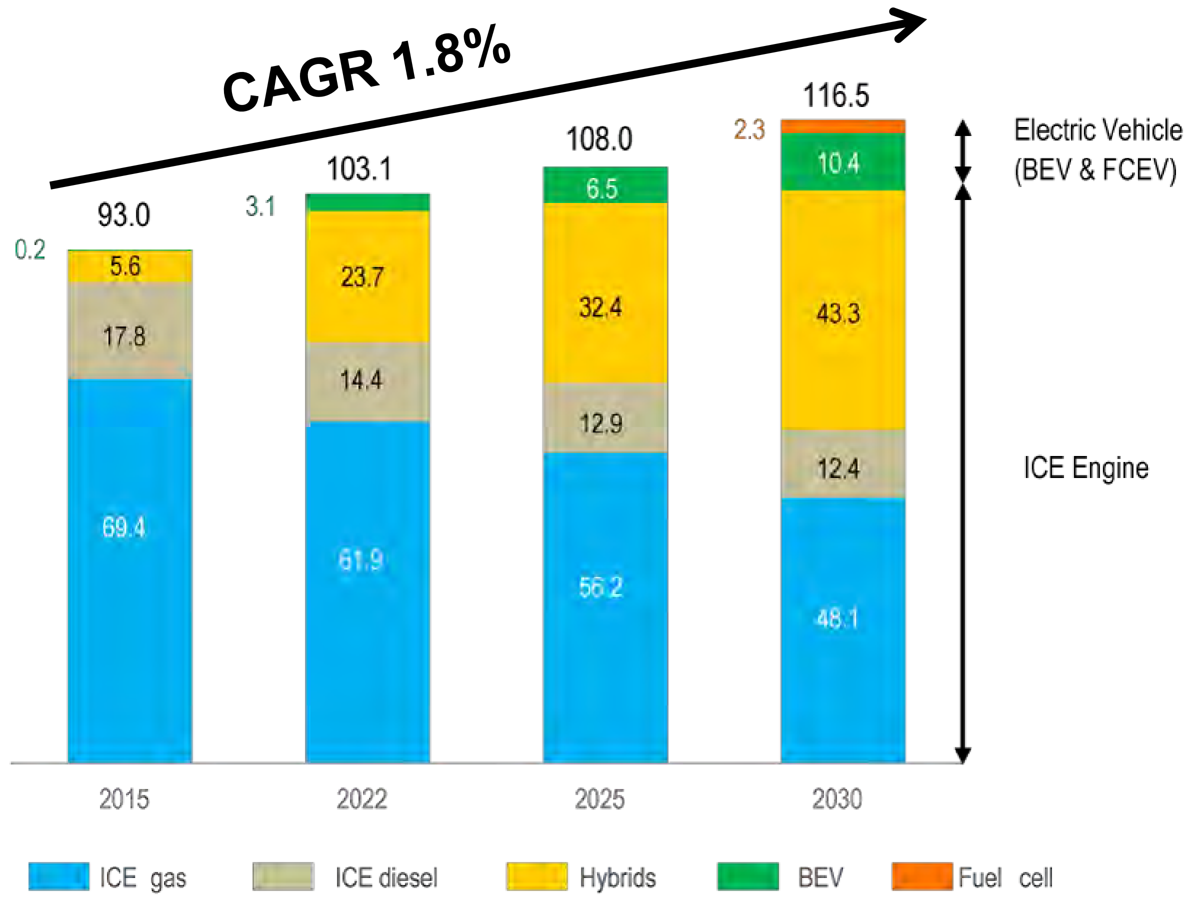
VEHICLE PARC UNIT GROWTH (2025)



Source: Tenneco 2017 Investor Day

EXPECTED DEVELOPMENT

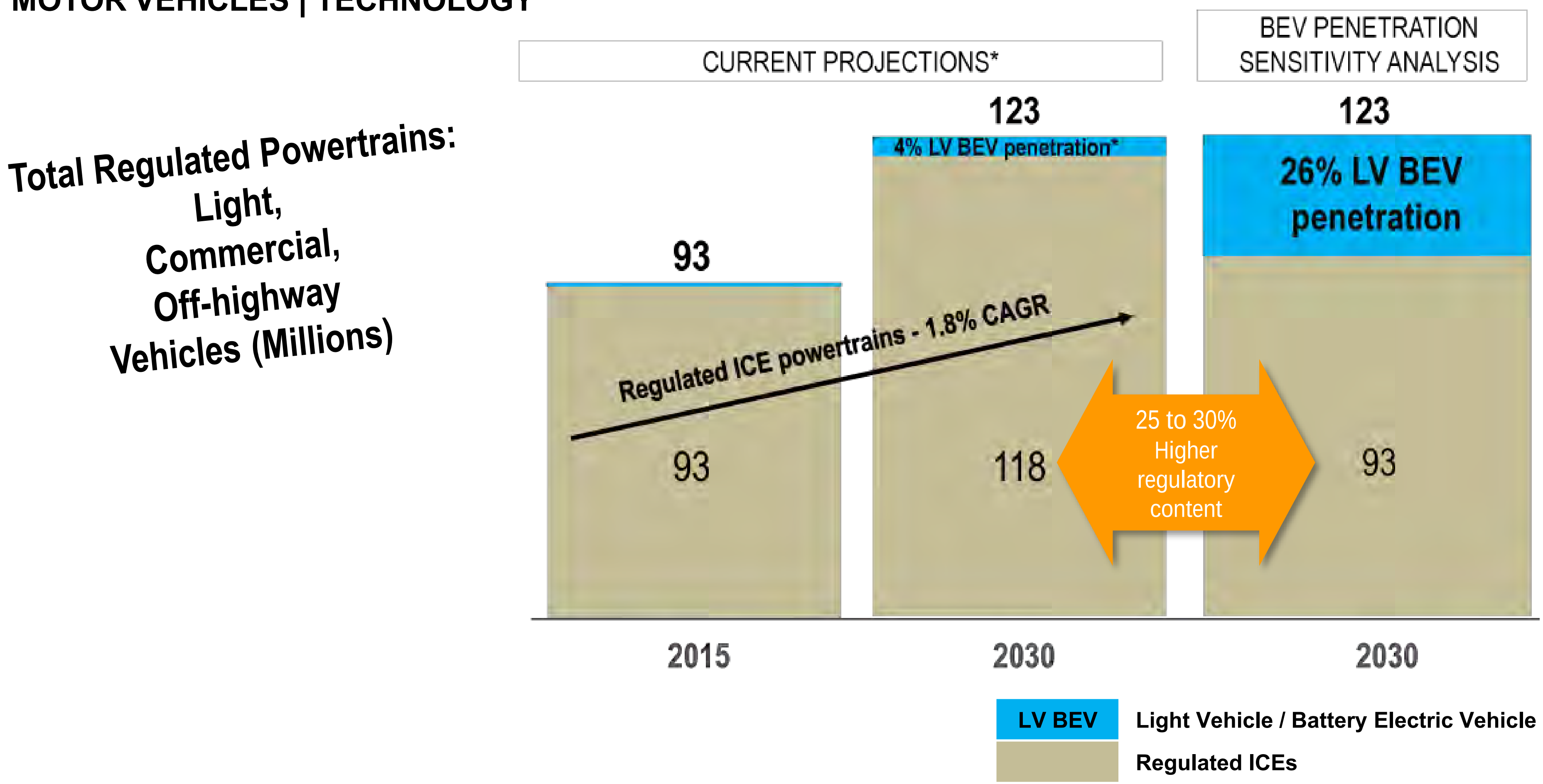
WORLD PRODUCTION BY TECHNOLOGY (2030) million units



Source: Faureccia 2017 Investor Day

EXPECTED DEVELOPMENT

MOTOR VEHICLES | TECHNOLOGY



Source: Frost & Sullivan 2015, IHS Worldview May 2016, Tenneco 2017 Investor Day
[*IHS Automotive, Power Systems Research and Tenneco estimates]

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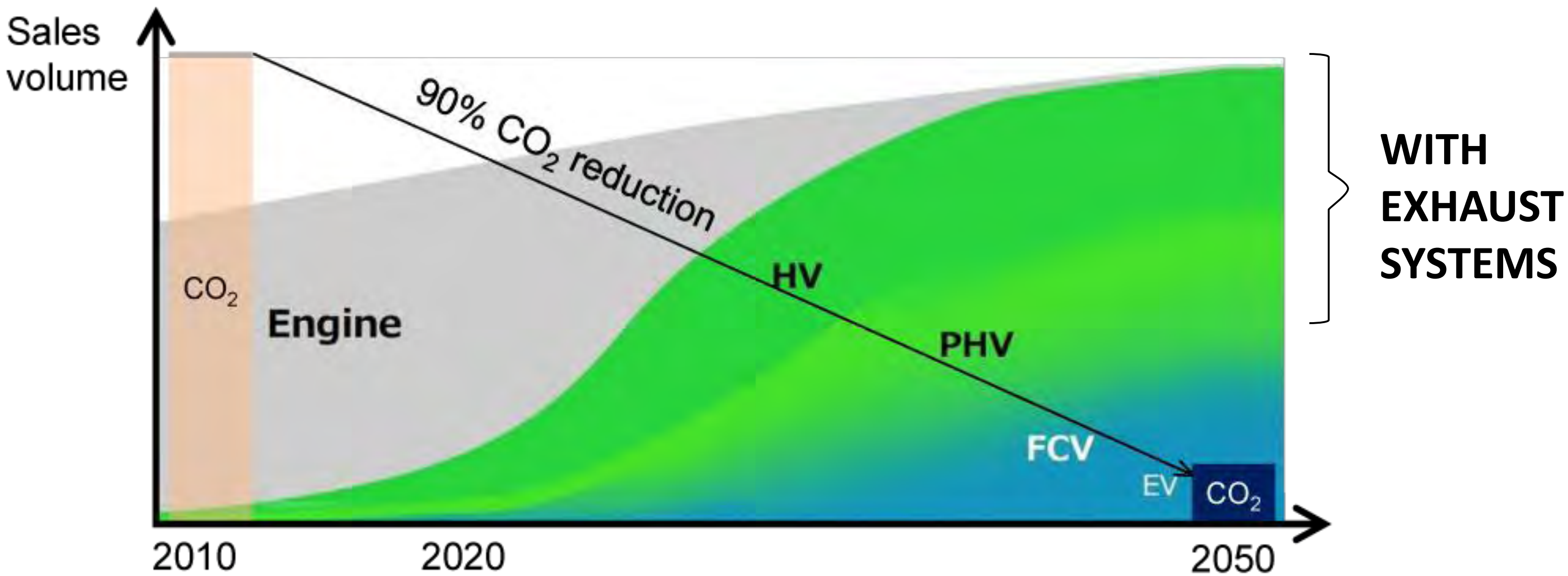
GOALS IN THE AUTOMOTIVE INDUSTRY

POLLUTION :	*CO2, NOx PARTICLES REDUCTION*
WEIGHT / THICKNESS :	*REDUCTION WITHOUT LESSEN RESISTANCE AND CONFORMABILITY*
EFFICIENCY :	*MINOR COST PER KM*
SAFETY :	*PASSENGERS & PEDESTRIANS*
TECHNOLOGY :	*NEW SUPPLY NETWORK*

POLLUTION

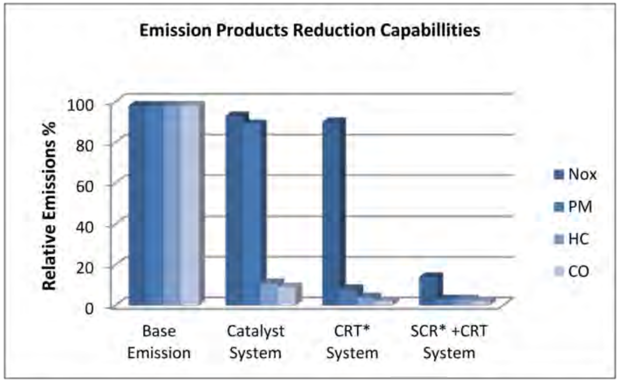
ELECTRIFICATION WILL INCREASE DRAMATICALLY AFTER 2020

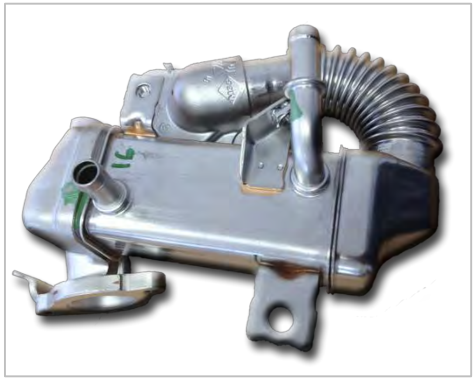


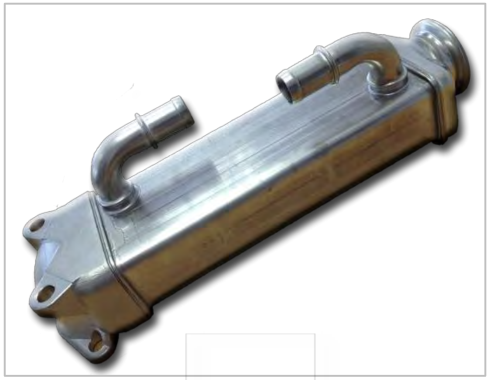
HV	Hybrid Vehicle
PHV	Plug-in Hybrid Vehicle
FCV	Fuel Cell Vehicle
EV	Electric Vehicle

Source: Toyota

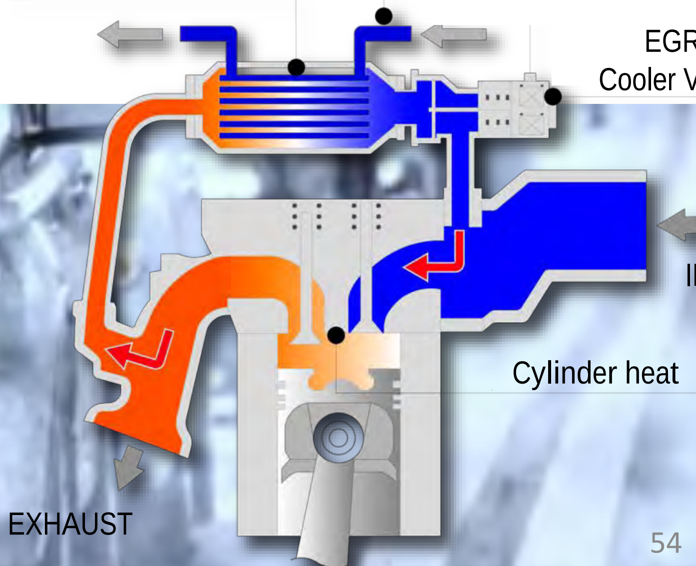
POLLUTION: EMISSIONS CONTROL



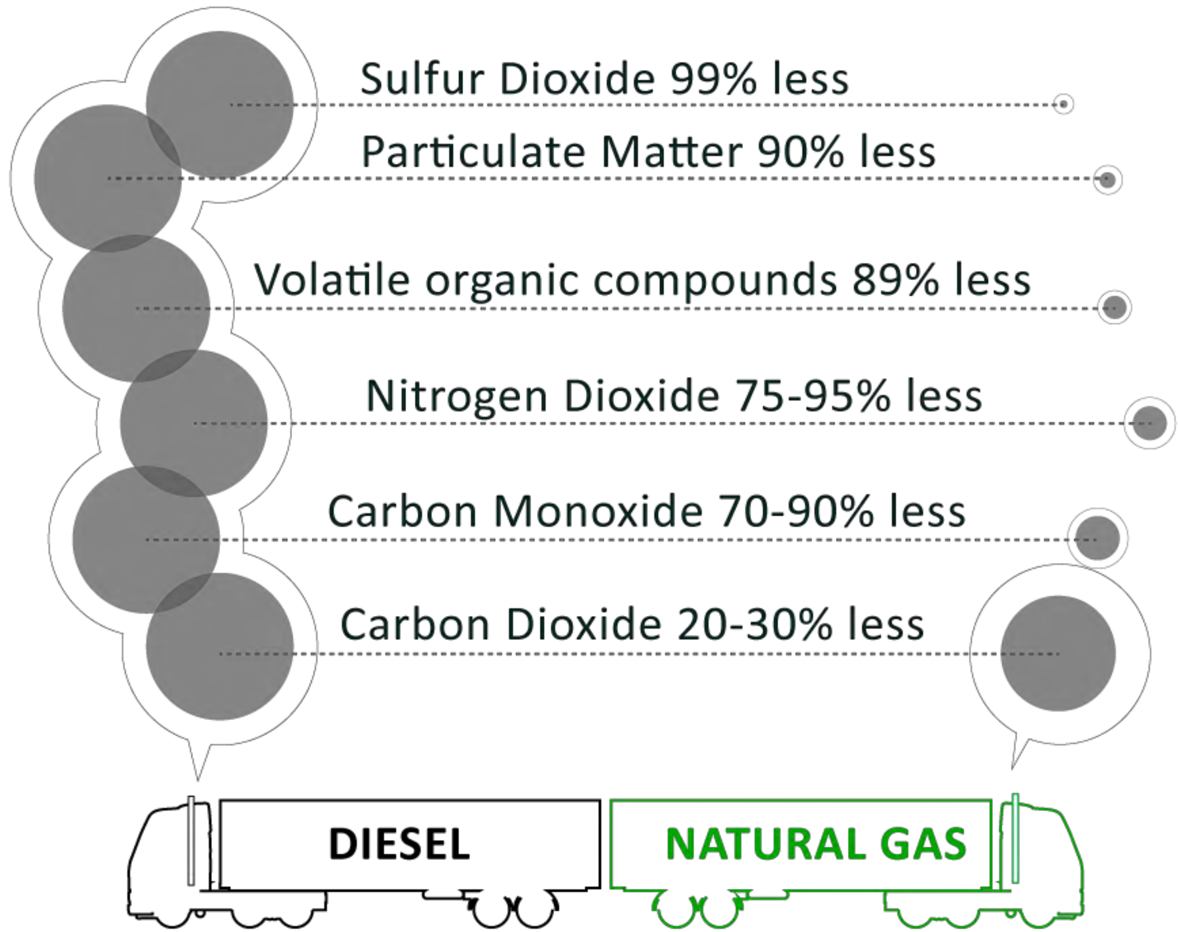




CRT – Continuously Regenerating Trap
SCR – Selective Catalyst Reduction



POLLUTION: NATURAL GAS



POLLUTION: NATURAL GAS

LIQUEFIED NATURAL GAS - LNG

LNG TANKS IN TRUCKS

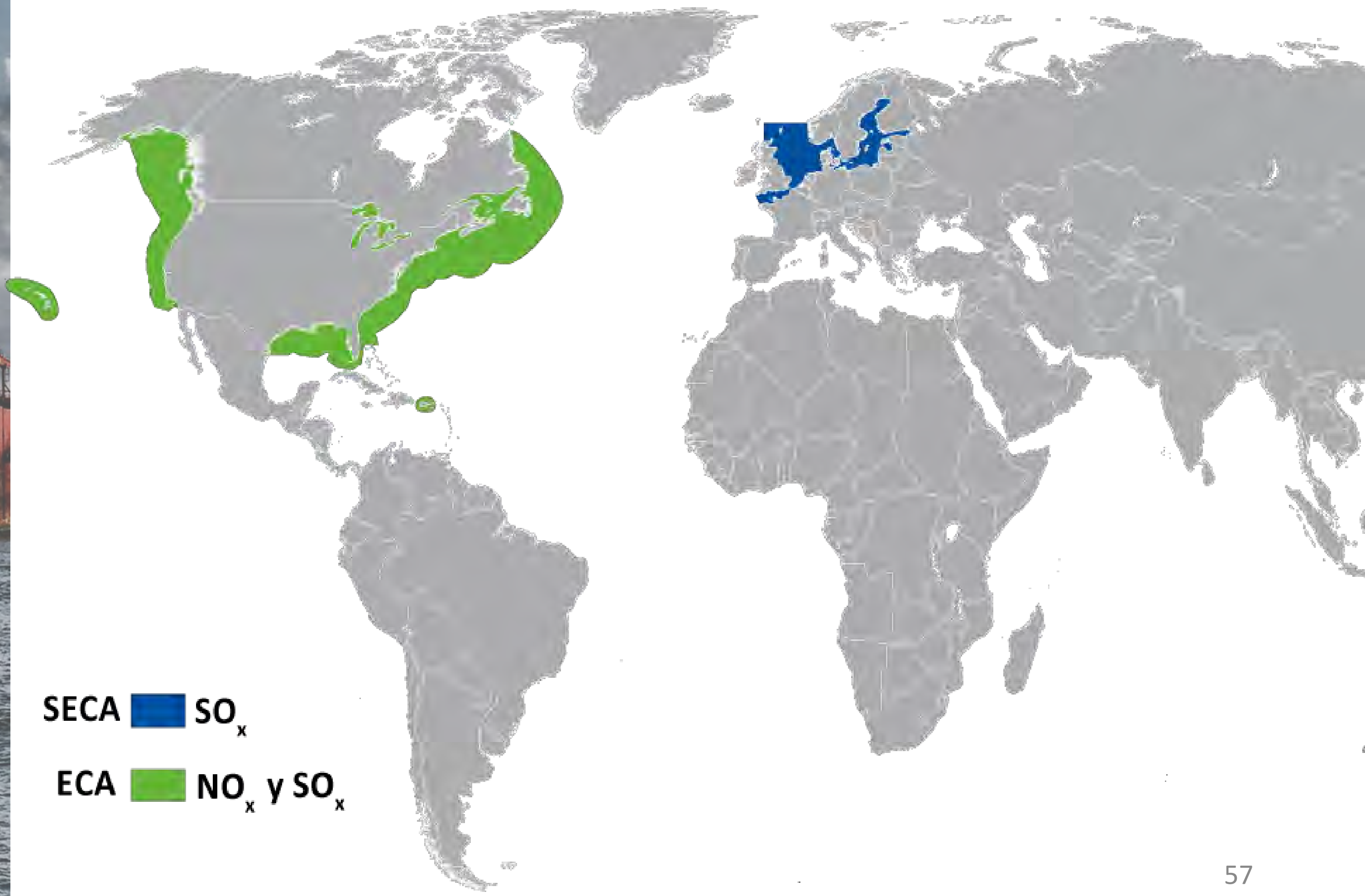
Source: WESTPORT

LNG DOUBLE SIDES TANKS

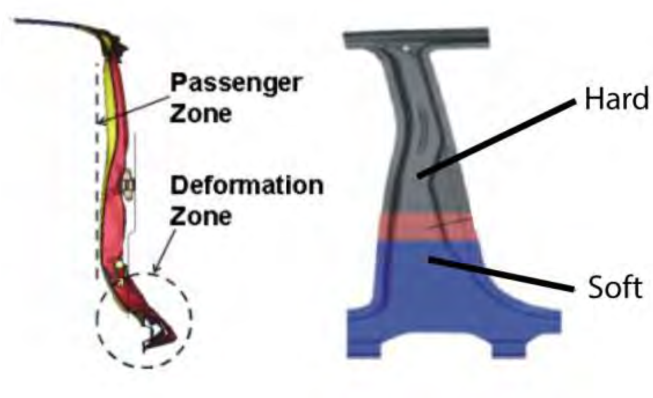
Source: LAPESA

POLLUTION: NATURAL GAS

LNG VESSELS - ECA (EMISSION CONTROL AREAS)



WEIGHT REDUCTION: EFFICIENCY



ANTI-INTRUSION	ENERGY ABSORPTION	
USE "HARD"	USE "HARD + SOFT"	**MULTI-STRENGTH B-PILLAR**
MONO HPF PARTS	MULTI-STRENGTH HPF PARTS	

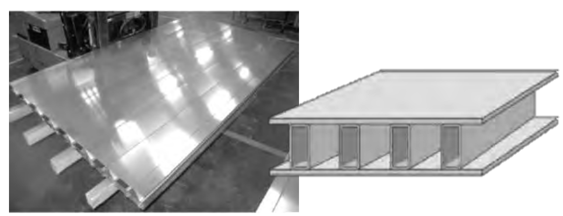
Source: POSCO. "Crash safety with high strength steels" International Automotive Congress, China

SAFETY: STRUCTURES

BUS	1.4301 304SP 3CR12 (1.4003) 16-7Mn

LIGHT & SAFE	1.4318 1.4301
INOX-SAFE	1.4301 1.4028 304-LNi

DOLTRAC	1.4318 304SP



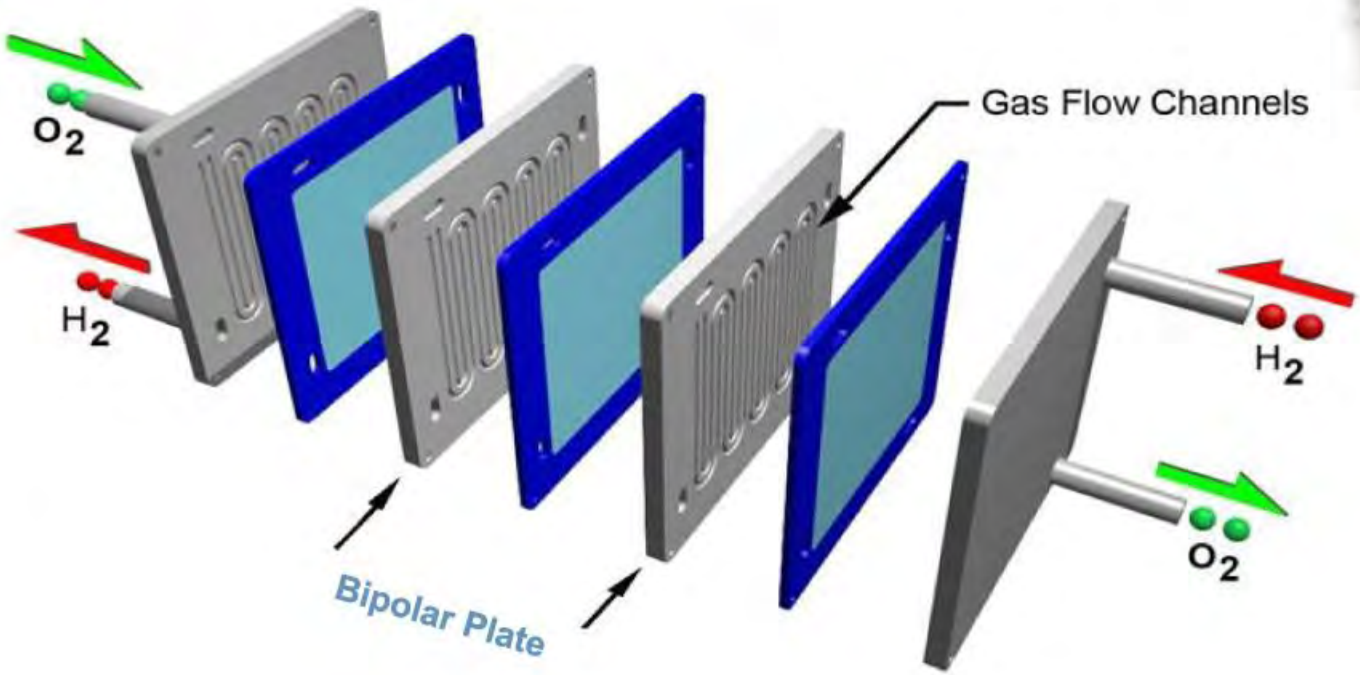
SAFETY: FUEL TANKS

STAINLESS STEEL VS PLASTIC

Weight:	▼ 3.5 kg
Capacity:	▲ 3 litres
Machinery investment:	▼ 50-70%
Development cost:	▼ 50%
Time to market	▼ 50%

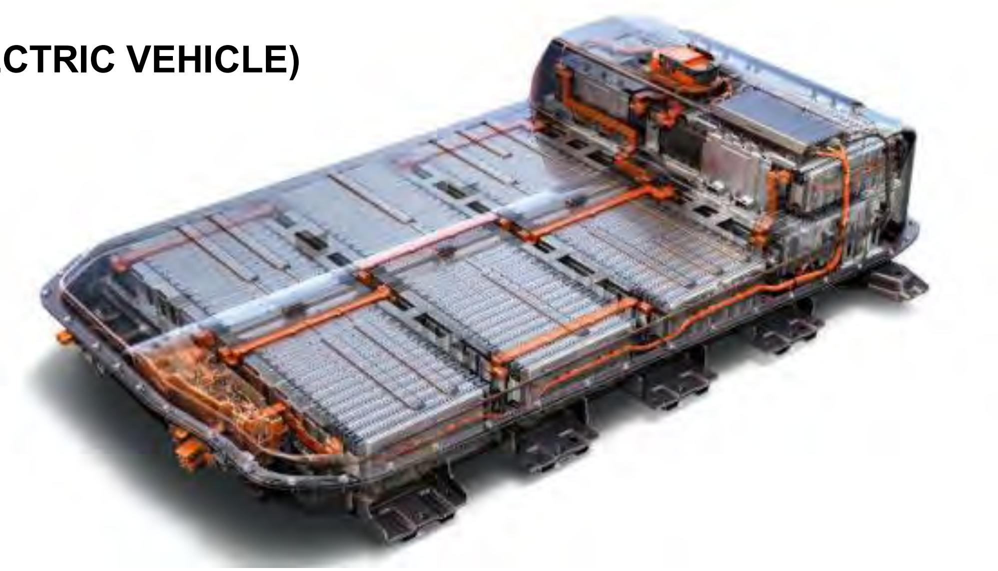
TECHNOLOGY: FCEV

FUEL CELL VEHICLE: H2 + O2 → H2O + ELECTRICITY

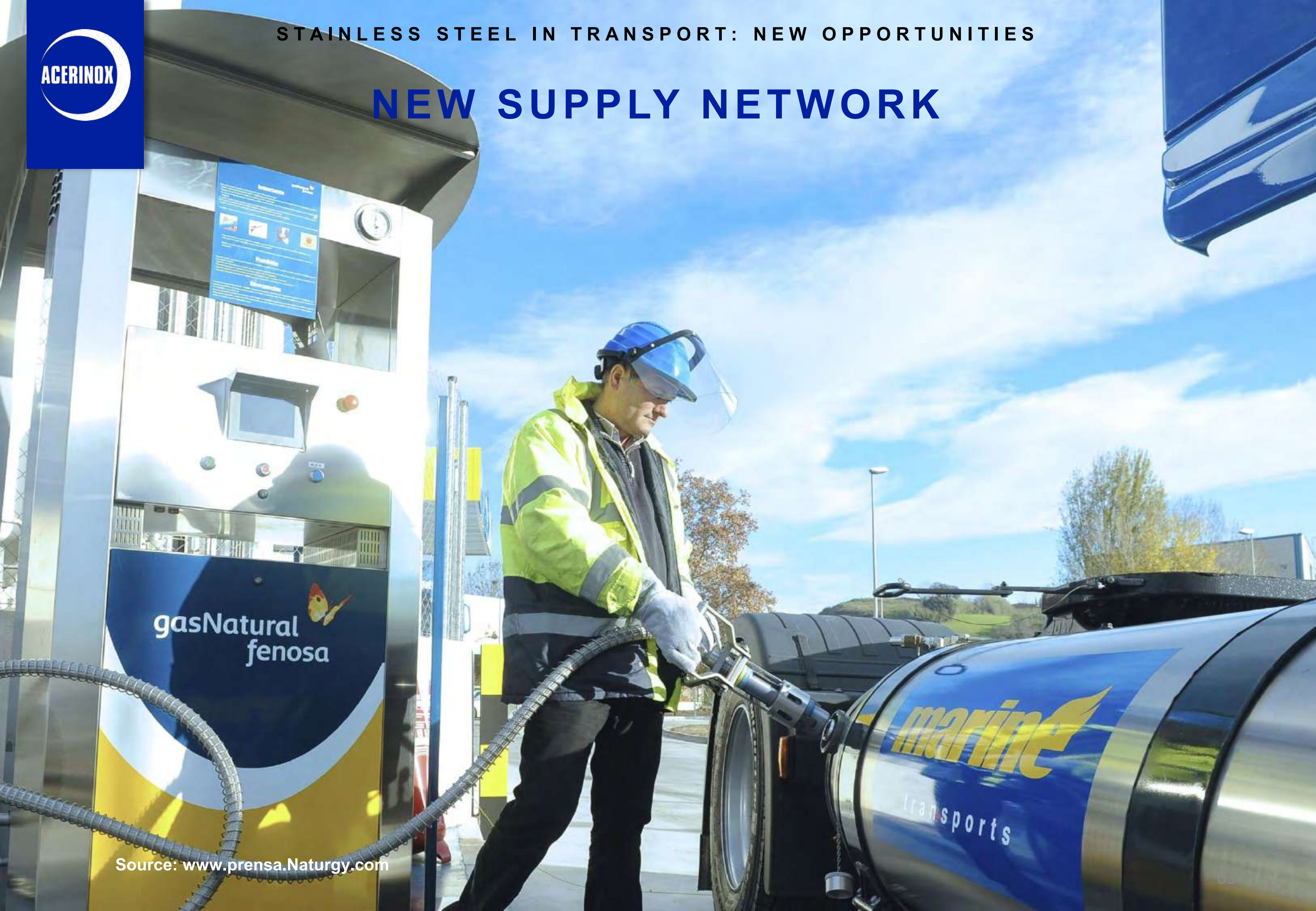


TECHNOLOGY: BATTERY ELECTRIC VEHICLE

STRUCTURAL SUPPORT FOR BEV (BATTERY ELECTRIC VEHICLE)



NEW SUPPLY NETWORK



Source: www.prensa.Naturgy.com

NEW SUPPLY NETWORK

Source: www.prensa.Naturgy.com

Stainless Steel:

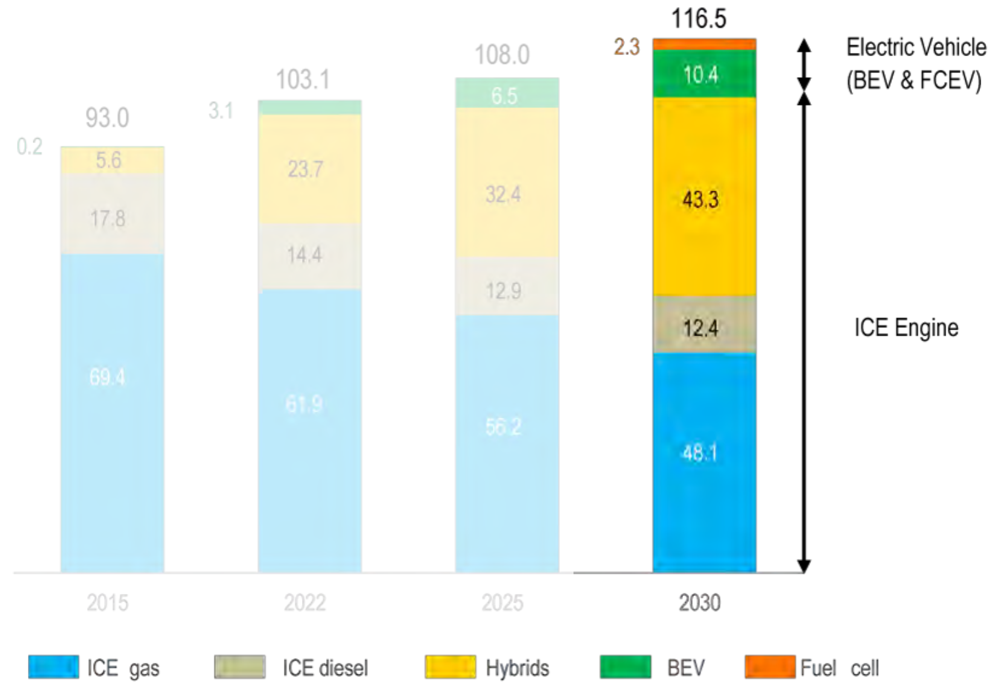
ESSENTIAL MATERIAL FOR AESTHETIC AND TECHNICAL REASONS

5 | Conclusions

CONCLUSIONS

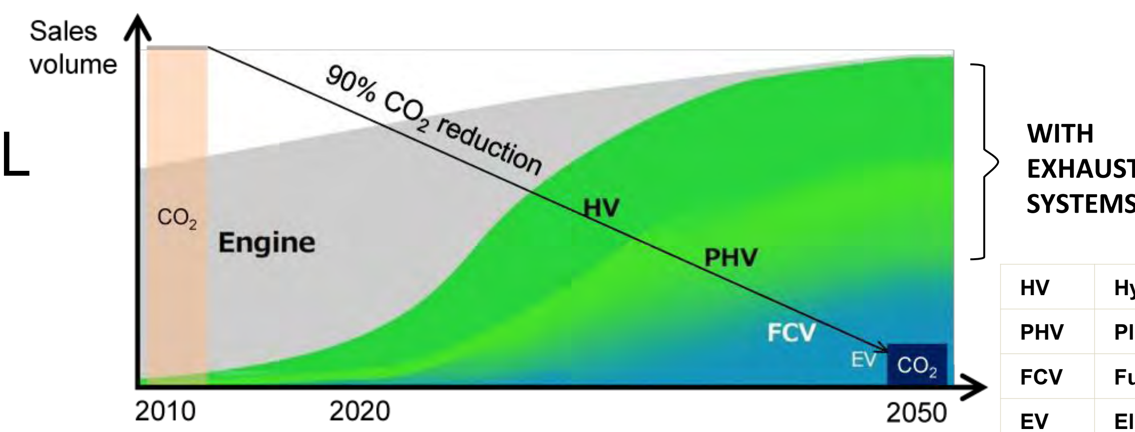
COMBUSTION ENGINE

will be the prevailing technology, at least until 2050



HYBRIDS

Increase will support STAINLESS STEEL exhaust systems



HV	Hybrid Vehicle
PHV	Plug-in Hybrid Vehicle
FCV	Fuel Cell Vehicle
EV	Electric Vehicle

CONCLUSIONS

10 KG ARE NOT DEPENDING ON EXHAUST SYSTEMS

NEW TECHNOLOGIES

are a unique opportunity
for stainless steel

CONCLUSIONS

ESTIMATED MARKET OPPORTUNITIES IN 2030 (ISSF):

Battery Applications
Fuel Cells
Lightweight Bodies

SHIPBUILDING INDUSTRY

offers great opportunities for
STAINLESS STEEL

THANK YOU

Global Procurement Strategy

Fernando Gutiérrez, Corporate Strategy and Raw Materials Director

04

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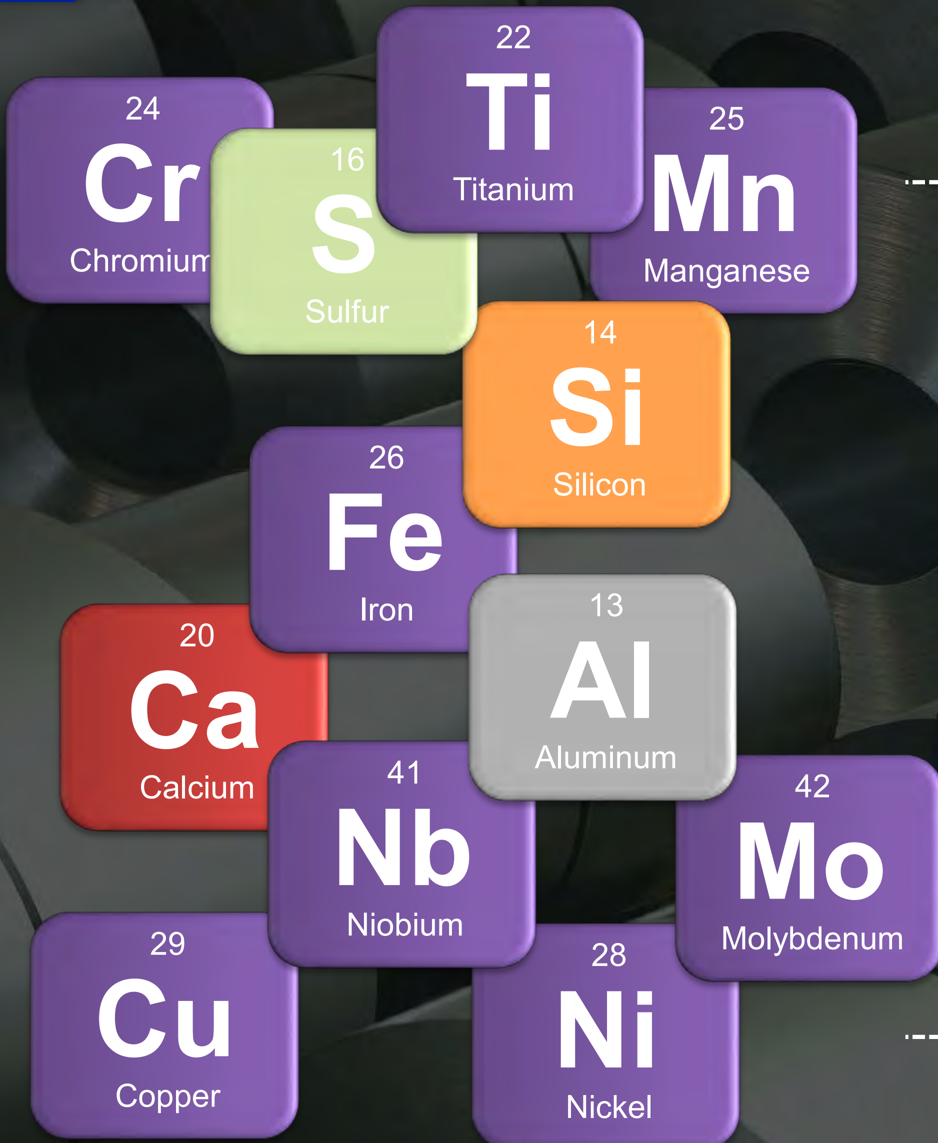
TYPES OF RAW MATERIALS



PRIMARY MATERIALS

- Pure Metals
- Ferroalloys
- Other Materials

SECUNDARY MATERIALS

- Stainless Steel Scrap
- Ferrous Scrap
- Others Recycling /scrap types

SELECTION CRITERIA

Market	Existing raw materials	Availability (Local/Import)
Suppliers	Number of suppliers	Priority direct purchase from suppliers
Logistics	Transit time	Viable volume depending on transport
Price	Comparison among same raw materials	Analysis of comparable raw materials
Quality in process	Raw materials yields	Impact on the production process

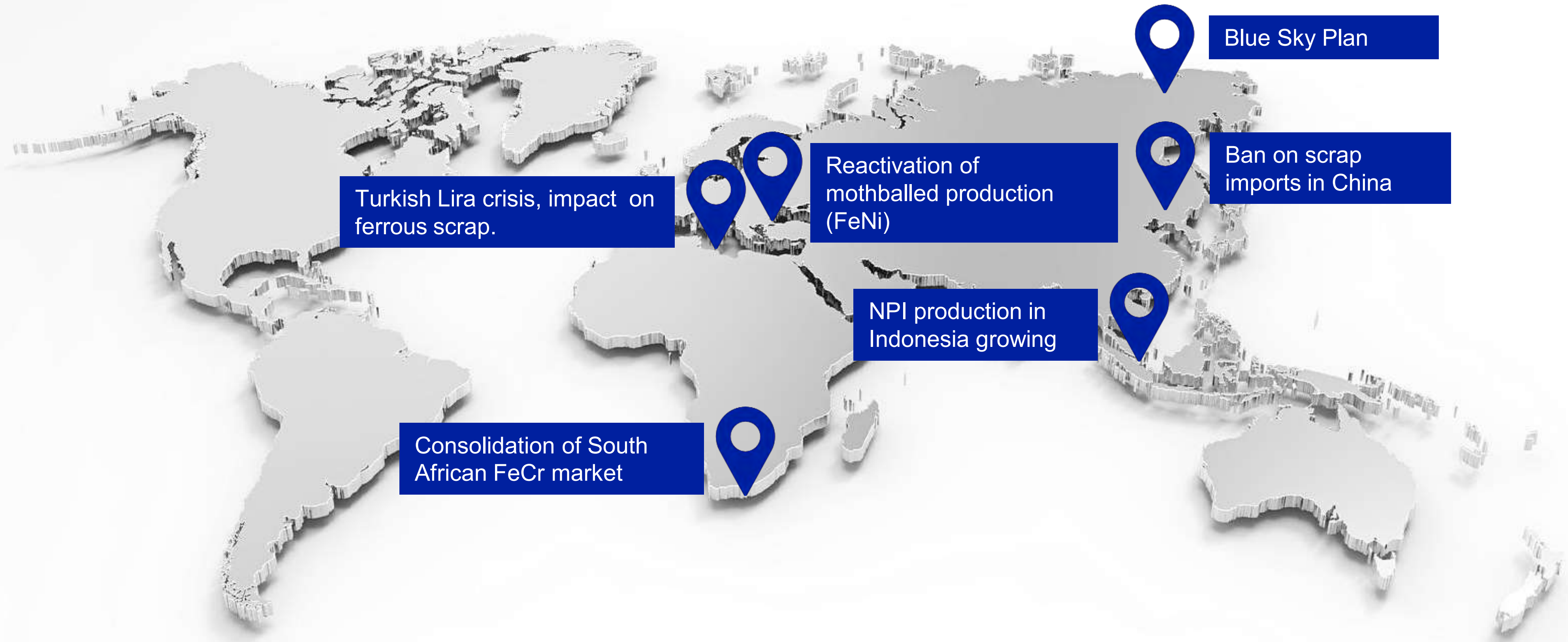
FLEXIBILITY

SELECTION CRITERIA

GOALS:

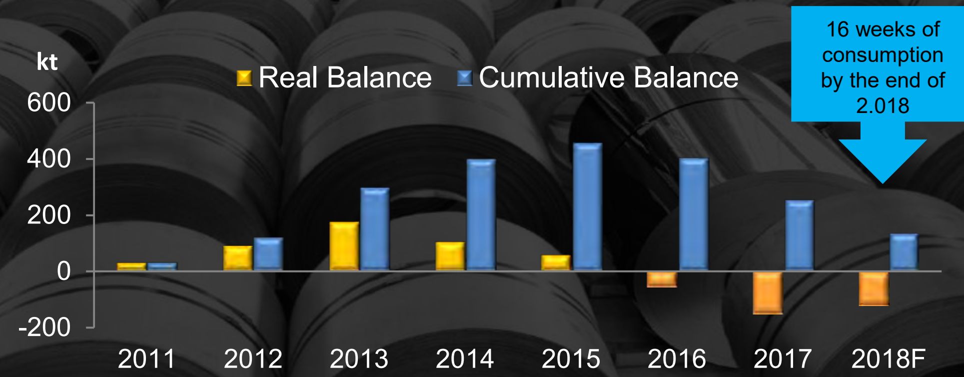
- To minimize the cost of the basket at all times
- To guarantee the purchase of strategic raw materials
- To ensure supply on time, with the minimum stock

SOME RELEVANT FACTS

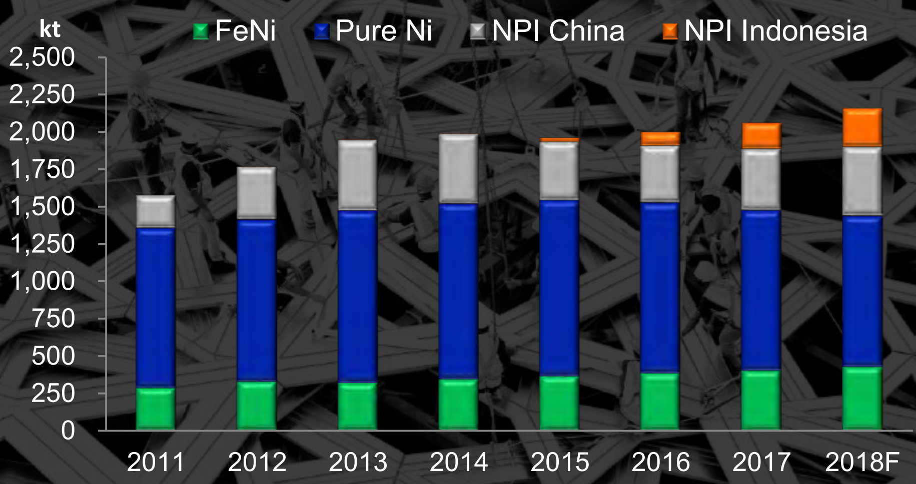


NICKEL MARKET SITUATION

- **Reactivation of mothballed production**
- **Production increase of NPI in Indonesia**
- **Uncertainty due to the effect of the environmental policy in China**
- **Gradual reduction of inventories**



Source: Eramet



Source: Eramet

0.4 Ferronickel

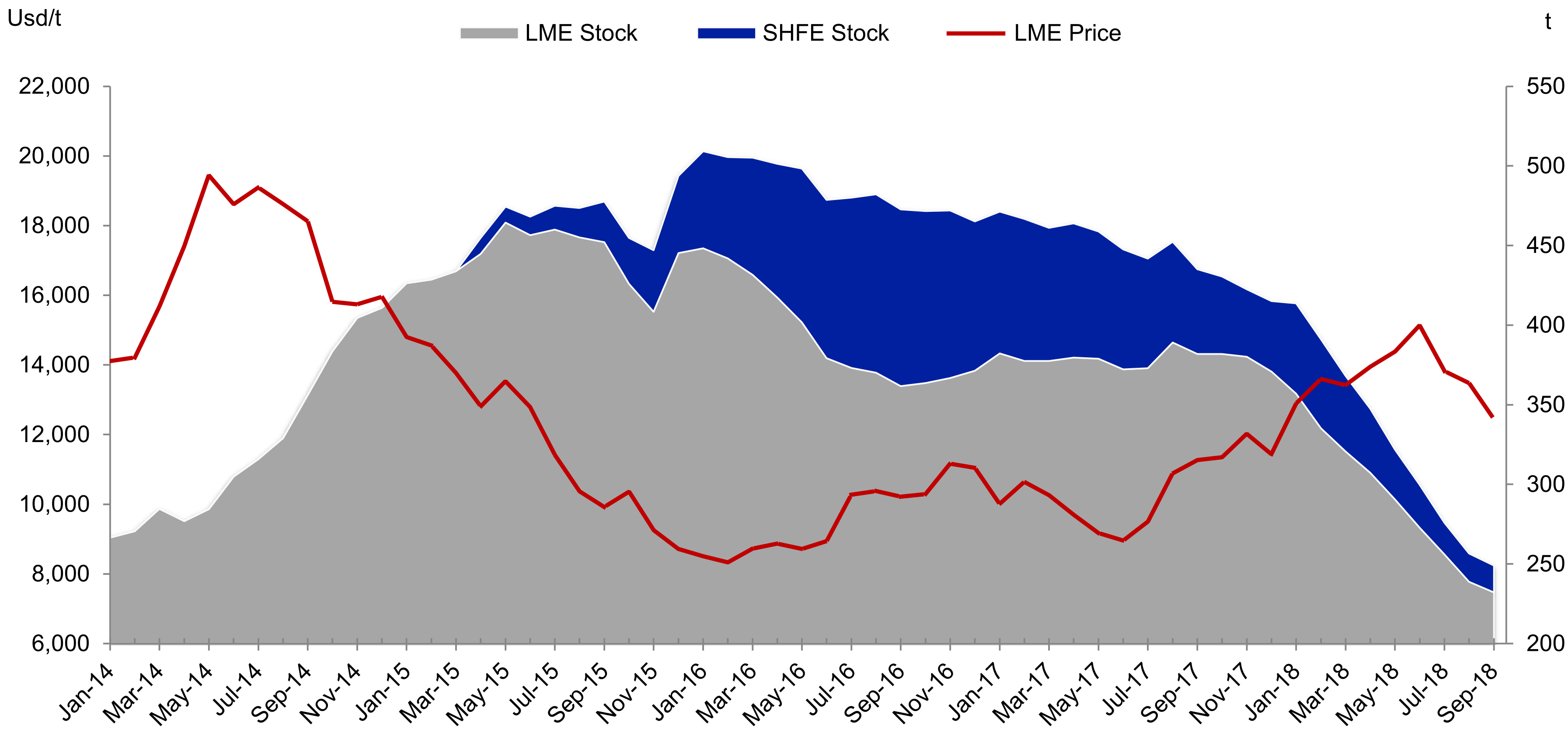
1.0 Pure Nickel

2018F
2.2 MT

0.5 NPI China

0.3 NPI Indonesia

NICKEL OFFICIAL VALUES



NICKEL- BATTERIES

WORLD PRODUCTION

2.2 MT

70% Stainless Steel

30% other industries → Batteries 5%

STAINLESS STEEL BREAKDOWN USAGE

98% Feni	100% NPI	22% Pure Ni

NICKEL BATTERIES

Several Types Market →

Nickel sulfate

$NiSO_4$

Dissolving high purity nickel with sulfuric acid

New projects for direct production

25-30% CAGR

2030 range est. EV car

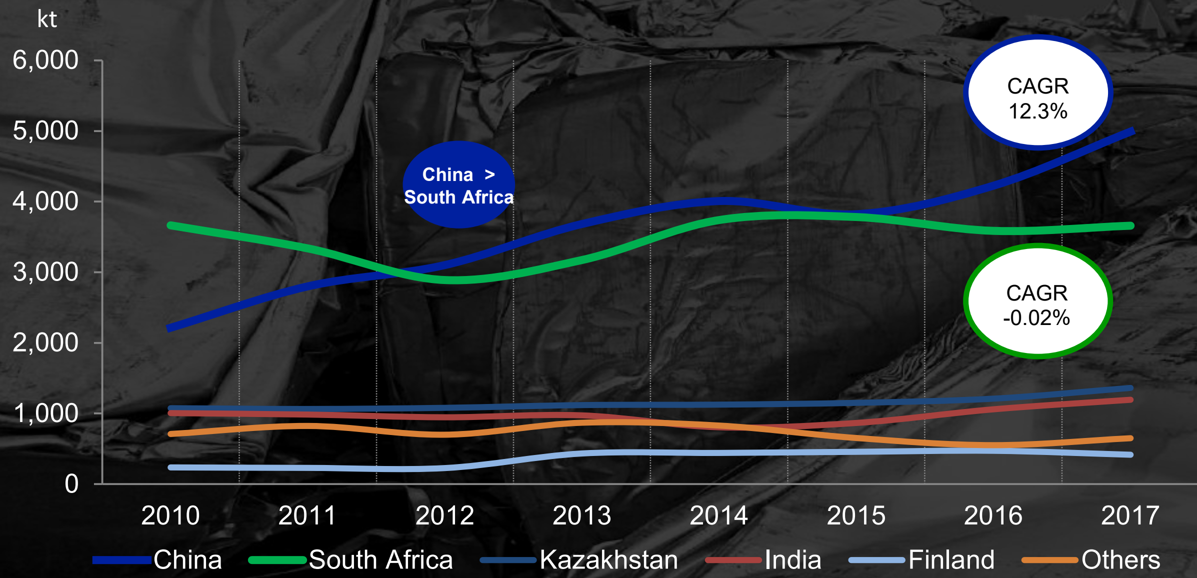
Forecast Ni demand Kt

NICKEL

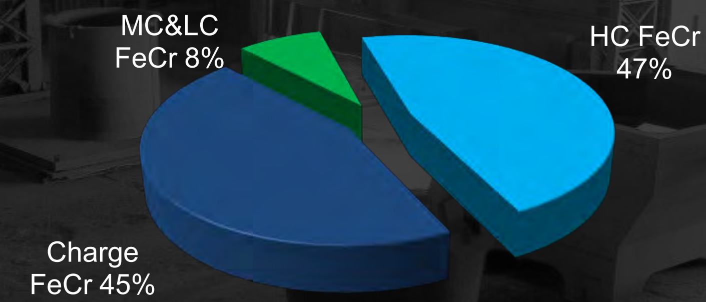
FACTS

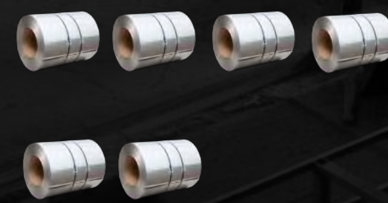
- Reactivation of mothballed production, particularly in FeNi
- Support for upward trend on nickel price, moving to more stable levels
- Possible disconnection of FeNi and other nickel sources from pure nickel prices
- Battery recycling? Potential new source of nickel units?

FERROCHROME MARKET SITUATION



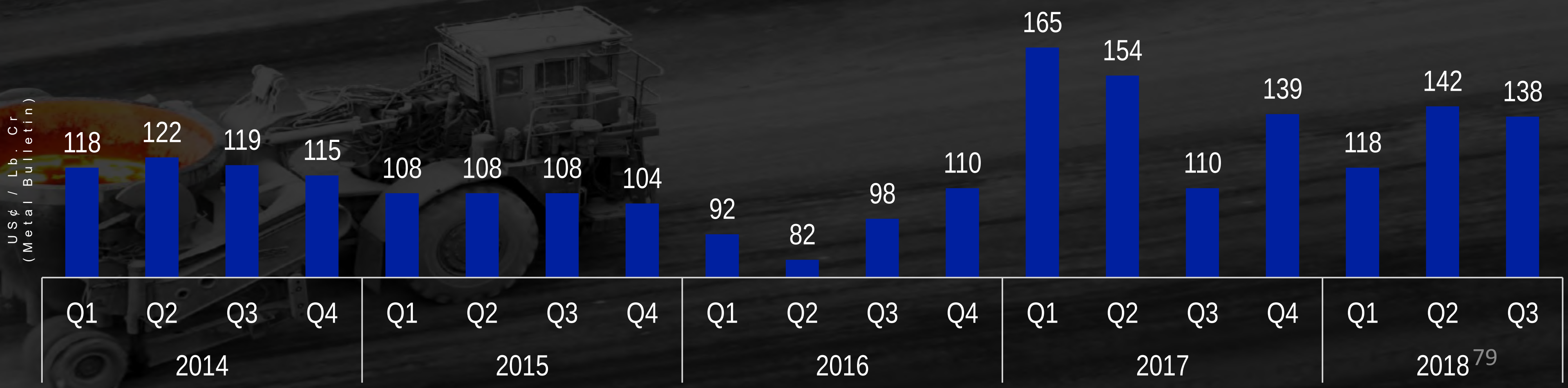
Source: ICDA & own estimates





80% of Charge FeCr consumption

38% of H/C FeCr consumption



SOUTH AFRICA VS CHINA

- Country with the largest reserves of Chrome ore
- Production cost pressure. Power prices and Rand / Us$ trend
- Consolidation of South African market

- Still needs to import FeCr
- Captive domestic production. Export duties
- Strong variations in domestic production and prices

SALES*

Ore	FeCr
93%	48%

PURCHASES*

Ore	FeCr
72 %	56 %

IMPACT ON INTERNATIONAL PRICES

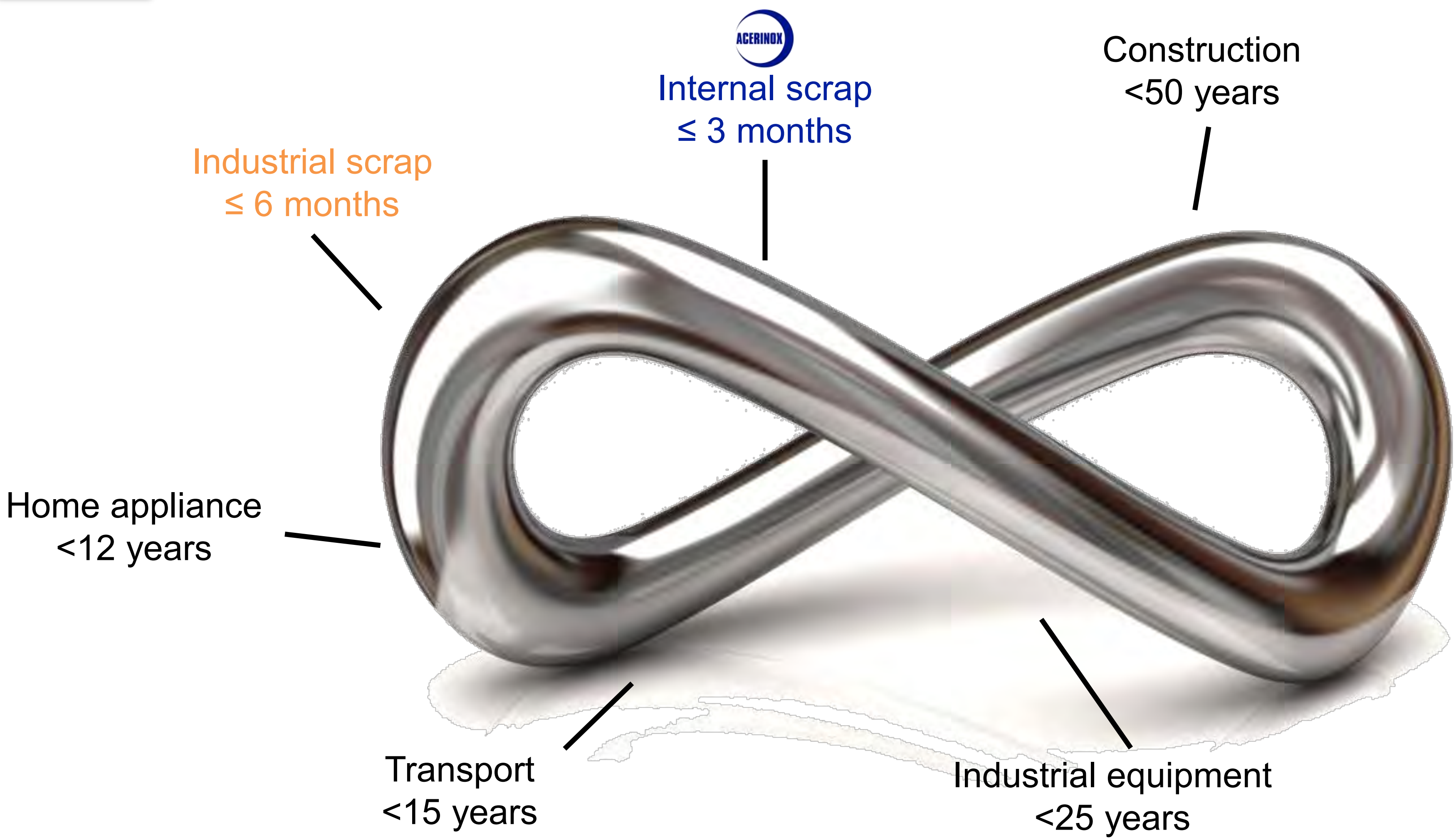
* Trade 2017

FERROCHROME

FACTS

- Consolidation of South African production
- Impact of China domestic production & Imports
- Perfect location of Columbus Stainless

S.S. SCRAP : GENERATION & LIFE CYCLE



STAINLESS STEEL SCRAP TRADE

Estimate Availability 10.7 mill. Mt
CGAR (last 10yr) 4.2%

Main Net Exporters

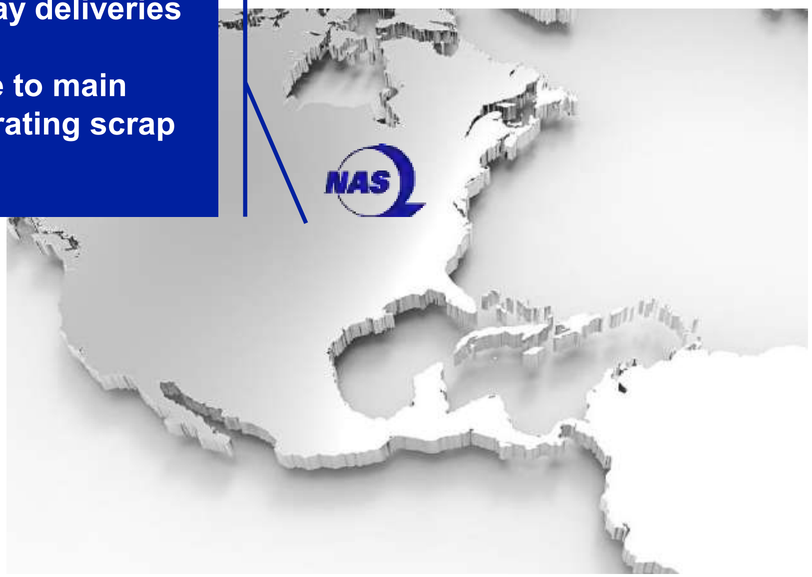
Main Net Importers

?

STAINLESS STEEL SCRAP TRADE

River, Road and railway deliveries

Close to main generating scrap areas



Own Port

<15 km from main Spanish recycling centers

Strategic plant locations for a guaranteed supply of Stainless Steel Scrap

STAINLESS STEEL SCRAP

- Good scrap availability
- Competitive Cost
- GROUP STRATEGY
- Main role in Circular economy
- Lower CO_2 emm.

  1 mt Scrap ≈ 4.7 mt CO_2

THANK YOU

Global Trade:
New Order, New Rules?

Manuel Landeta, Head of Business Intelligence

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EXCESS PRODUCTION IN ASIA
- DRIVEN BY OVERCAPACITY IN CHINA

GLOBAL IMPACT ON TRADE
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- PROLIFERATION OF TRADE MEASURES SINCE 2011
- A TURBULENT 2018

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- **ACERINOX GLOBAL PRESENCE, KEY FOR SUCCESS IN TURBULENT TIMES**

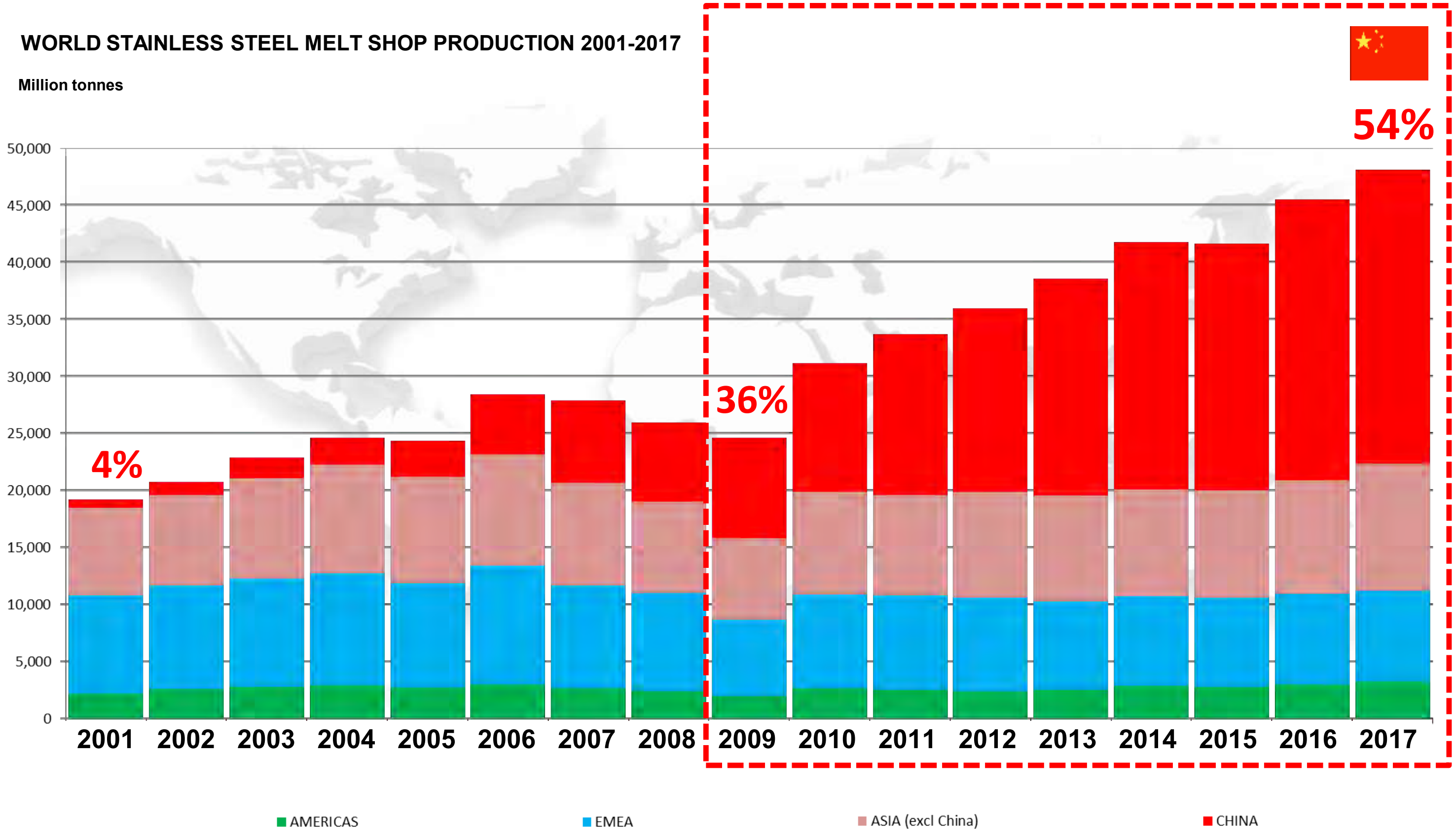
EXCESS PRODUCTION IN ASIA

DRIVEN BY OVERCAPACITY IN CHINA

GFSEC (G20/OECD) REACHING **CONSENSUS ON GLOBAL STEEL OVERCAPACITY**
Consensus on the root of the problems and on the objectives, **not on the progress**

FOR **STAINLESS** WE SEE SIGNS TOWARDS **EQUILIBRIUM**, BUT **NOT YET THERE**

WORLD STAINLESS STEEL MELT SHOP PRODUCTION 2001-2017



Source: ISSF, ACX

US statement on Sep 20th 2018

"what we have seen to date leaves us questioning whether the Forum is capable of delivering [on its objectives]. We **do not see an equal commitment** to the process **from all Forum members.** Commitments to provide timely information critical to the proper functioning of the Forum's work, for example, have gone unfulfilled.."

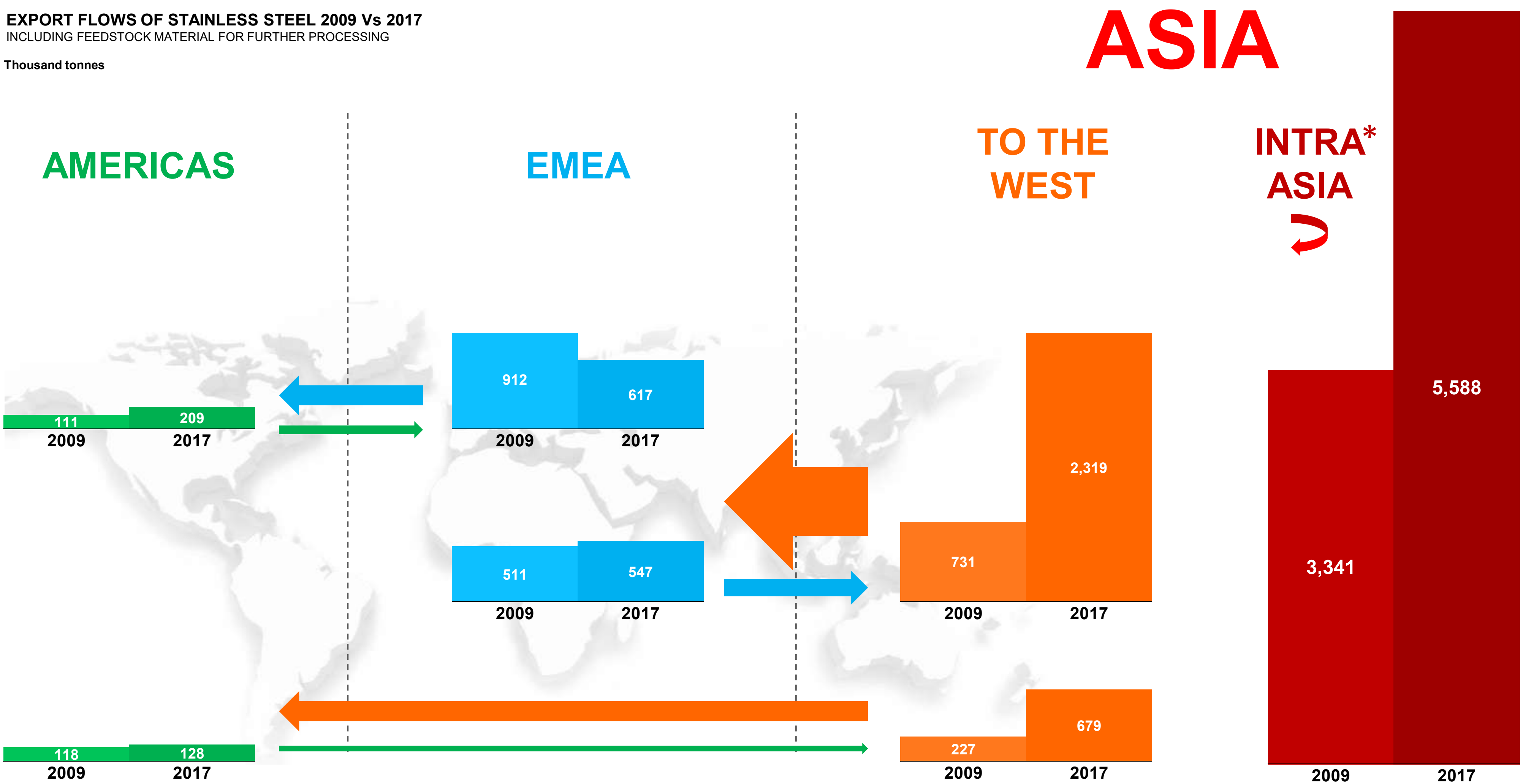
Source: InsideTrade.com

GLOBAL IMPACT ON TRADE

DISRUPTION OF TRADE FLOWS. SURGE ON EXPORTS

EXPORT FLOWS OF STAINLESS STEEL 2009 Vs 2017
INCLUDING FEEDSTOCK MATERIAL FOR FURTHER PROCESSING

Thousand tonnes



* MAJOR SHARE OF **INTRA-ASIA** TRADE CORRESPONDING TO **EXPORTS** OF **CHINA FEEDSTOCK** MATERIALS, MAINLY TO **TAIWAN,** FOR **DOWNSTREAM PRODUCTION**

Source: ISSF, ACX

RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

ALONG INCREASE ON SURGE ON EXPORTS FUELED BY OVERCAPACITY

- **NOT NEW**
- CONTEXT OVERCAPACITY
- UNEVEN RESPONSE
- NOT ONLY TDM
- REPLACEMENT
- DEFLECTION
- SNOWBALL EFFECT

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017

Source: WTO, CRU, ACX

ACERINOX

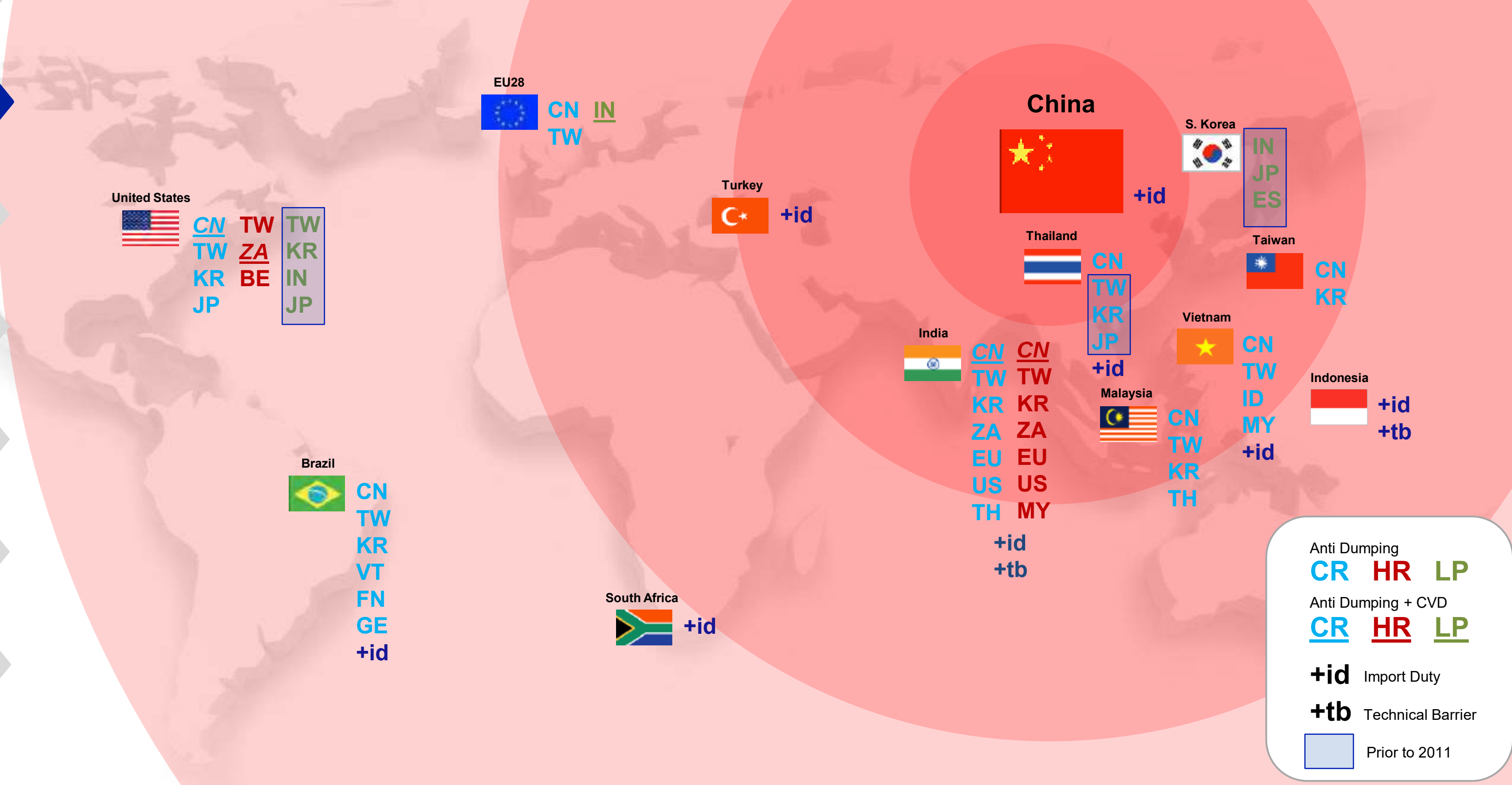
RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

CHINA-INDUCED OVERCAPACITY DISTORTING MARKETS AND LEADING TO UNFAIR TRADE PRACTICES

- NOT NEW
- **CONTEXT OVERCAPACITY**
- UNEVEN RESPONSE
- NOT ONLY TDM
- REPLACEMENT
- DEFLECTION
- SNOWBALL EFFECT

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017



Source: WTO, CRU, ACX

GLOBAL TRADE: NEW ORDER, NEW RULES?

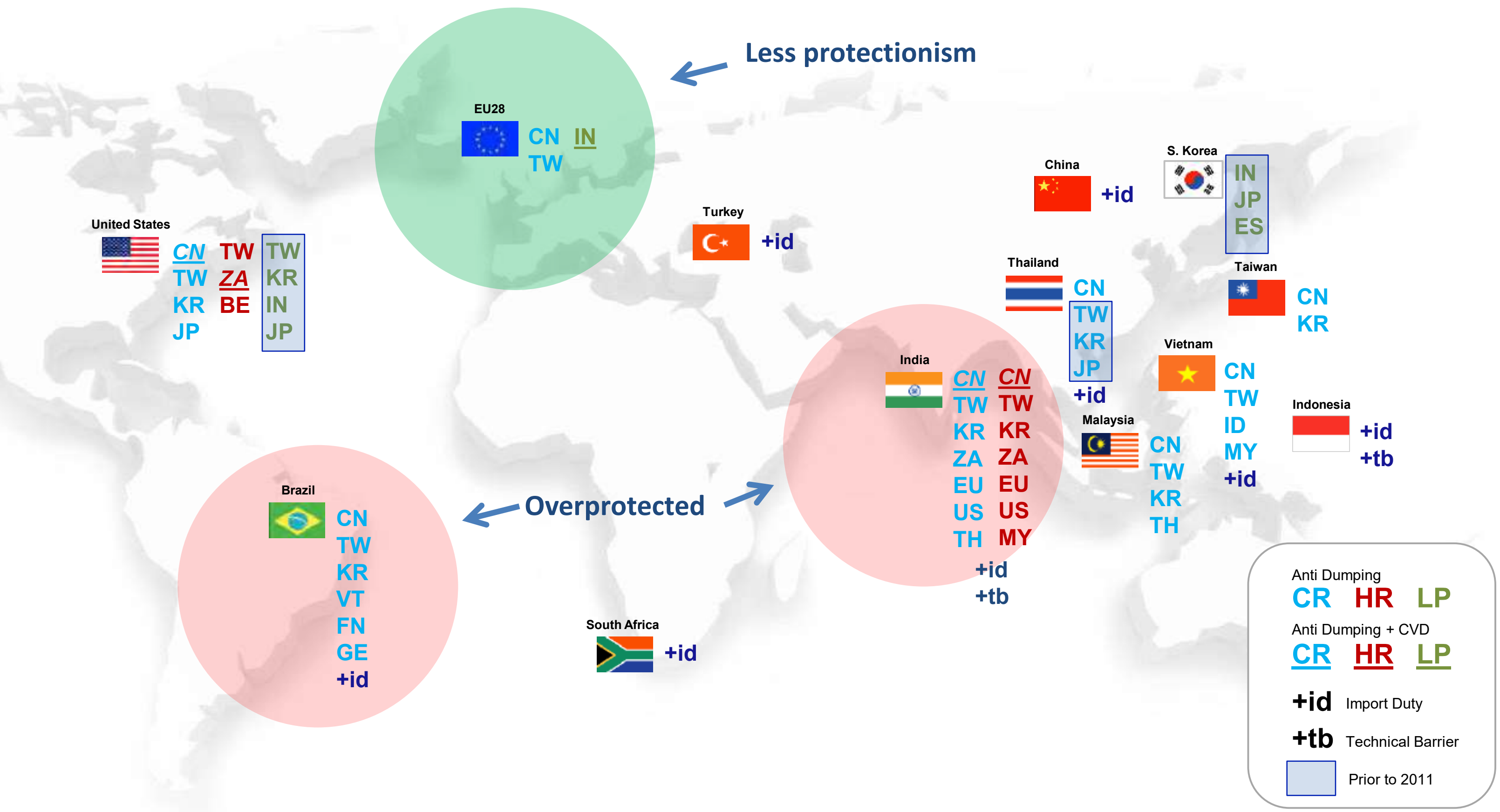
RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

COUNTRY LEVEL RESPONSE RESULTING IN DIFFERENT GRADES OF PROTECTIONISM ACROSS MARKETS

- NOT NEW
- CONTEXT OVERCAPACITY
- **UNEVEN RESPONSE**
- NOT ONLY TDM
- REPLACEMENT
- DEFLECTION
- SNOWBALL EFFECT

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017



Source: WTO, CRU, ACX

GLOBAL TRADE: NEW ORDER, NEW RULES?

RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

NOT JUST TRADE DEFENSE MEASURES (AD/CVD) BUT ALSO OTHER TRADE BARRIERS (IMPORT DUTIES, TECH. BARRIERS)

- NOT NEW
- CONTEXT OVERCAPACITY
- UNEVEN RESPONSE
- **NOT ONLY TDM**
- REPLACEMENT
- DEFLECTION
- SNOWBALL EFFECT

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017

Source: WTO, CRU, ACX

RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

MATERIALS AFECTED BY TRADE REMEDIES OFTEN BEING REPLACED WITH OTHER PRODUCTS (INTERRELATION)

- NOT NEW
- CONTEXT OVERCAPACITY
- UNEVEN RESPONSE
- NOT ONLY TDM
- **REPLACEMENT**
- DEFLECTION
- SNOWBALL EFFECT

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017

Drop on EU imports of CR from China following AD (from 322kt in 2014 to 9kt in 2017) partly offset with surge on HR (from 134kt in 2014 to 280kt in 2017)

Source: WTO, CRU, ACX

RISING PROTECTIONISM

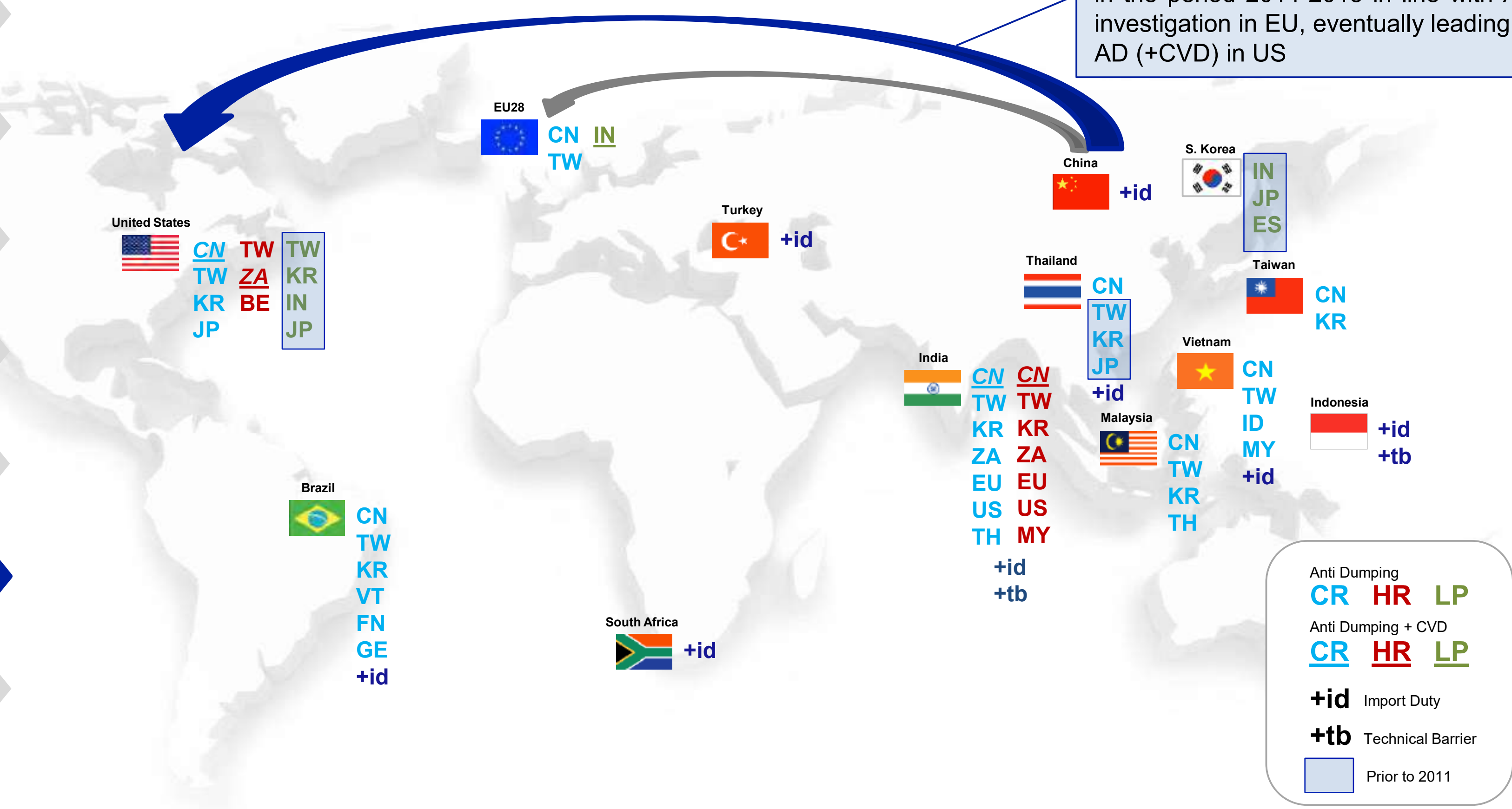
PROLIFERATION OF TRADE MEASURES SINCE 2011

MATERIALS AFFECTED BY TRADE REMEDIES BEING REDIRECTED TO OTHER MARKETS

- NOT NEW
- CONTEXT OVERCAPACITY
- UNEVEN RESPONSE
- NOT ONLY TDM
- REPLACEMENT
- **DEFLECTION**
- SNOWBALL EFFECT

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017

Surge on US imports of CR from China in the period 2014-2015 in line with AD investigation in EU, eventually leading to AD (+CVD) in US



Source: WTO, CRU, ACX

RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

AS MORE MEASURES COME IN PLACE PRESSURE GROWS ON MARKETS / PRODUCTS UNPROTECTED

- NOT NEW
- CONTEXT OVERCAPACITY
- UNEVEN RESPONSE
- NOT ONLY TDM
- REPLACEMENT
- DEFLECTION
- **SNOWBALL EFFECT**

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017

Source: WTO, CRU, ACX

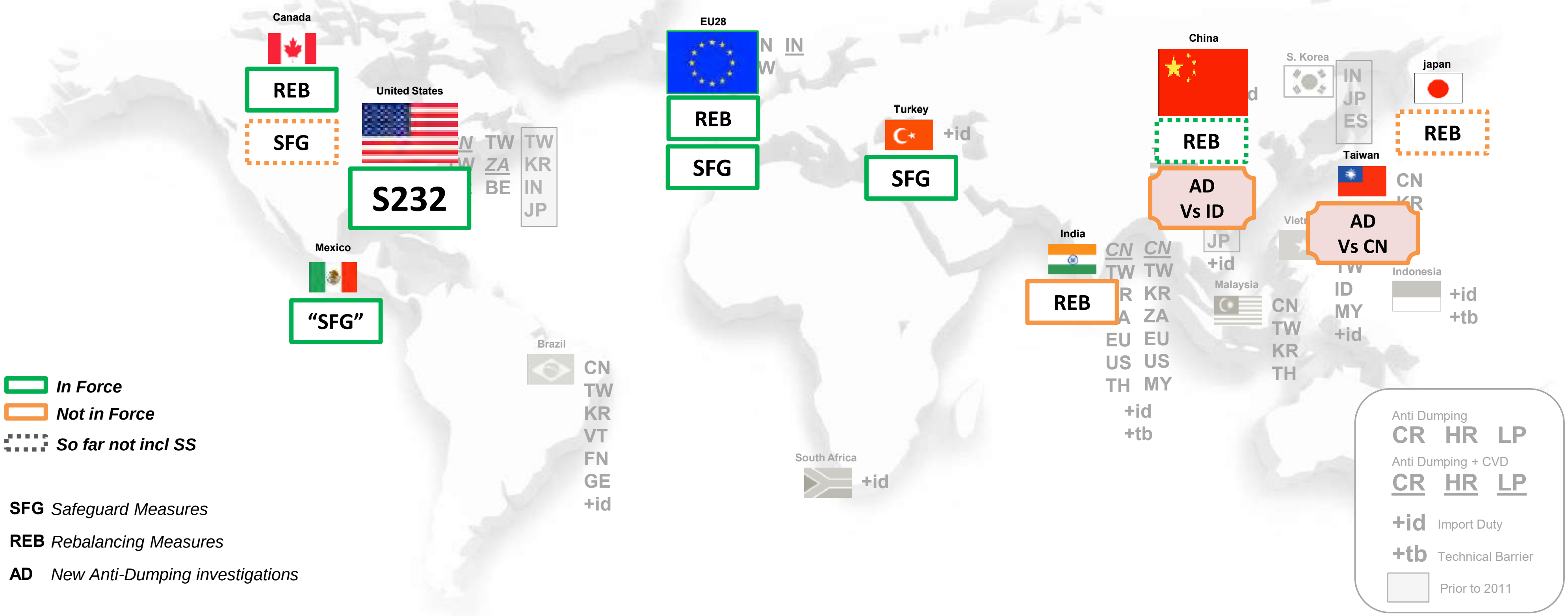
RISING PROTECTIONISM

A TURBULENT 2018

US SECTION 232 TRIGGERING A CHAIN REACTION WORLDWIDE

NEW AD INVESTIGATION BEING INITIATED IN ASIA FOR FEEDSTOCK MATERIALS

MAIN TRADE MEASURES FOR STAINLESS STEEL IN 2018



Source: USITC, ACX

US SECTION 232

US RESPONSE TO GLOBAL STEEL OVERCAPACITY

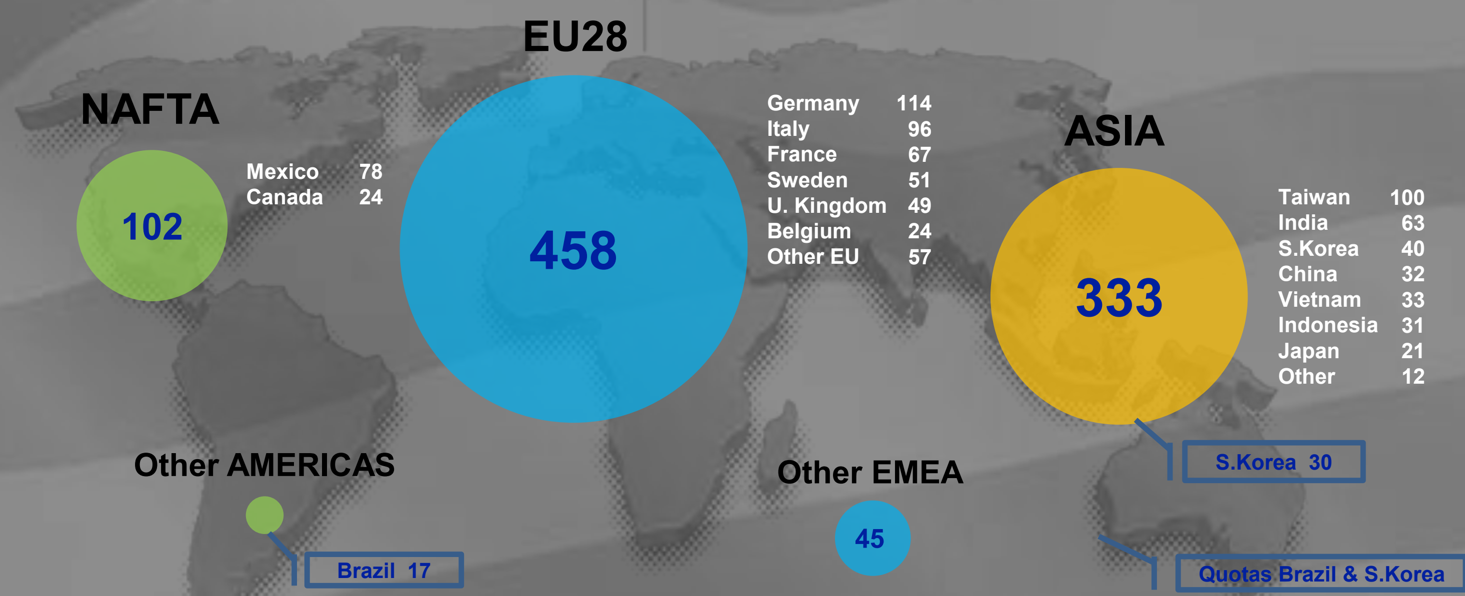
US ACTION MOTIVATED BY LACK OF PROGRESS ON THE GLOBAL FORUM ON STEEL EXCESS CAPACITY (GFSEC)

MEASURES INTENDED TO INCREASE US STEEL CAPACITY UTILIZATION TO 80% (MINIMUM FOR LONG TERM VIABILITY)

- S232 INITIATED IN APR 2017
- DECISION ON MAR 2018
- 25% DUTY (ALL PRODUCTS)
- FROM 1 JUN INCL NAFTA, EU*
- 95% IMPORTS AFFECTED**
- FEW PRODUCT EXCLUSIONS EXPECTED
- NOT FIXED TERM

95% OF STAINLESS STEEL IMPORTS AFFECTED (BASED ON 2017)

Thousand tonnes



- based on 70% avg 2015-17*
- Hard quotas (capped)
- Retroactive to Jan 1st

* 100% for SEMIS from Brazil (no imports in SS)

Source: USITC, ACX

*OTHERS FROM 23 MAR

**BASED ON 2017
- 5% REFERRED TO HARD QUOTAS AGREED FOR S.KOREA AND BRAZIL (CAPPED)
- RECENTLY A SOFTENING OF HARD QUOTA WAS AGREED (WITH DUTY)

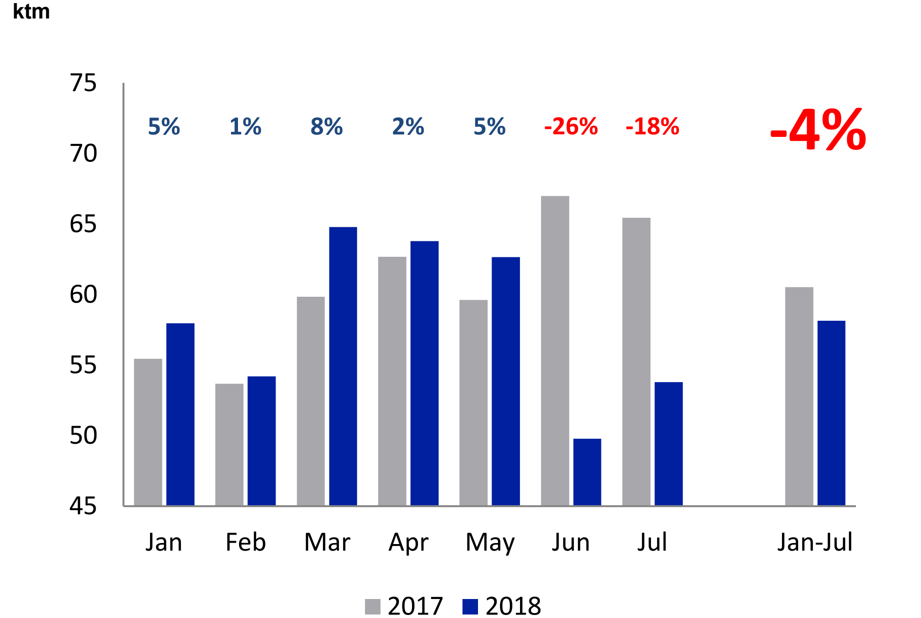
US SECTION 232

IMPORTS TREND

IMPORTS ALREADY DECREASING

IMPORTS EXPECTED TO DROP TO MINIMUMS IN H2

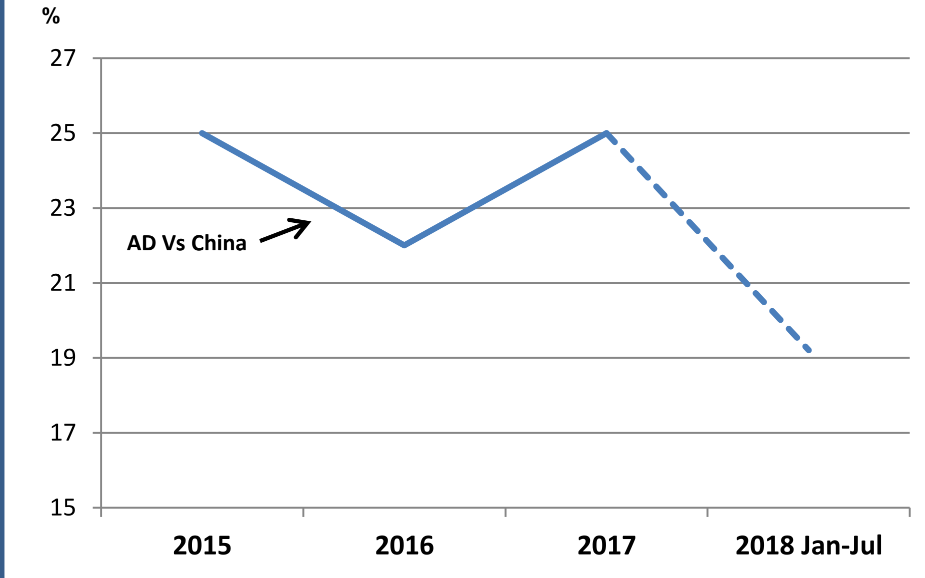
US IMPORTS OF STAINLESS STEEL – FLAT & LONG PRODUCTS (7219-7222)



Source: USITC, ACX

IMPORTS MARKET SHARE FALLING TO 19% UP TO JULY

US IMPORTS MARKET SHARE - FLAT PRODUCTS (7219-7220)



Source: ACX

EU SFG

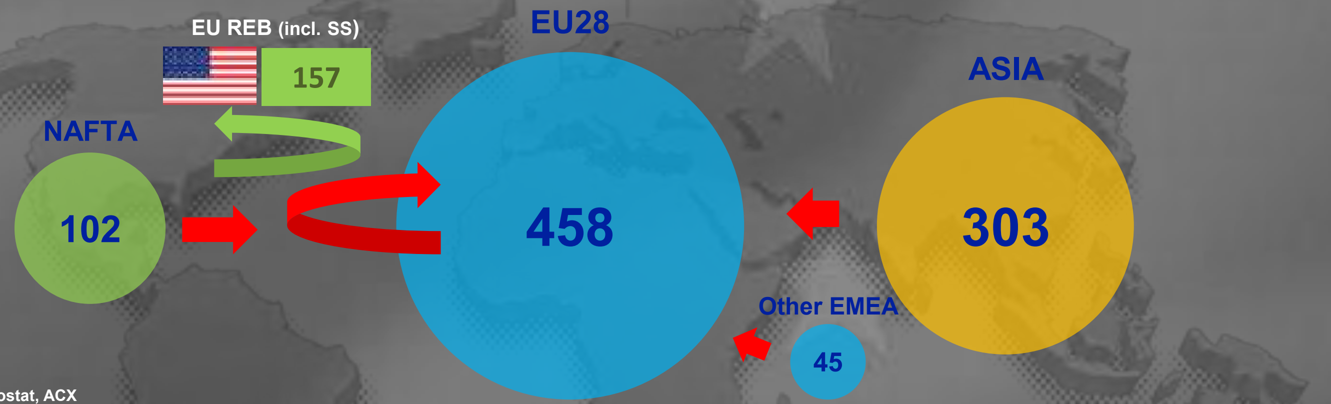
A MUCH NEEDED REACTION

PURPOSE OF SFG IS TO AVOID DEFLECTION WHILST KEEPING TRADITIONAL TRADE FLOWS

- **INVESTIGATION LAUNCHED ON 23 MAR**
- **PROV SFG MEASURES ON 18 JUL (EFF 19 JUL)**
- **BROAD COVERAGE (INTERRELATION)**
- **TARIFF RATE QUOTA BASED ON AVG IMPORTS 2015-17**
- **25% TARIFF ABOVE QUOTA**
- **ERGA OMNES***
- **GLOBAL QUOTA**

US IMPORTS OF STAINLESS STEEL AFFECTED BY SECTION 232 (BASED ON 2017)

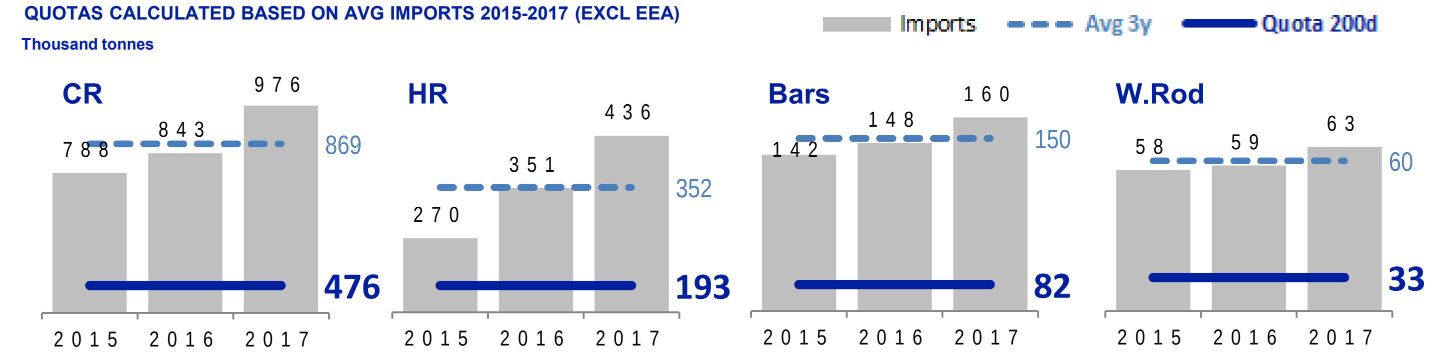
Thousand tonnes



Source: USITC, Eurostat, ACX

QUOTAS CALCULATED BASED ON AVG IMPORTS 2015-2017 (EXCL EEA)

Thousand tonnes



Source: Eurostat, ACX

*EXCLUSIONS
- DEVELOPING COUNTRIES WITH LIMITED EXPORTS TO THE EU (<3% IMPORTS OR <9% GROUPED)
- EUROPEAN ECONOMIC AREA (EEA COMPRISING NORWAY,ICELAND AND LIECHTENSTEIN)

GLOBAL TRADE: NEW ORDER, NEW RULES?

EU SFG

DEFINITIVE MEASURES EXPECTED EARLY 2019

TRADE DIVERSION LIKELY TO INCREASE FOLLOWING NEW MEASURES BEING IMPLEMENTED AROUND THE WORLD

TIMELINE

PROVISIONAL SFG
MAX. 200 DAYS (19 JUL-3 FEB)

HEARINGS
ON 12-14 SEP

KEY TOPICS

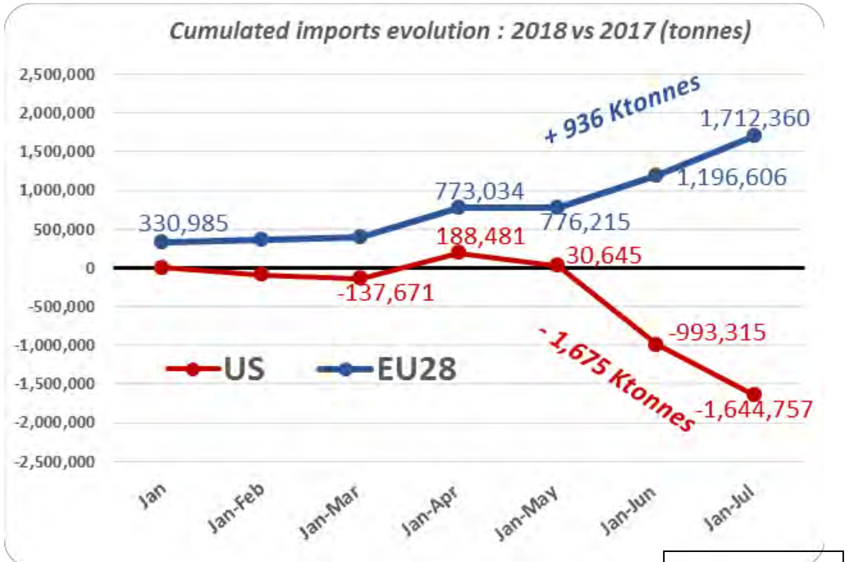
- COUNTRY-SPECIFIC QUOTA
- MONTHLY / QUARTERLY QUOTA
- IMPORT LICENSES (END USERS)

SFG COMMITTEE
(EXAMINATION PROCEDURE)

DEFINITIVE MEASURES
EARLY 2019

MAX 4 YEARS
(+ 4 YEARS EXTENSION)

US AND EU STEEL IMPORTS COMPARISON*



*Products coverage: all 28 products categories included in the EU SFG investigation

	2018 vs 2017	
	EU28	US
Jan to July	9.0%	-10.1%
May to July	11.8%	-23.9%
July	21.9%	-24.8%

Source: EUROFER (USITC, Eurostat/Comext)

Commissioner Malmström in July 2018 upon announcement of provisional SFG:

"The **US tariffs on steel products are causing trade diversion**, which may result in serious harm to EU steelmakers and workers in this industry. We are left with no other choice than to introduce provisional safeguard **measures to protect our domestic industry against a surge of imports**.
These measures nevertheless ensure that the **EU market remains open, and will maintain traditional trade flows**. I am convinced that strike the **right balance between the interest of EU producers and users of steel**, like the automotive industry and the construction sector, who rely on imports.
We will continue to monitor steel imports in order to take a **final decision by early next year, at the latest**."

Source: European Commission

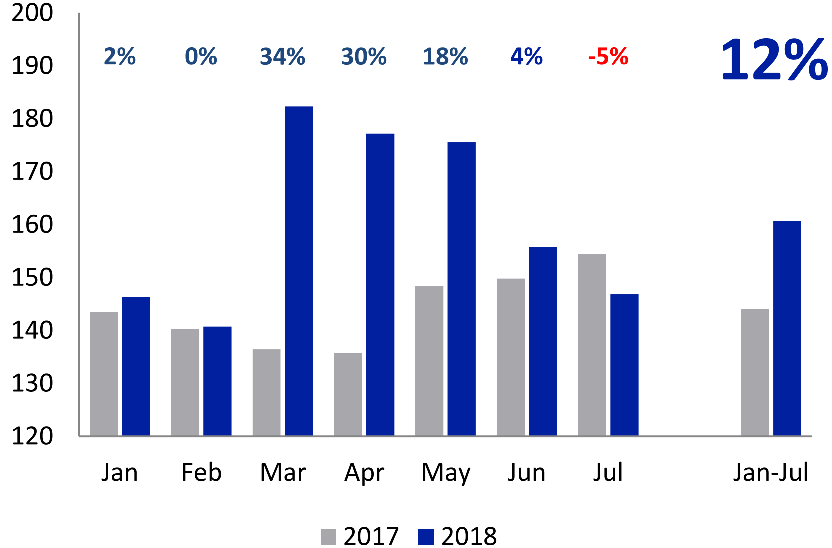
EU SFG

IMPORTS TREND

IMPORTS HAVE INCREASED AHEAD OF THE MEASURES

SO FAR IMPORTS KEPT INCREASING IN 2018

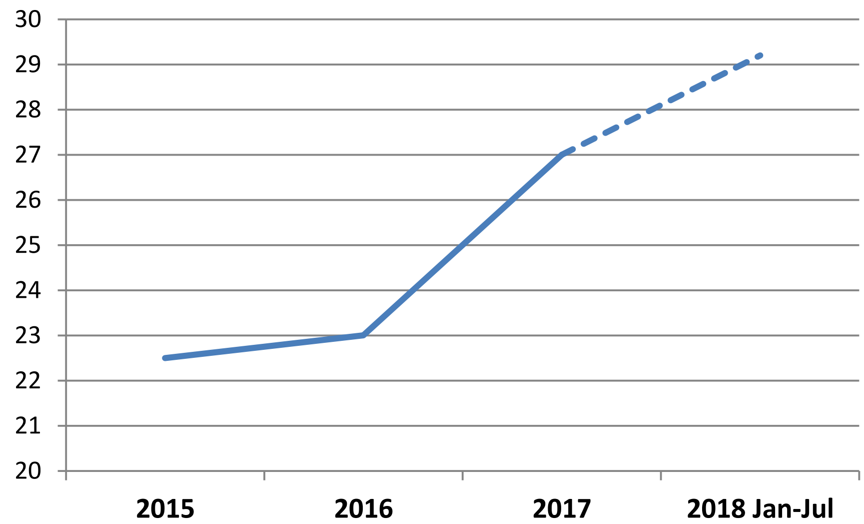
EU IMPORTS OF STAINLESS STEEL – FLAT & LONG PRODUCTS (7219-7222)
ktm



Source: Eurostat, ACX

IMPORTS MARKET SHARE CLOSE TO 30% UP TO JULY

EU IMPORTS MARKET SHARE - FLAT PRODUCTS (7219-7220)
%



Source: ACX

CONCLUSIONS

NEW ORDER, NEW RULES?

FREE TRADE BUT FAIR.

ACERINOX GLOBAL PRESENCE, KEY FOR SUCCESS IN TURBULENT TIMES.

LOOKING FOR A TURNING POINT…AND FORWARD

- IN A **GLOBALIZED ECONOMY**, WE ALL MUST ABIDE BY THE SAME **RULES** TOWARDS **FAIR COMPETITION** (WTO)
- MULTILATERAL COLLABORATION IS NEEDED TO **TACKLE OVERCAPACITY** (G-20)
- A **FASTER** AND **EFFECTIVE RESPONSE** TO **UNFAIR PRACTICES** IN THE MARKET IS ESSENTIAL (EU TDIM)

AS WORLD MOVES ON, STAINLESS STEEL OUTSTANDING PERFORMANCE WILL CONTINUE.

EFFICIENCY AND GLOBAL PRESENCE, KEY FOR LONG TERM SUCCESS.

THANK YOU

Digitalization in the Stainless Steel Industry

Antonio Gayo, Head of Digital Transformation

06

Acerinox Capital Markets Day

HOW WE UNDERSTAND DIGITAL TRANSFORMATION

HOW DOES IT FIT INTO OUR STRATEGY?

WHY NOW?

DOES IT CHANGE OUR BUSINESS MODEL?

IT HAS TO BE ALIGNED WITH THE STRATEGIC PLAN

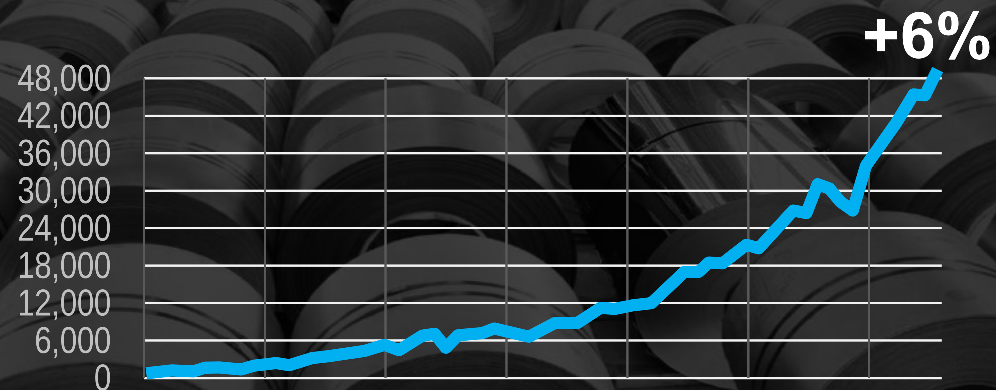
CEO

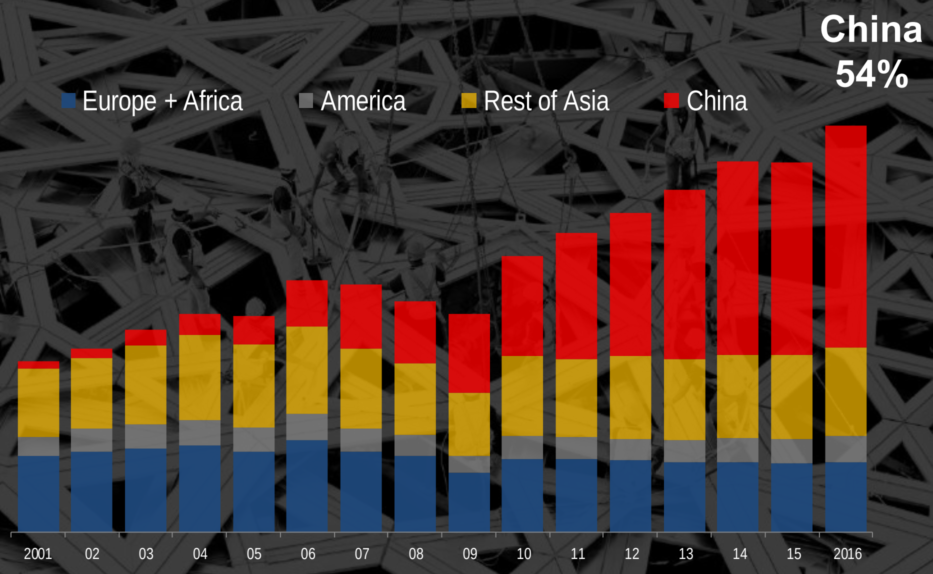
KEY DEPARTMENTS

REGULAR REVIEW

PRODUCT

Fe ✚ Cr >12% ✚ Ni 8-10%





50%
Consumer goods

50%
Investment goods

MARKET

COMMODITY

GLOBALIZED

TRADE BARRIERS (“Steel War”)

HOW TO COMPETE IN THIS ENVIRONMENT

1. Efficiency

- ✓ Better metallic yields
- ✓ Reuse of waste
- ✓ Process line optimization
- ✓ Product mix optimization
- ✓ Uniform quality

1. Flexibility

Reaction Capacity to….

- ✓ Economic cycles
- ✓ Raw materials volatility
- ✓ Regional differences

ADD VALUE TO OUR DATA

Operational excellence

- Process reliability
- Quality
- Integrated planning

Enhance brand image

- R+D+I
- Market positioning
- Attracting Talent

A new way of working

- Handling large volumes of data
- Analysis of the data
- Greater connectivity between employees, customers and suppliers
- Collaborative tools

STEPS FOLLOWED

- The Group invests an average of MEUR 200/year in the latest technologies available, of which roughly 20% is for equipment upgrades

- A high level of automation in all the business units

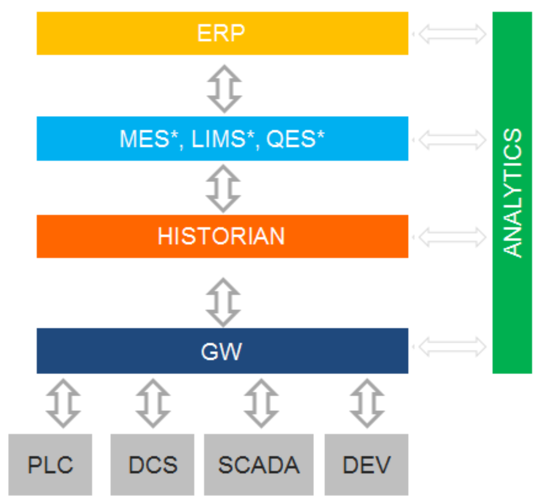
- For many years, time has been devoted to capturing and collecting data without giving them any later use
- Technological legacy

Lack of a transversal tool to analyze real-time data at the different levels of information

ERP Enterprise Resource Planning

MES Manufacturing Execution System
LIMS Lab. Info. Management System
QES Quality Execution System

GW Comunication Gateways
PLC Programable Logic Controllers
DCS Distributed Control Systems
DEV Devices



* Customized applications.

METHODOLOGY

INDUSTRY 4.0 PROJECTS

Descriptive	Diagnosis	Predictive	Prescriptive
What has happened?	Why has it happened?	What is going to happen?	What action should be taken?
Historian	CBM & QES	Data analytics	Artificial Intelligence

IDENTIFIED PROJECTS

SMALL PROJECTS WHICH GUARANTEE SUCCESS

Data analytics for optimization in the procurement of transport

Energy-saving projects

Research into sensorization What to measure? Where to measure? Pilot projects on new lines

Predictive maintenance

Vibration analysis

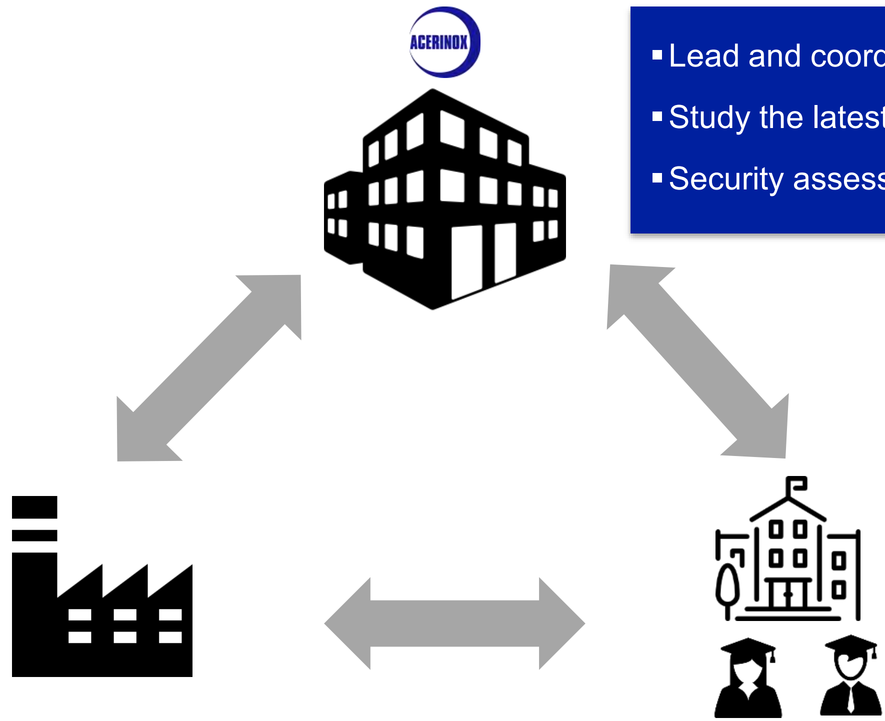
Repeatability of the processes with Data analytics

Predictability of the demand

Integrated planning

RESOURCES

- Lead and coordinate the group's strategy
- Study the latest technologies
- Security assessment



- Analyze the potential projects and the alternatives in the market
- Execute projects

- Search for ideas
- Meeting point for potential cooperation

COWORKING

Cooperation with universities to attract talent

Cooperation with companies and technology centres

DIFFICULTIES

- LET ONESELF BE LED BY **FASHIONS**
- START WITH **PROJECTS** WITHOUT ASKING **THE KEY QUESTIONS**
- **SHIFT THE ORGANIZATION** TO PROJECTS THAT CHANGE THE **COMPANY CULTURE**

KEYS TO APPROACH THE FUTURE

The digital plan has to be aligned with the culture and the strategy of the company

Select projects

- small
- specific areas
- self-financed
- sharing resources throughout the company

Always maintain control

- not duplicating efforts
- well coordinated: project leader
- We can not do it alone
- open to collaborations (consulting firms, engineering companies, technology center and universities)

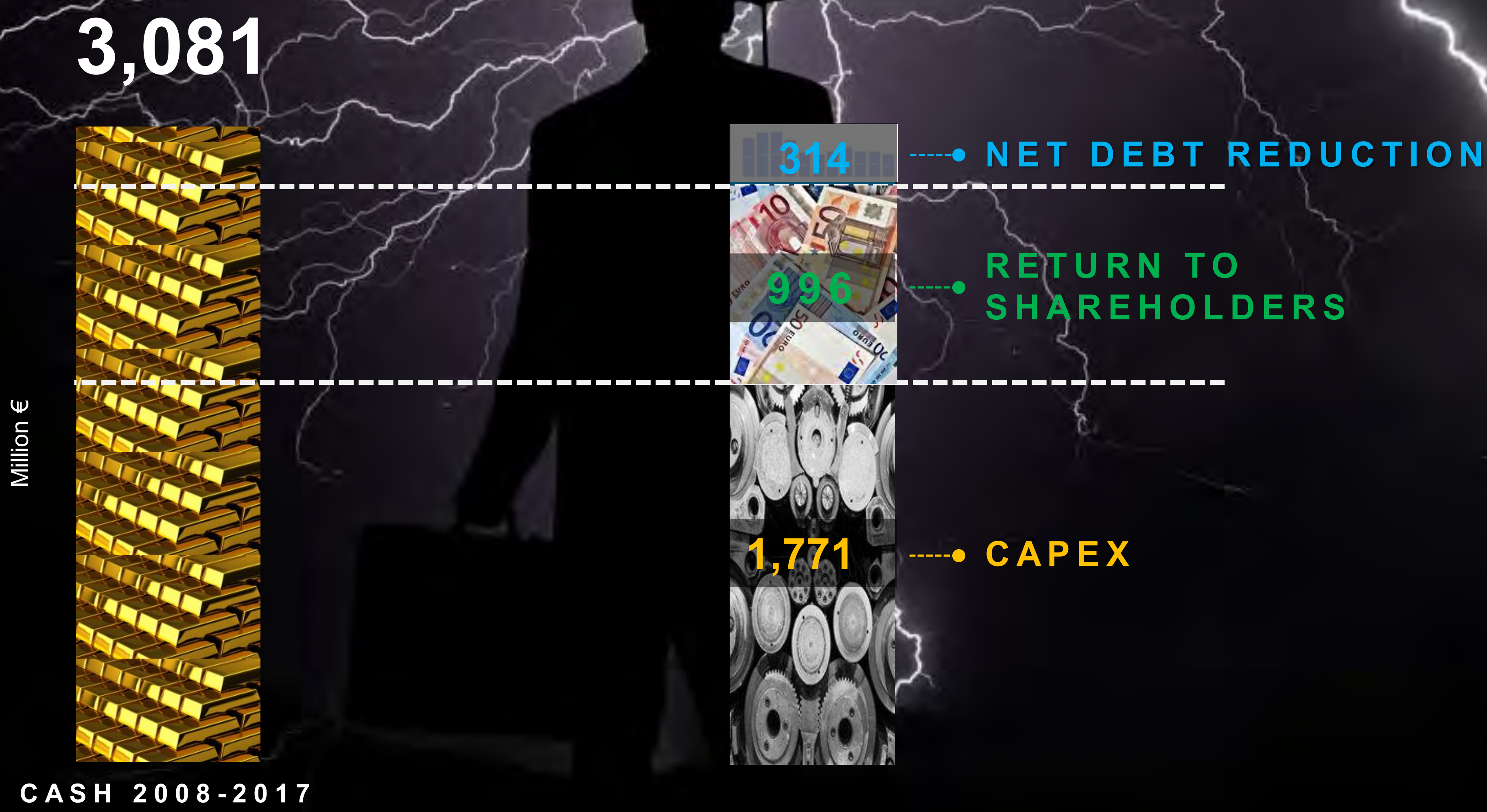
Cybersecurity


THANK YOU

Cash is King

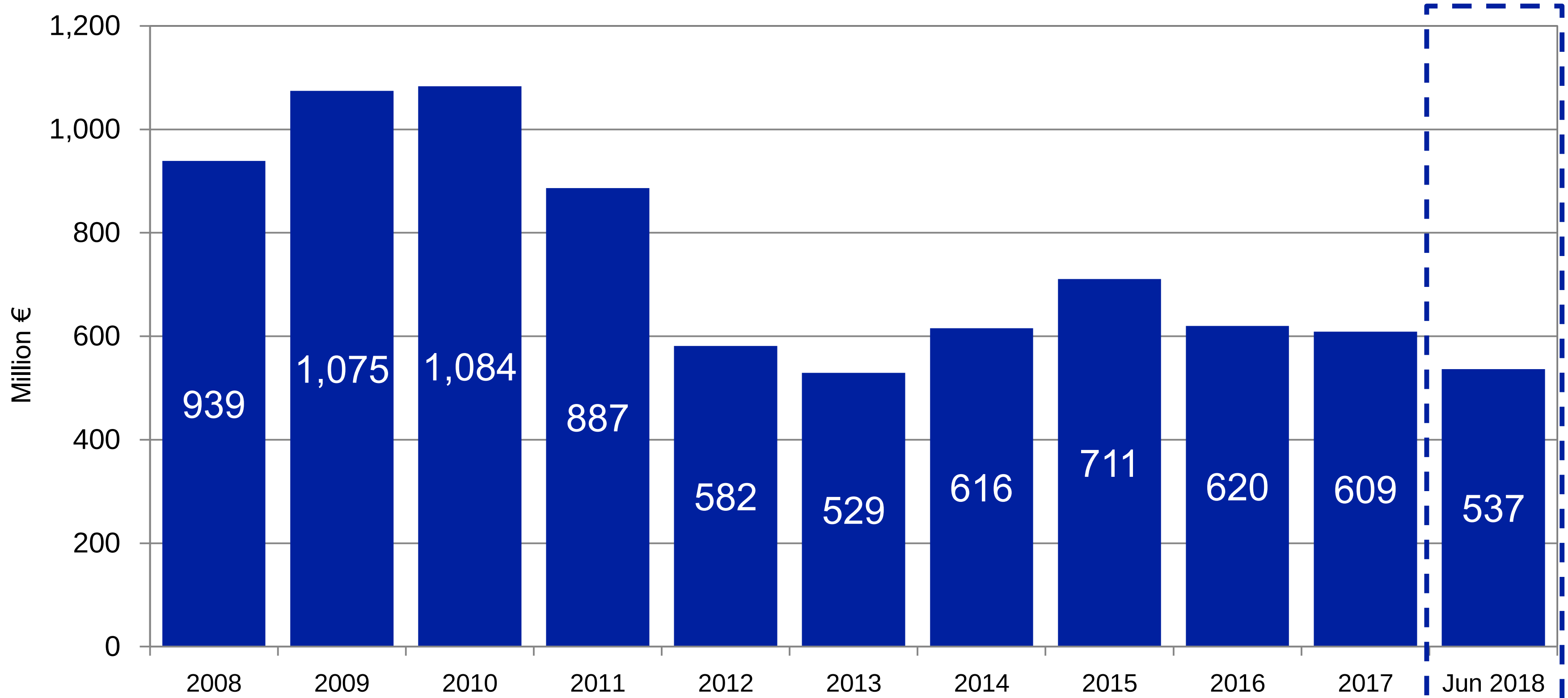
Miguel Ferrandis - CFO

CASH GENERATION 2008 – 2017



CASH IS KING

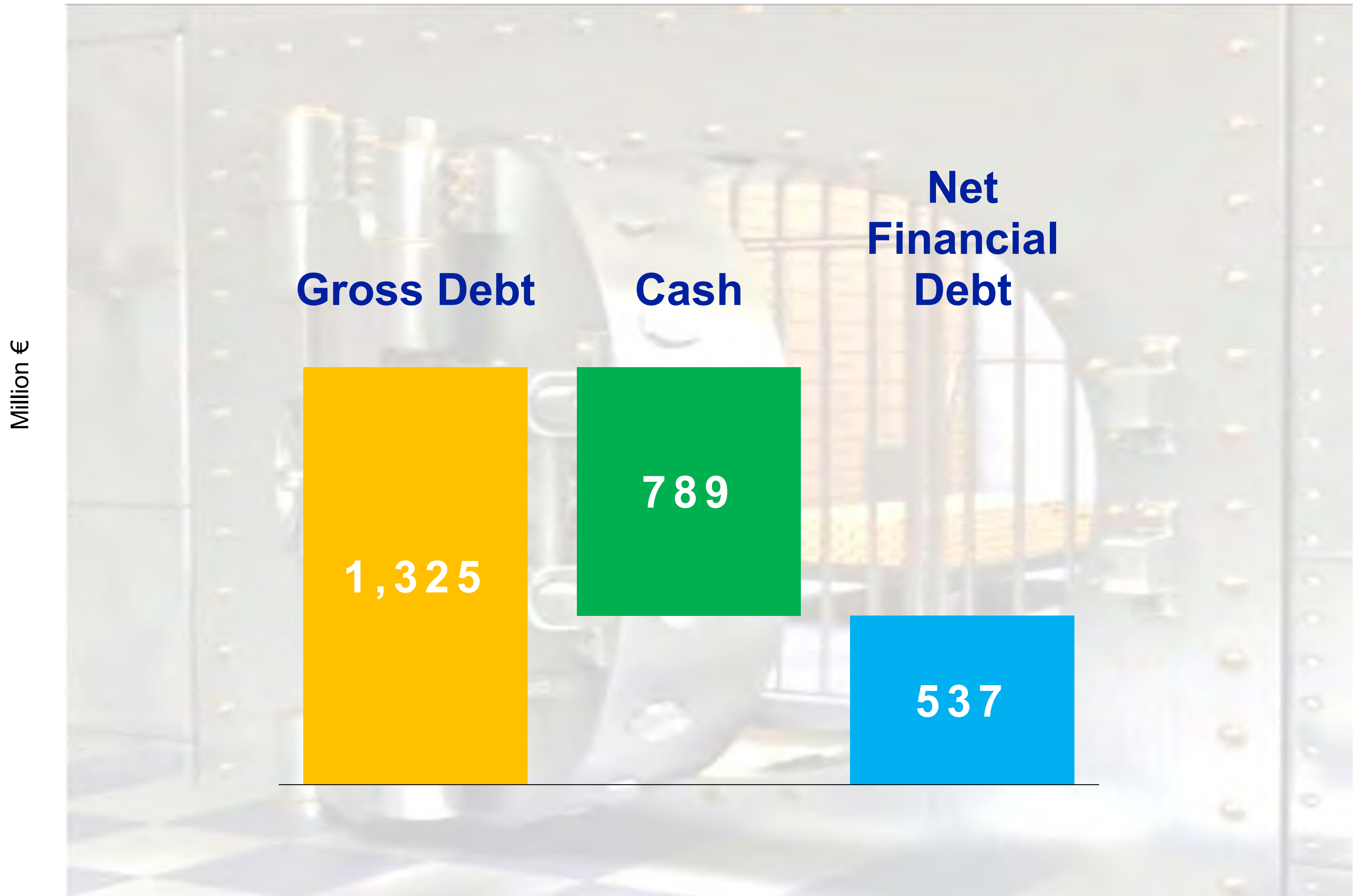
NET FINANCIAL DEBT



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Jun 2018
Gearing	46.5%	61.3%	56.3%	47.1%	33.9%	34.1%	33.2%	35.1%	28.6%	30.9%	26.6%
NFD / EBITDA	5.48	-5.63	2.84	2.60	2.94	2.32	1.36	2.48	1.88	1.25	1.00

NET FINANCIAL DEBT

JUNE 2018



FINANCIAL STRATEGY: FOCUS IN CASH

Extend maturities

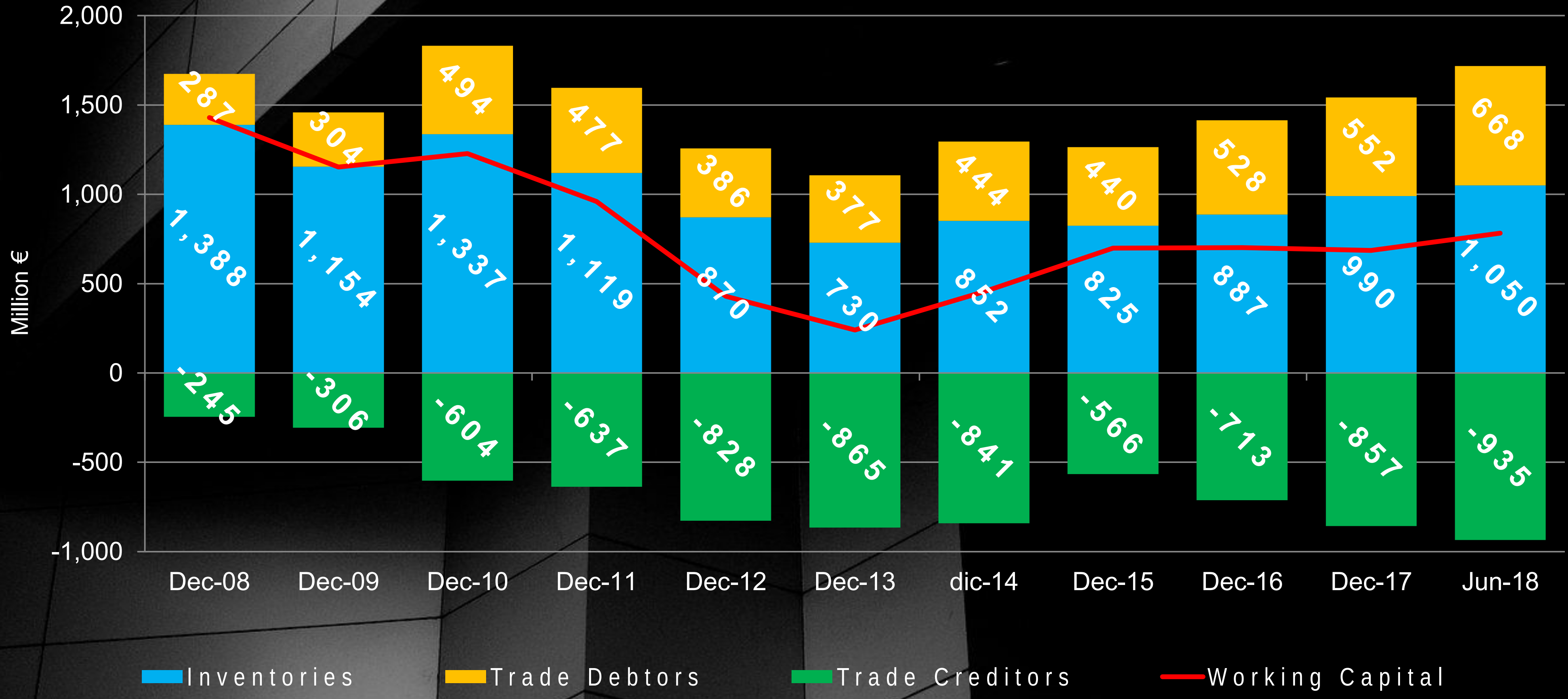
Secure interest rate

Working capital under control

Reduce cost

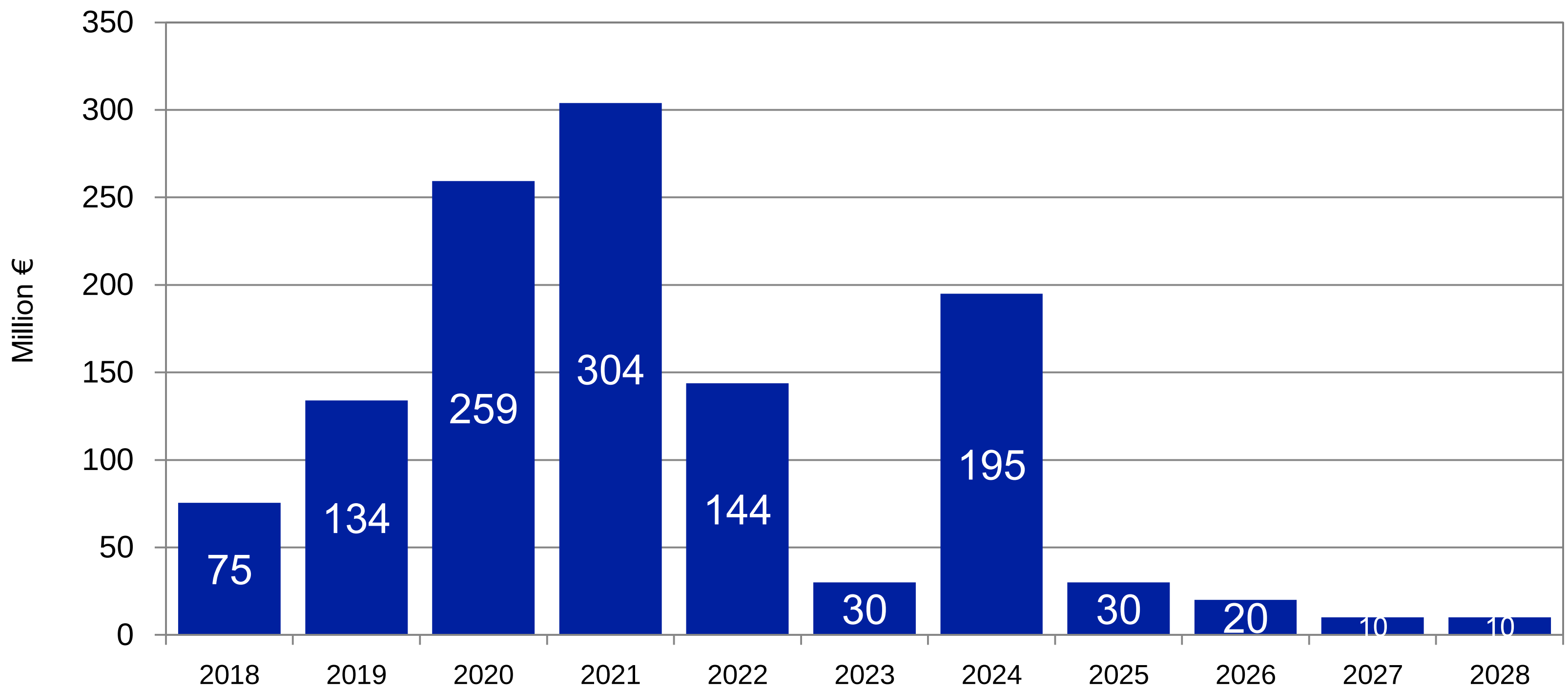
High quality debt

WORKING CAPITAL



TERM DEBT MATURITY

Total term debt: €1,211 million

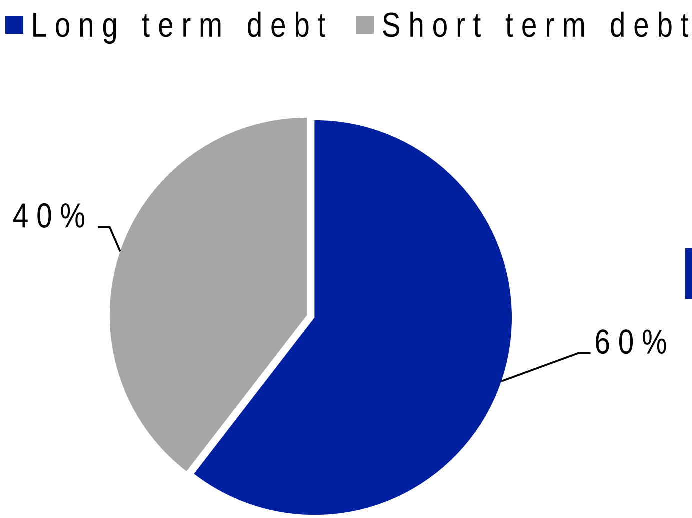


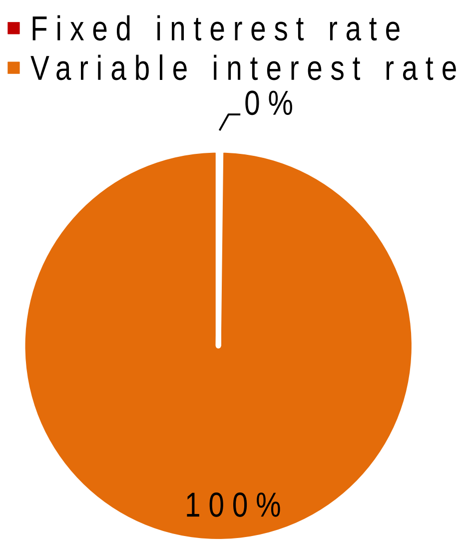
Maturities of the next four years amount to €773 million

Cash June 2018: €789 million

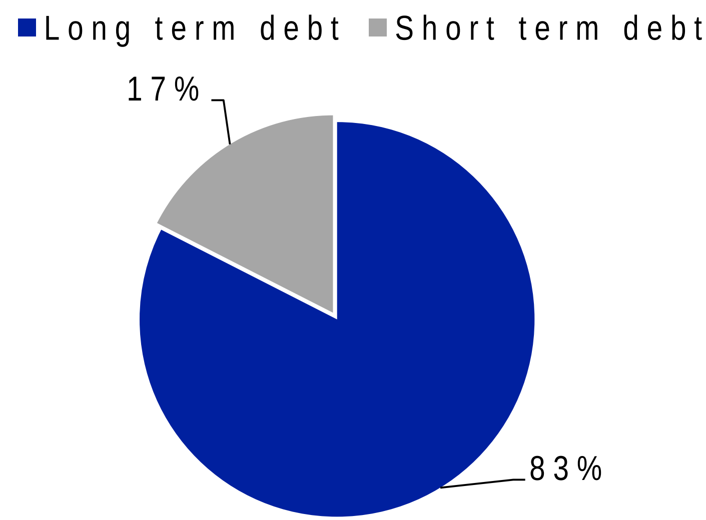
SECURE INTEREST RATE

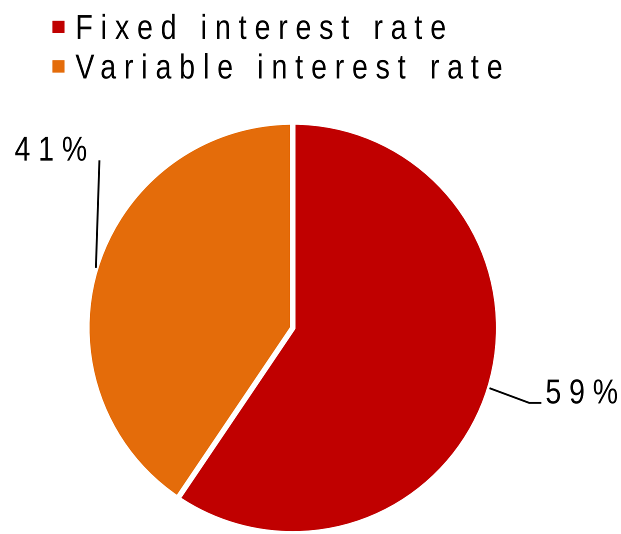
December 2008





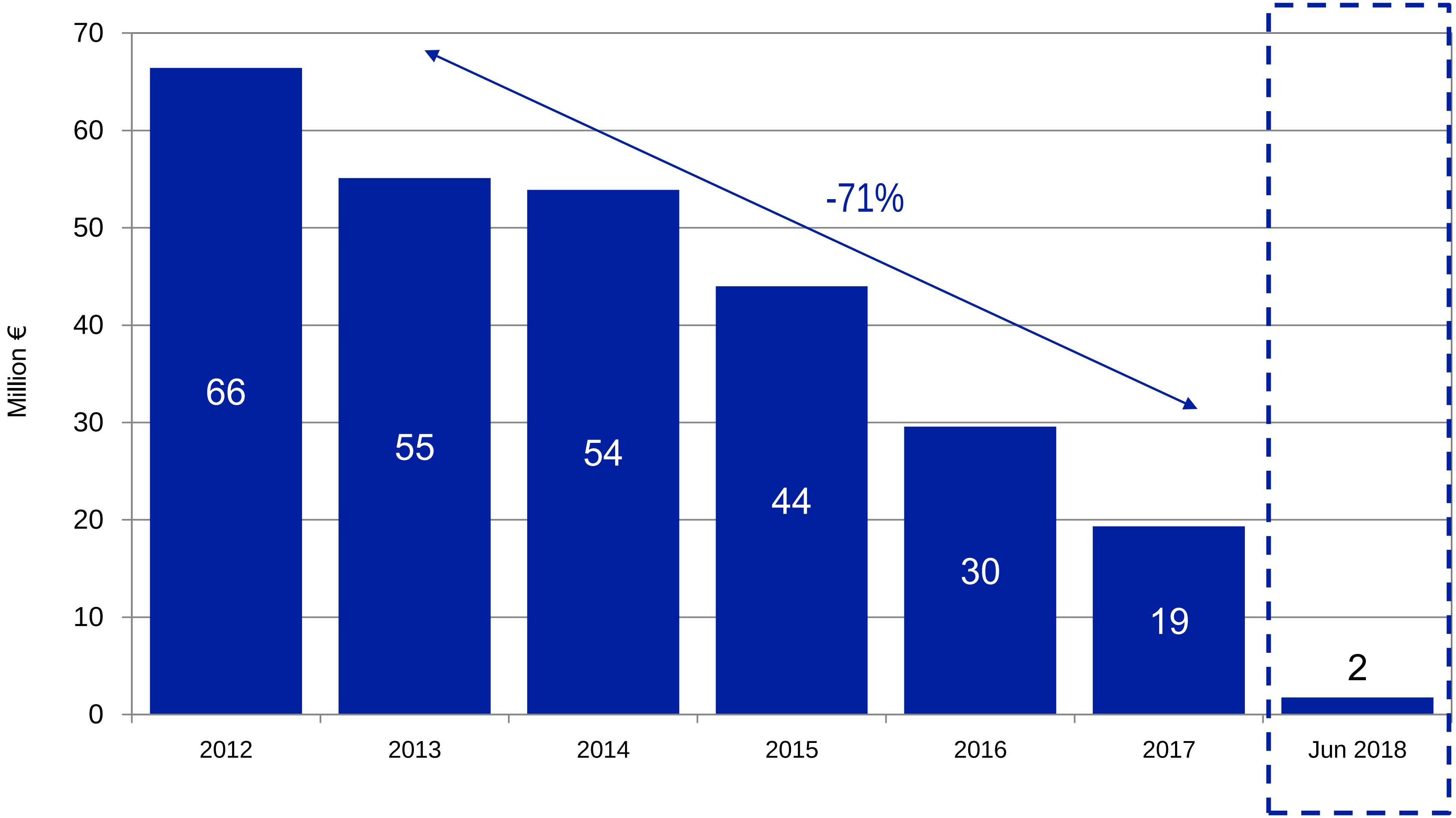
June 2018



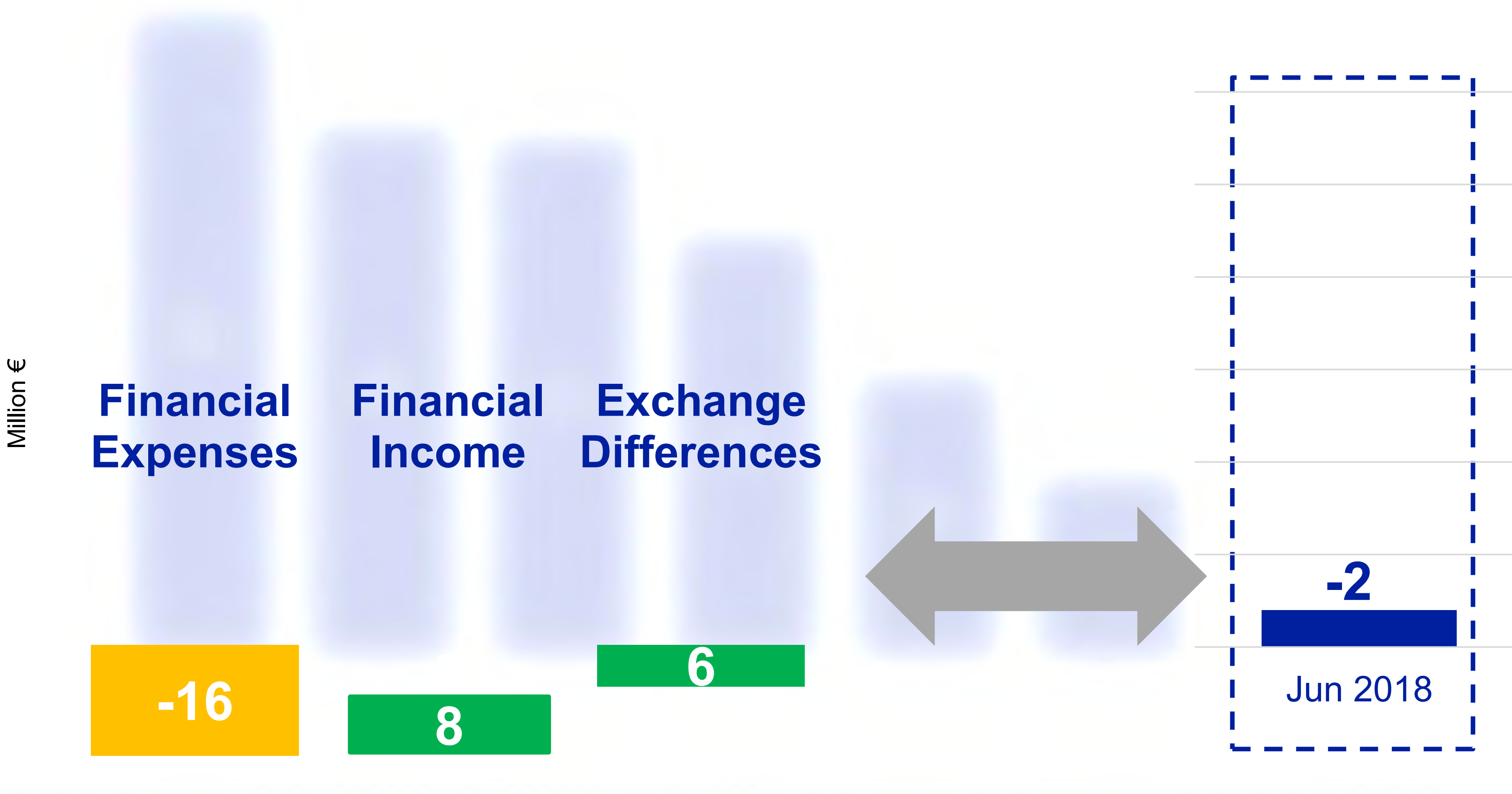


NET FINANCIAL EXPENSES

Among peers
- Lowest finance expenses
- Highest reduction



NET FINANCIAL EXPENSES



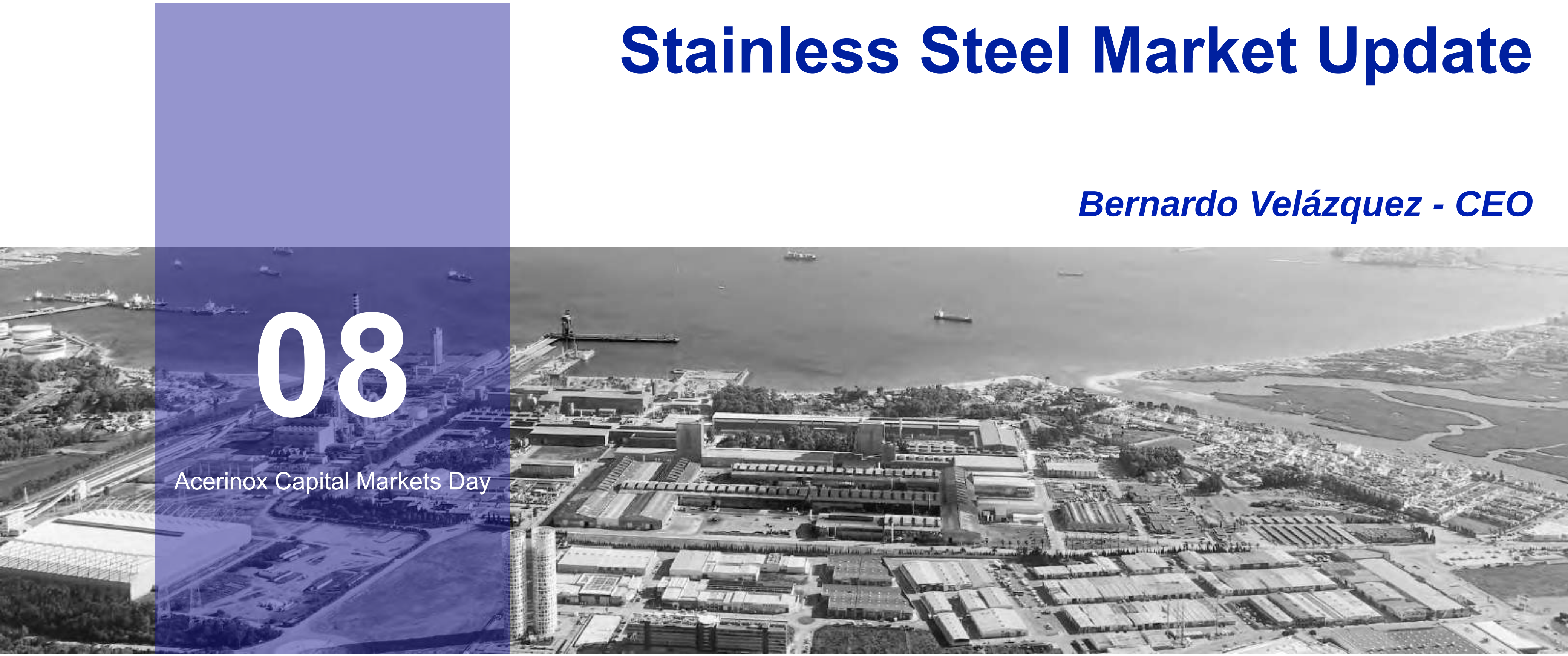
HIGH QUALITY DEBT

- ✓ No covenants related to the P&L
- ✓ 98% senior unsecured at 30 June
- ✓ Proper balance between diversification and cost

THANK YOU

Stainless Steel Market Update

Bernardo Velázquez - CEO



STAINLESS STEEL MARKET UPDATE

KEY DRIVERS

- Strong demand
- Overcapacity
- Trade barriers

HOW DOES ACERINOX FACE THIS SCENARIO?

- Growth strategy
- Cost control
- Investments
- Global position

KEY DRIVERS: STRONG DEMAND

MACRO INDICATORS

GDP	+2.1% Eurostat: Q2	+2.9% US Bureau of Economic Analysis: Q2	+6.7% National Bureau of Statistics of China: Q2
IPI	+0.8% Eurostat: Jul	+4.9% Federal Reserve: Aug	+6.1% National Bureau of Statistics of China: Aug
PMI	54.6 Markit Economics: Aug	54.7 Markit Economics: Aug	50.6 Markit Economics: Aug

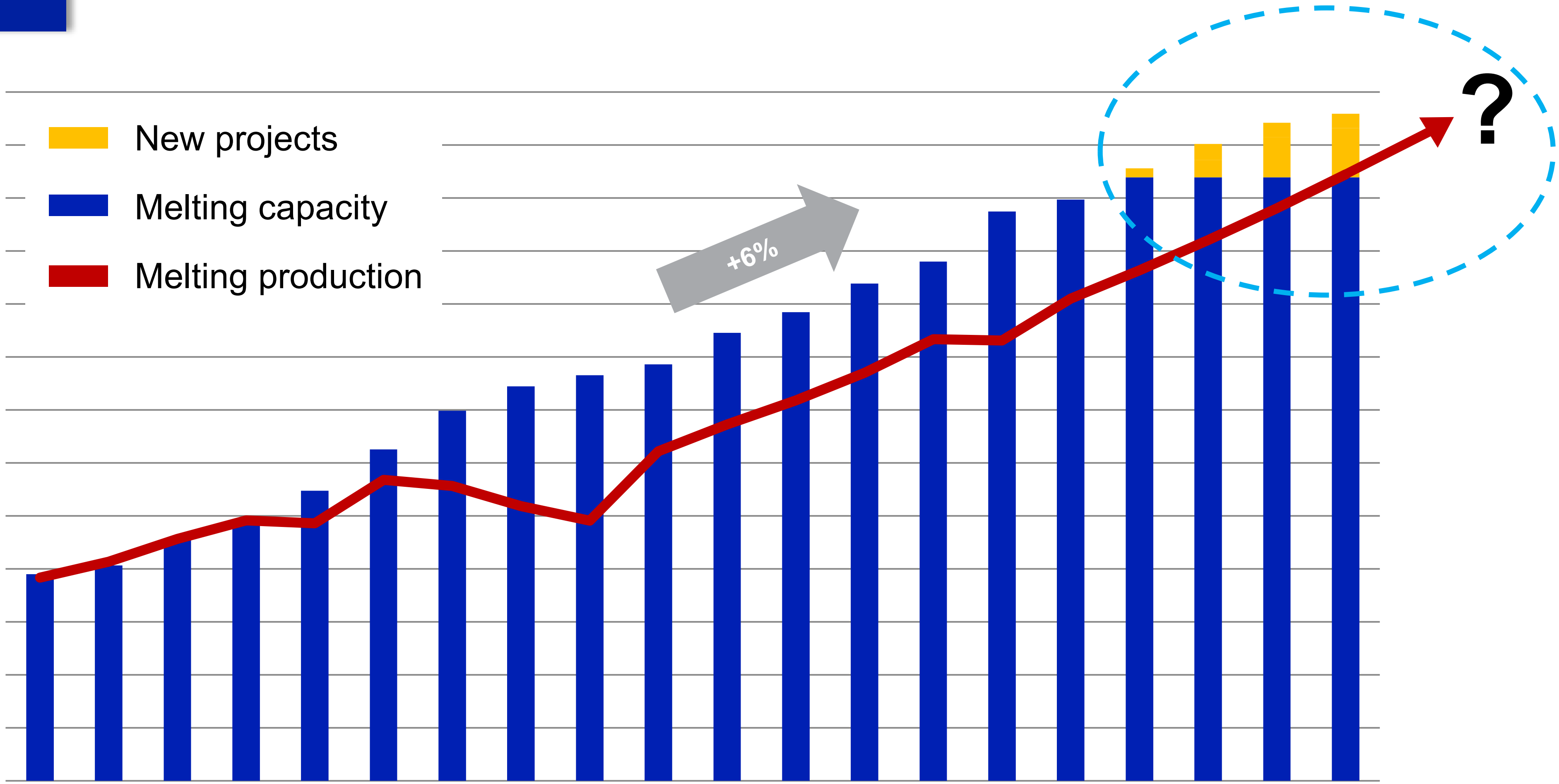
KEY DRIVERS: STRONG DEMAND

SECTOR INDICATORS

	Auto Production	Construction	Home Appliances
EUROPE	+2.5%	+3.2%	+1.7%
USA	-1.5%	+5.2%	-0.4%
CHINA	+3.5%	+10.2%	-0.4%

Source: Acerinox

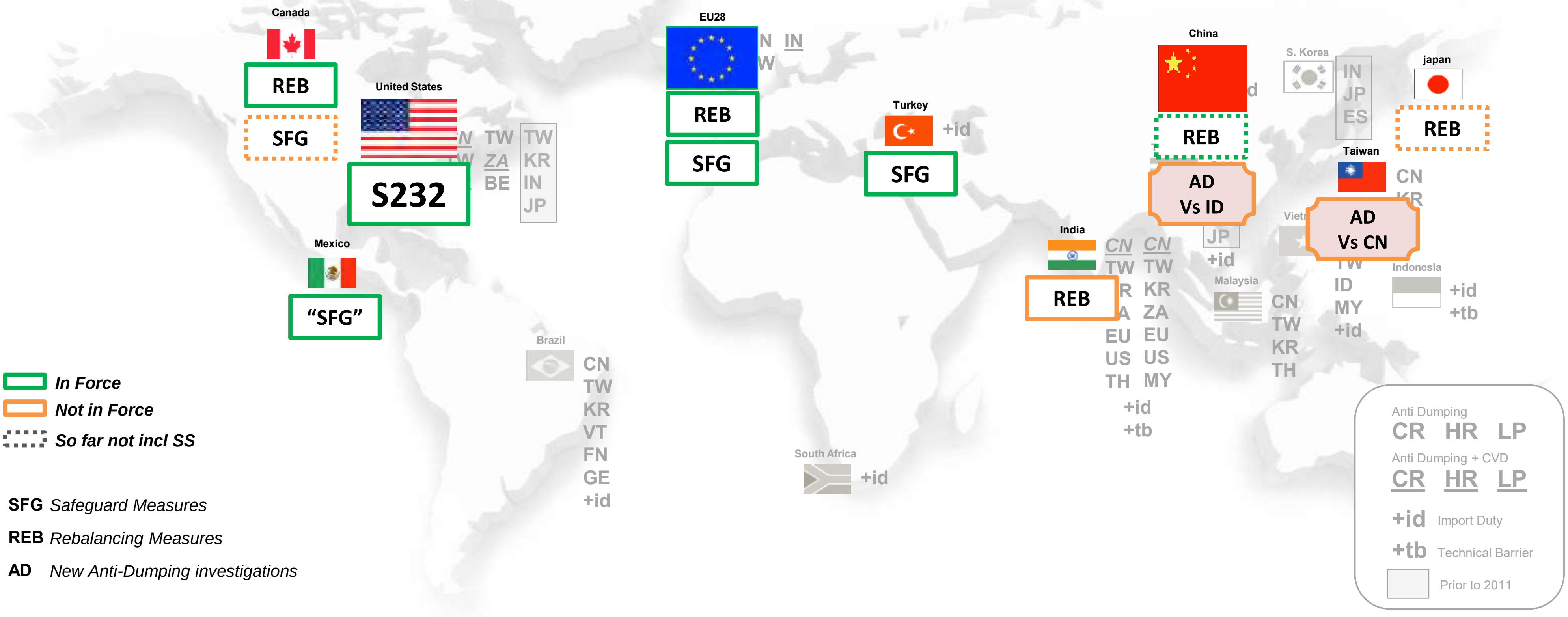
KEY DRIVERS: OVERCAPACITY



Source: Acerinox

KEY DRIVERS: TRADE BARRIERS

MAIN TRADE MEASURES FOR STAINLESS STEEL IN 2018

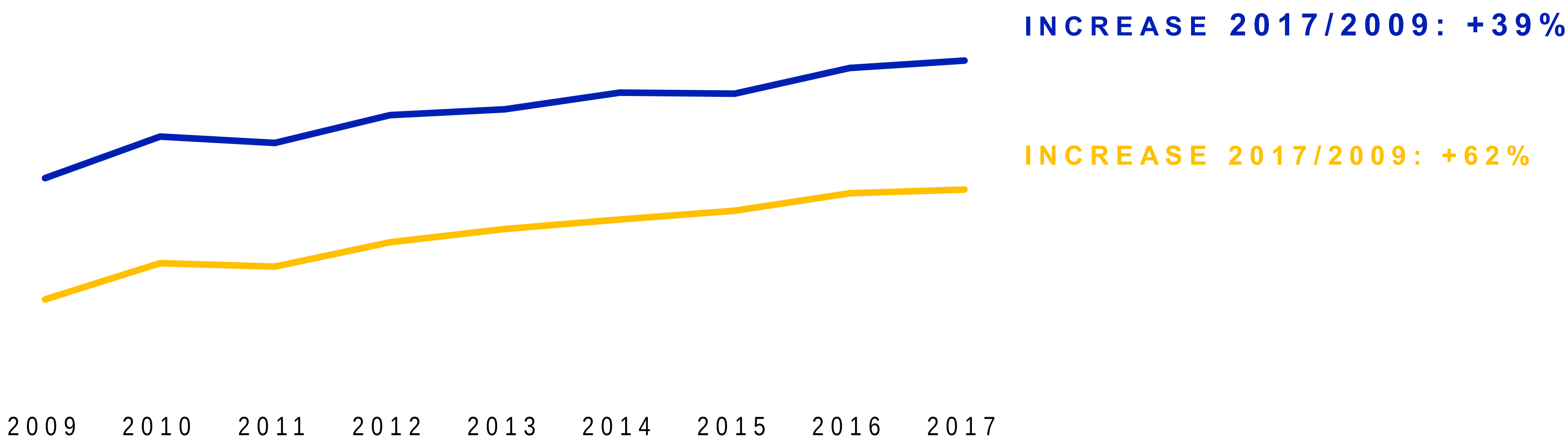


Source: USITC, ACX

ACERINOX STRATEGY: GROWTH

OPTIMIZING CAPACITY UTILIZATION

MELTING PRODUCTION
2017 SECOND BEST YEAR



COLD ROLLING PRODUCTION
2017 BEST YEAR

ACERINOX STRATEGY: COST CONTROL

2017-2018 EXCELLENCE PLAN V

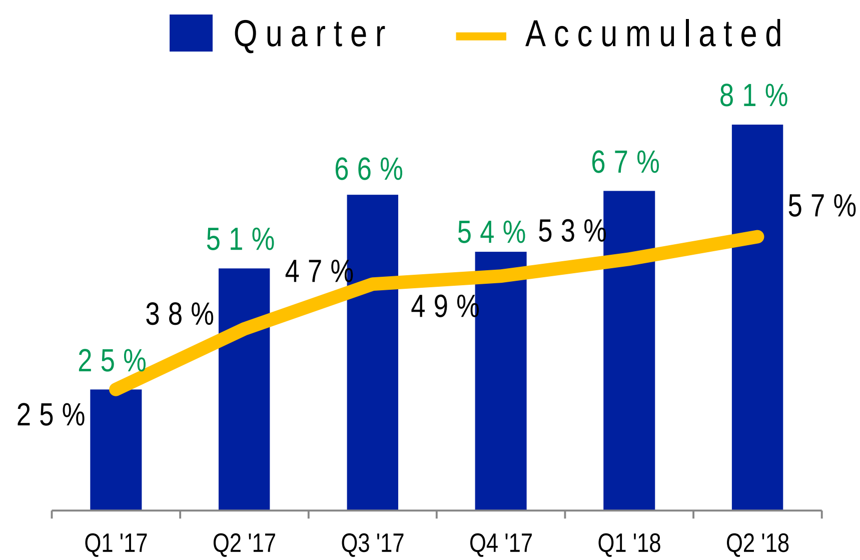
Target : 50 million EUR

5 chapters: Operations, Working Capital, Personnel, Commercial and Supply Chain

Performance to June 2018: 57% (29 million EUR)

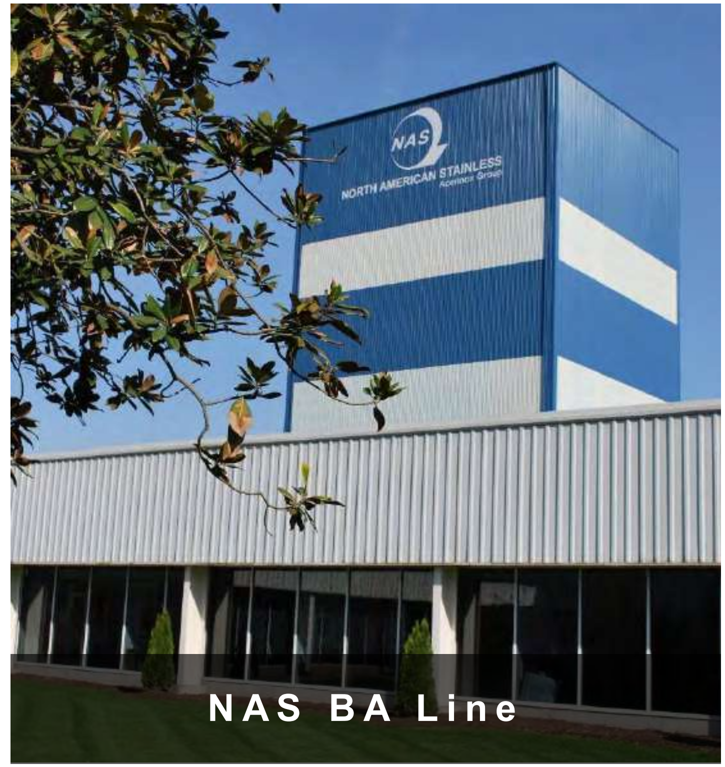
- Reduction of inventories (mt)
- Efficiency
- Reliability
- Service center optimization
- Productivity

PERFORMANCE % over the target



ACERINOX STRATEGY: INVESTMENTS


Acerinox Europa AP Line



NAS BA Line

ACERINOX STRATEGY: GLOBAL POSITION

- Warehouses (26)
- Sales offices (35)
- Service centres (18)
- Sales agents (15 in 26 countries)
- Factories (6)

CONCLUSIONS

Stainless steel is an excellent material

Investments make the difference

Strong demand

Competitiveness

Acerinox: "GLOCAL" player in the industry

Strong balance sheet

CLEAR STRATEGY
FOR FURTHER IMPROVEMENTS

ACERINOX

ACERINOX CAPITAL MARKETS DAY 2018

THANK YOU

Q&A