



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?

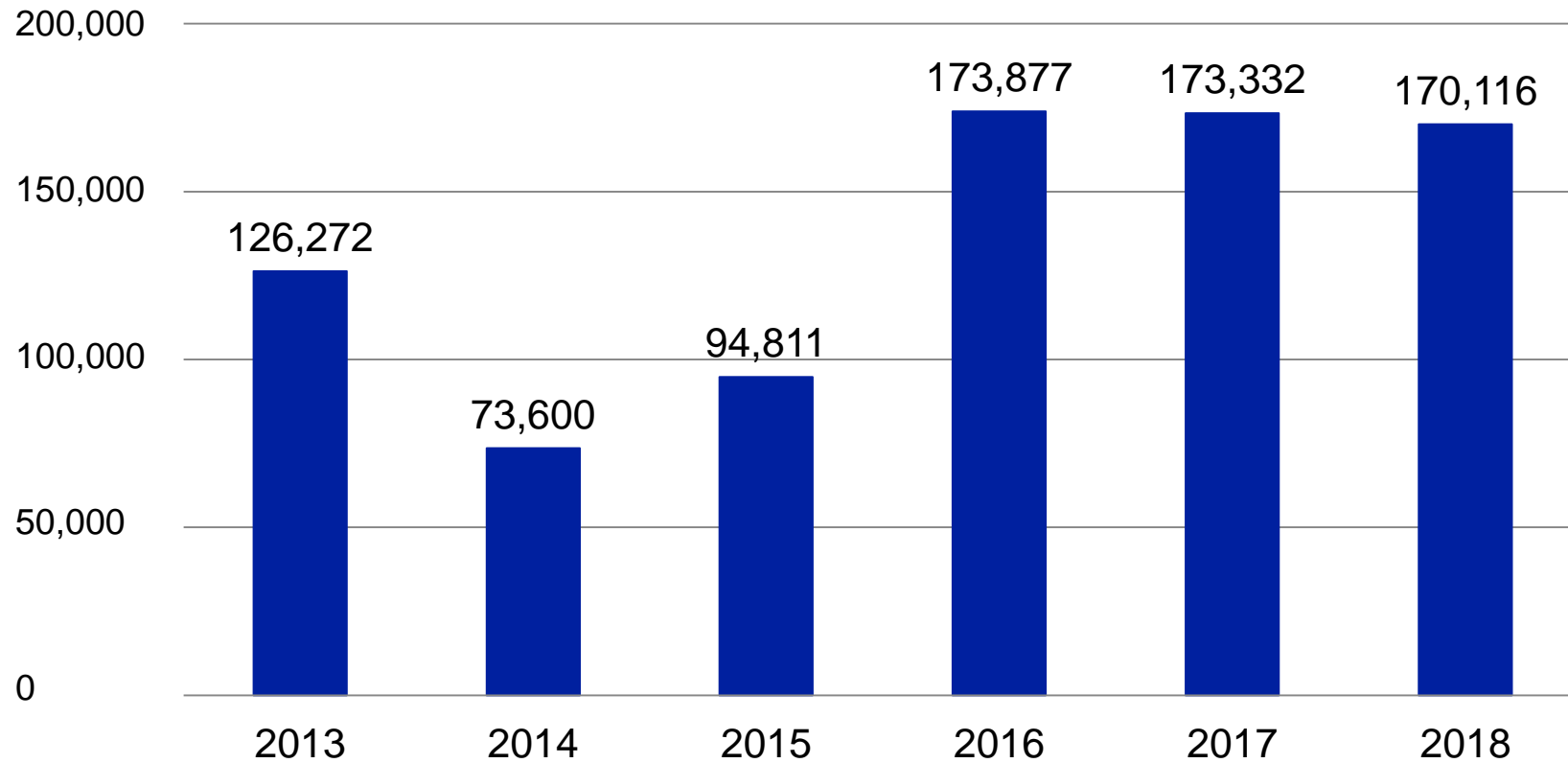
- ② To be efficient.
- ② To have high productivity.
- ② To reduce costs.
- ② To have the best quality.
- ② Service to our clients.



CAPEX

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

Thousands Euros



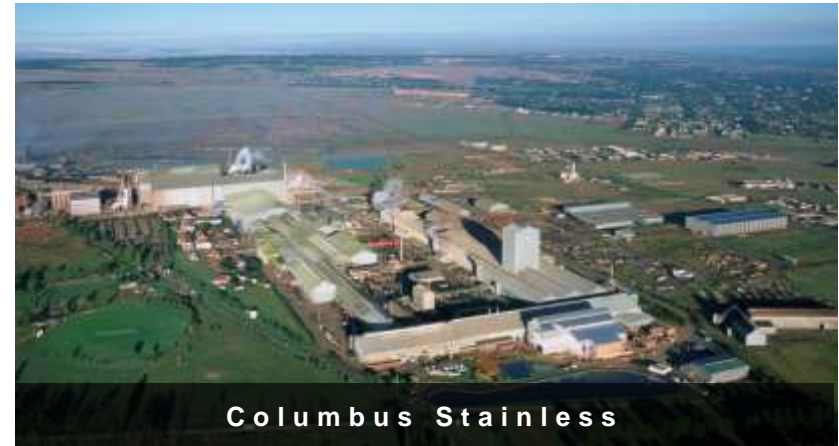


NEW EQUIPMENT THAT MAKES THE DIFFERENCE

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





NEW EQUIPMENT THAT MAKES THE DIFFERENCE

BAHRU STAINLESS



Rolling Mill no. 2 (2012)

Final Annealing Line (2013)

Longitudinal Slitting Line (2014)



NEW EQUIPMENT THAT MAKES THE DIFFERENCE

COLUMBUS STAINLESS



Longitudinal slitting line <650 width
(2014)

Longitudinal slitting line of 0.15/30
gauge (being installed) (2019)

Ladle furnace 4th quarter (2019)



NEW EQUIPMENT THAT MAKES THE DIFFERENCE

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)



NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA



Replacement of Hot Rolling AC motors (2013)





NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA



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



NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA

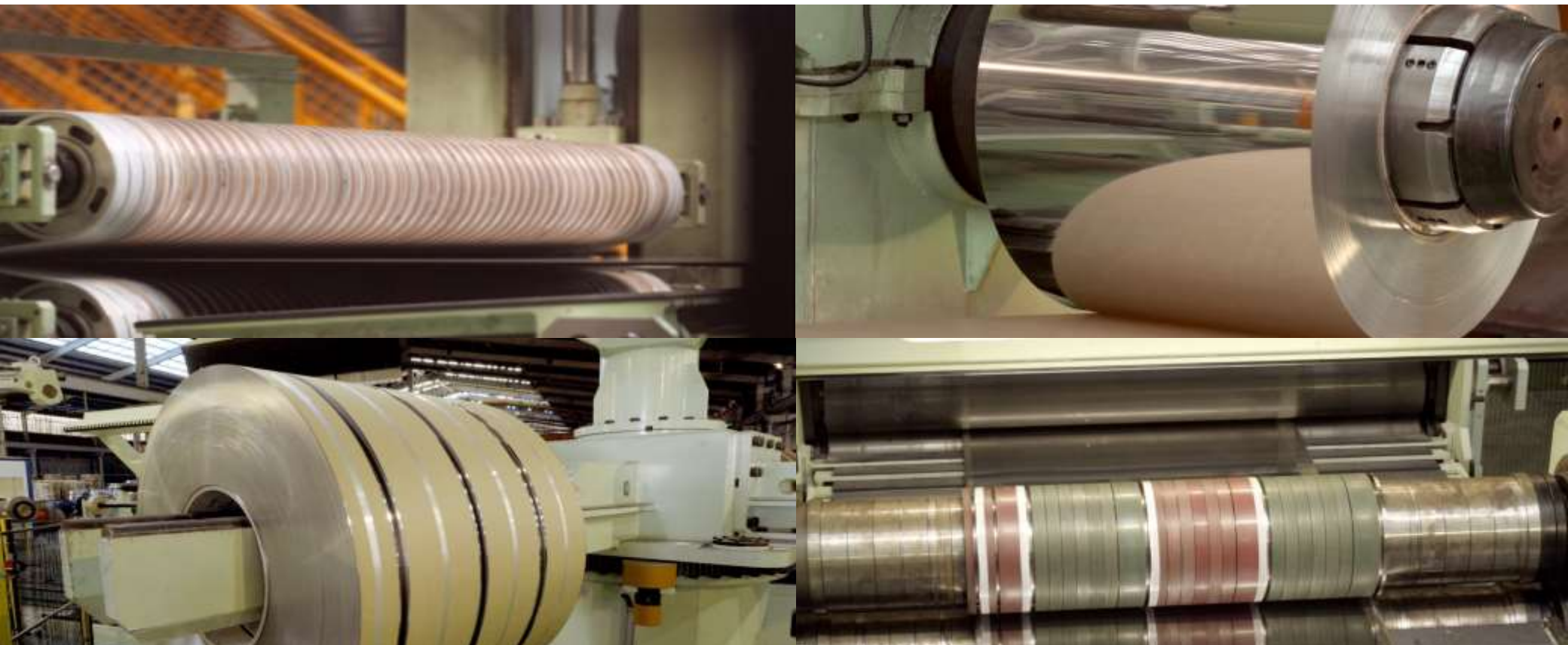


Replacement of ZM-3 motors and drivers (2017)



NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA



SL-9 longitudinal slitting line (2017)



NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA



SL-9 Longitudinal slitting line (2017)





NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA



Rolling mill no. 7 (March 2018)



NEW EQUIPMENT THAT MAKES THE DIFFERENCE

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)

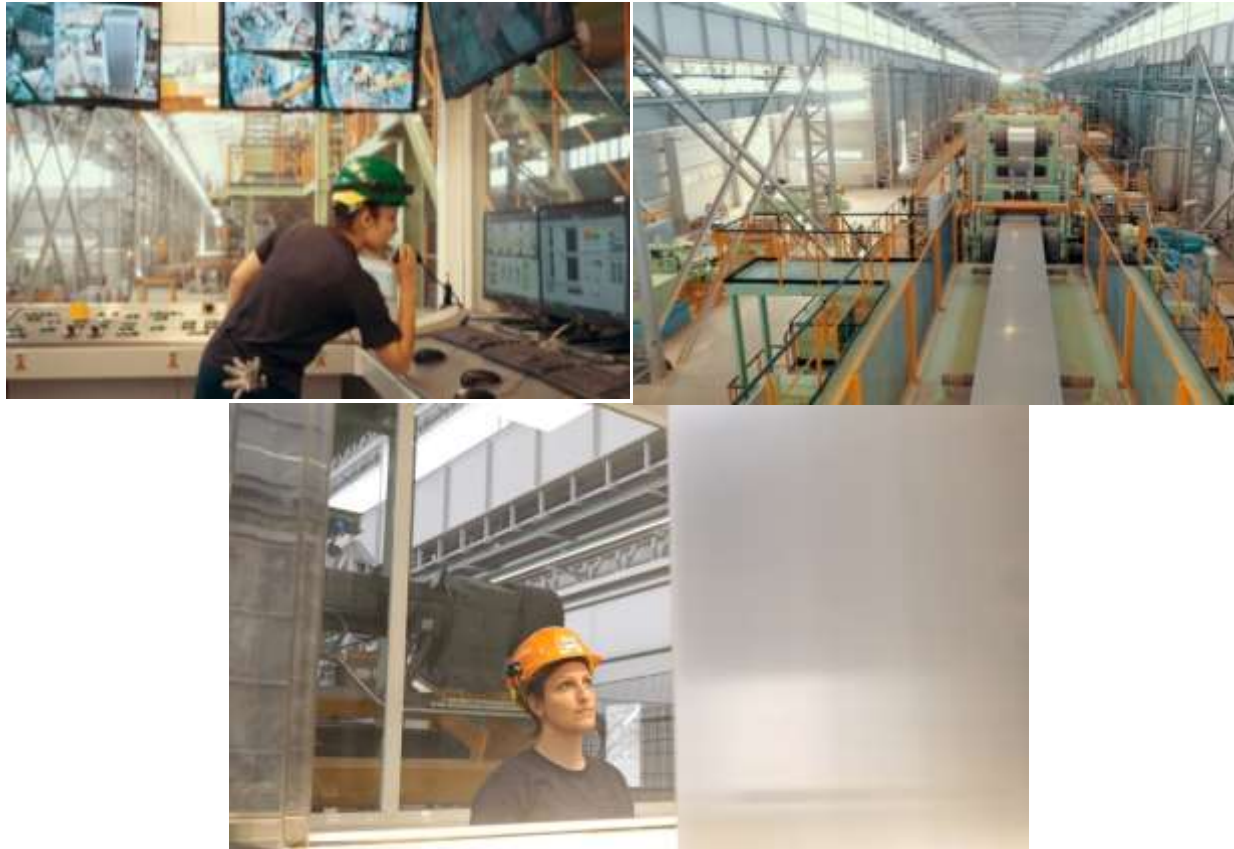
The absence of contact in the cooling stage following heat treatment produces a uniform surface with no marks.





NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA



Final annealing and pickling line (March 2018)



NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA



SKP Y TLU AP-5

ACERINOX EUROPA



Pickling control AP-5



NEW EQUIPMENT THAT MAKES THE DIFFERENCE

What features has the pickling?

What is achieved with these plants?

- 1° Emission are 2/3 times lower than the legal limit.
- 2° The conditions of acids, salts and water is 40% lower than what we have had until now.

ACERINOX EUROPA



AP-3 Revamping (August 2018)



NEW EQUIPMENT THAT MAKES THE DIFFERENCE

ACERINOX EUROPA



AP-3 Revamping (August 2018)



ACERINOX EUROPA: UPCOMING PROJECTS TO BE IMPLEMENTED

- ② 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
- ② There are also other investments for environmental improvements, some already made and others in progress and pending completion before the end of 2019.



NEW EQUIPMENT THAT MAKES THE DIFFERENCE

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



THANK YOU

Stainless Steel in Transport: New Opportunities

Luis Peiró, Technical Director of CEDINOX

03

Acerinox Capital Markets Day

1 | Historical evolution

2 | Current situation

3 | Expected development in the coming years

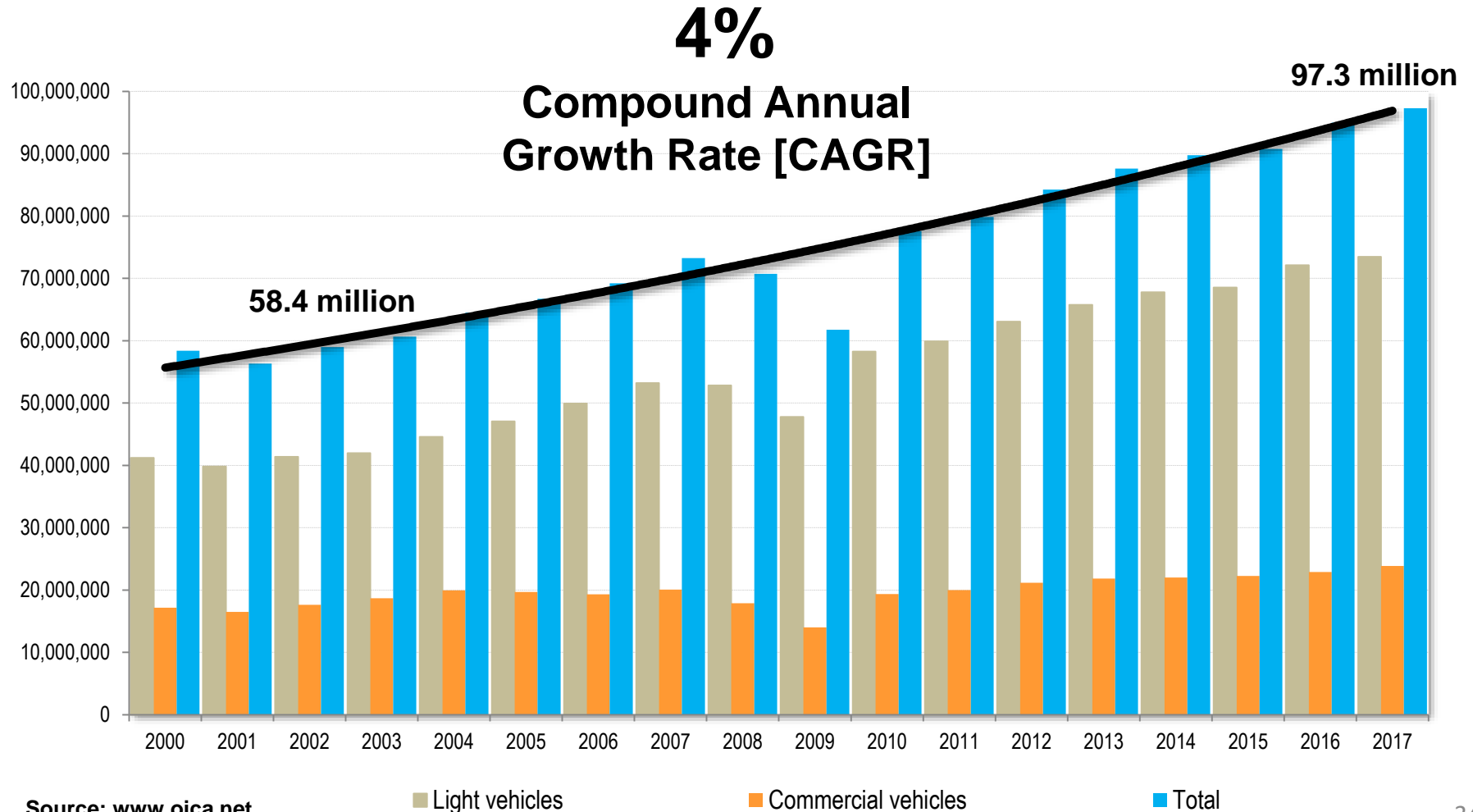
4 | Goals in the automotive industry

5 | Conclusions



HISTORICAL EVOLUTION 2000-2017

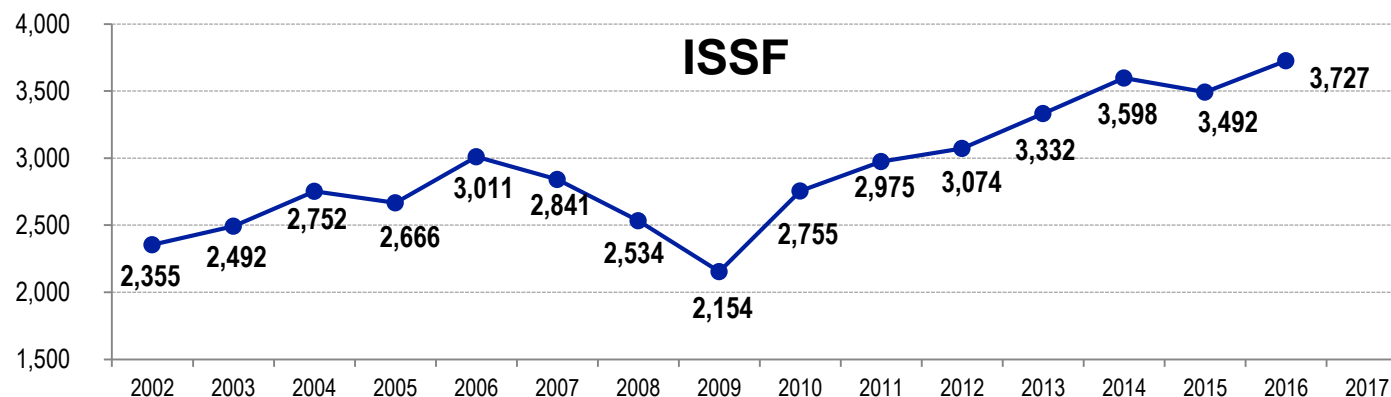
MOTOR VEHICLES PRODUCTION



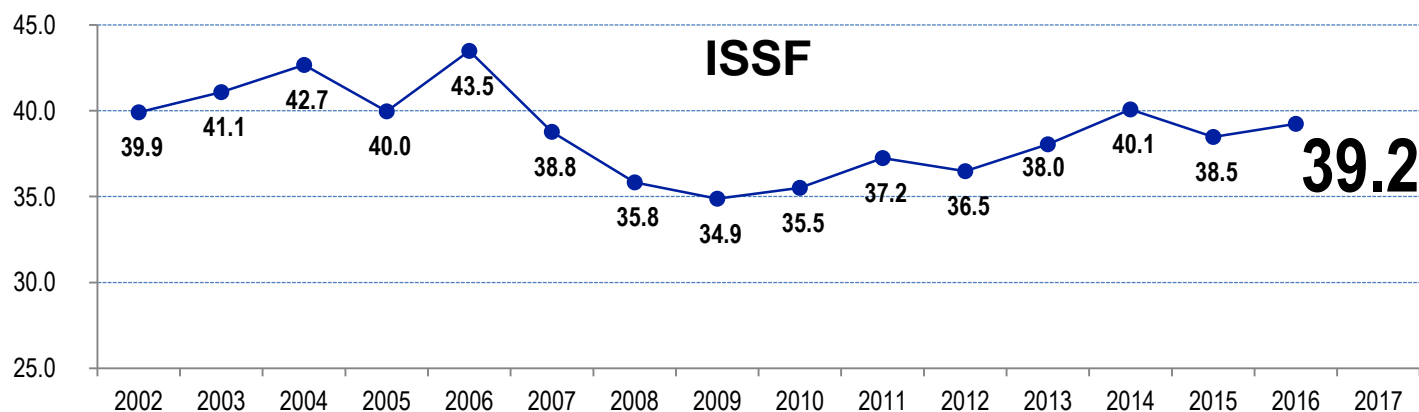


HISTORICAL EVOLUTION 2000-2017

MOTOR VEHICLES: STAINLESS STEEL WORLD CONSUMPTION (x1000 t)



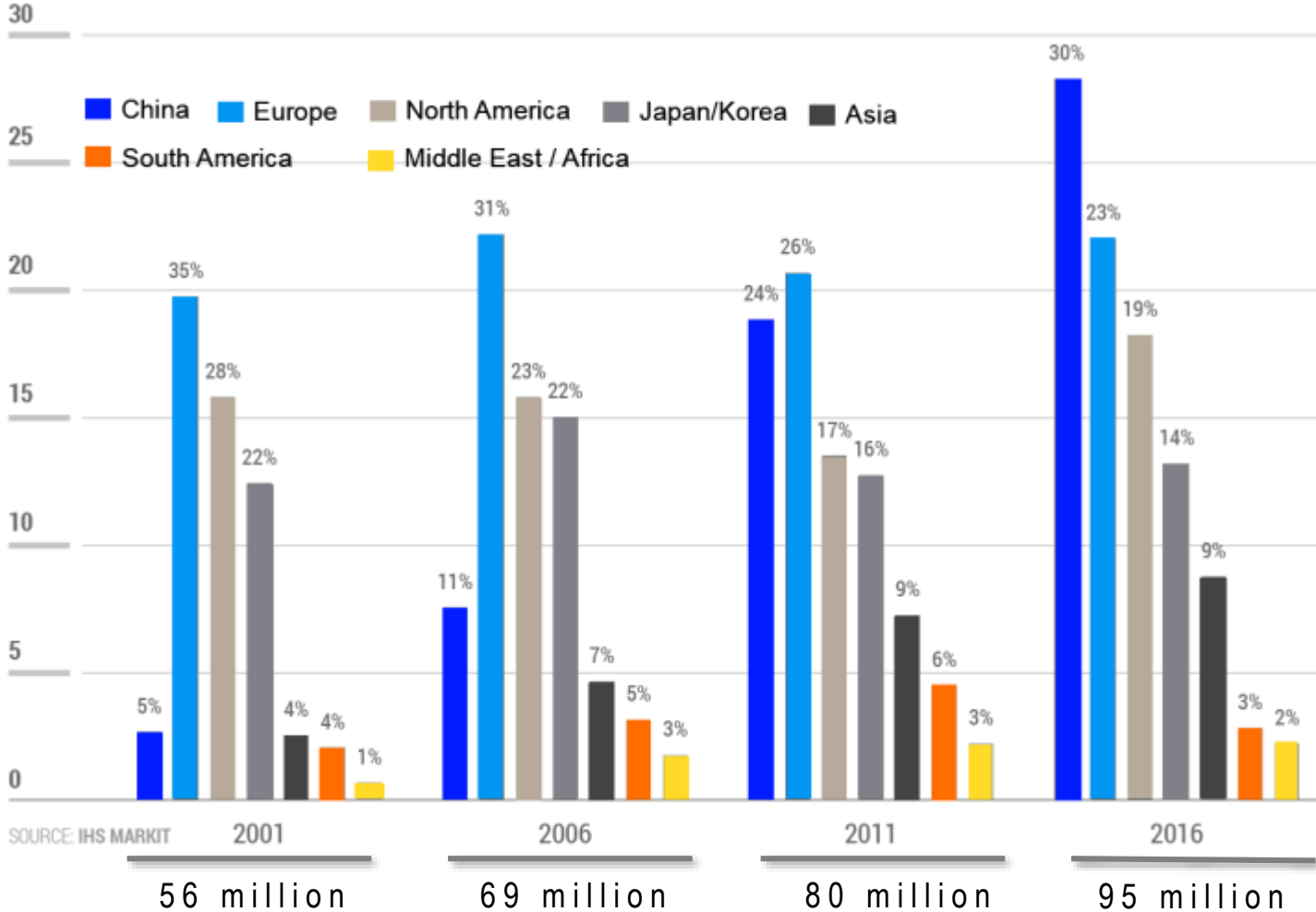
AVERAGE CONSUMPTION PER VEHICLE (KG)

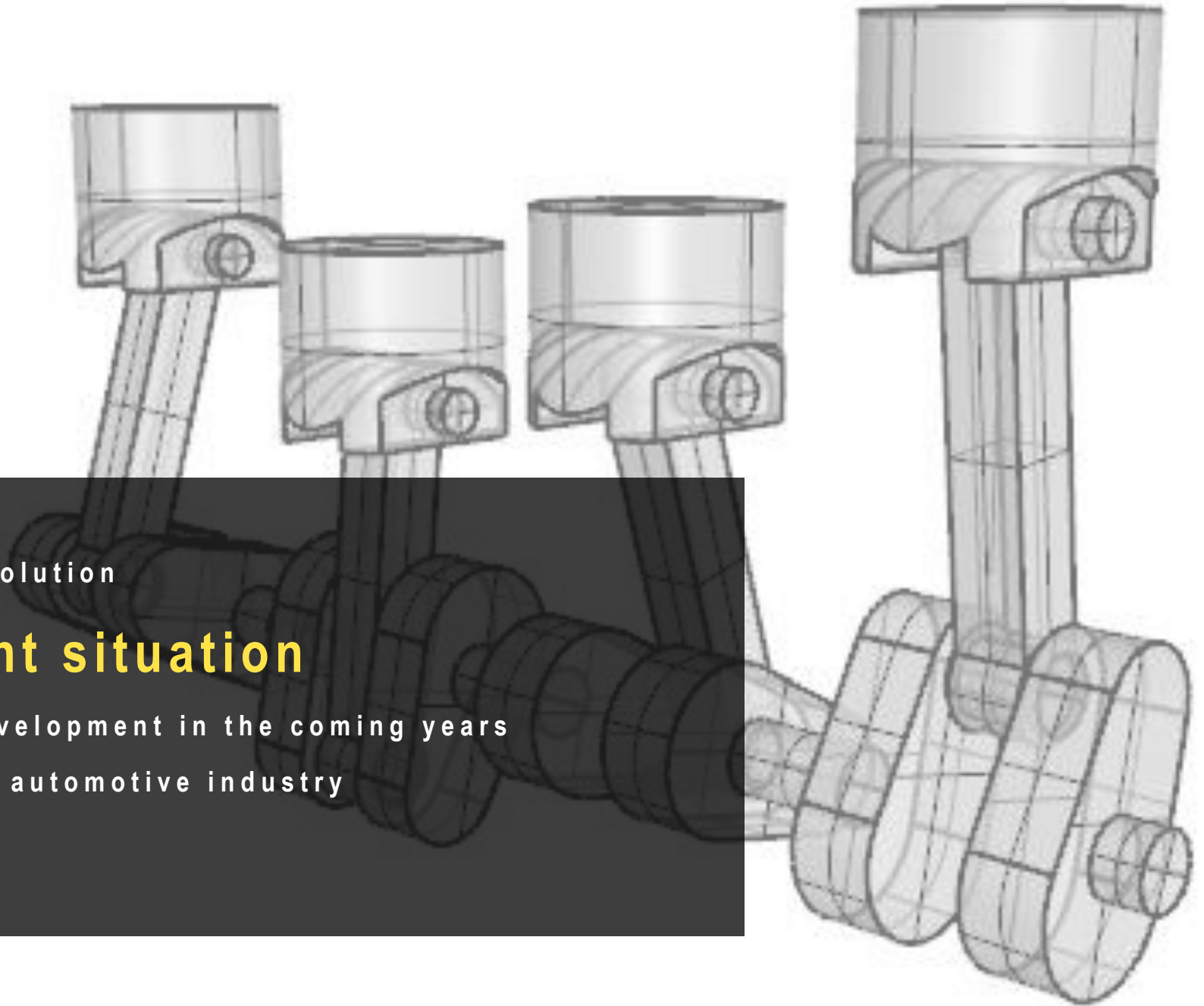




HISTORICAL EVOLUTION 2000-2017

➤ WORLD MOTOR VEHICLE PRODUCTION (MILLION UNITS - % SHARE)





1 | Historical evolution

2 | Current situation

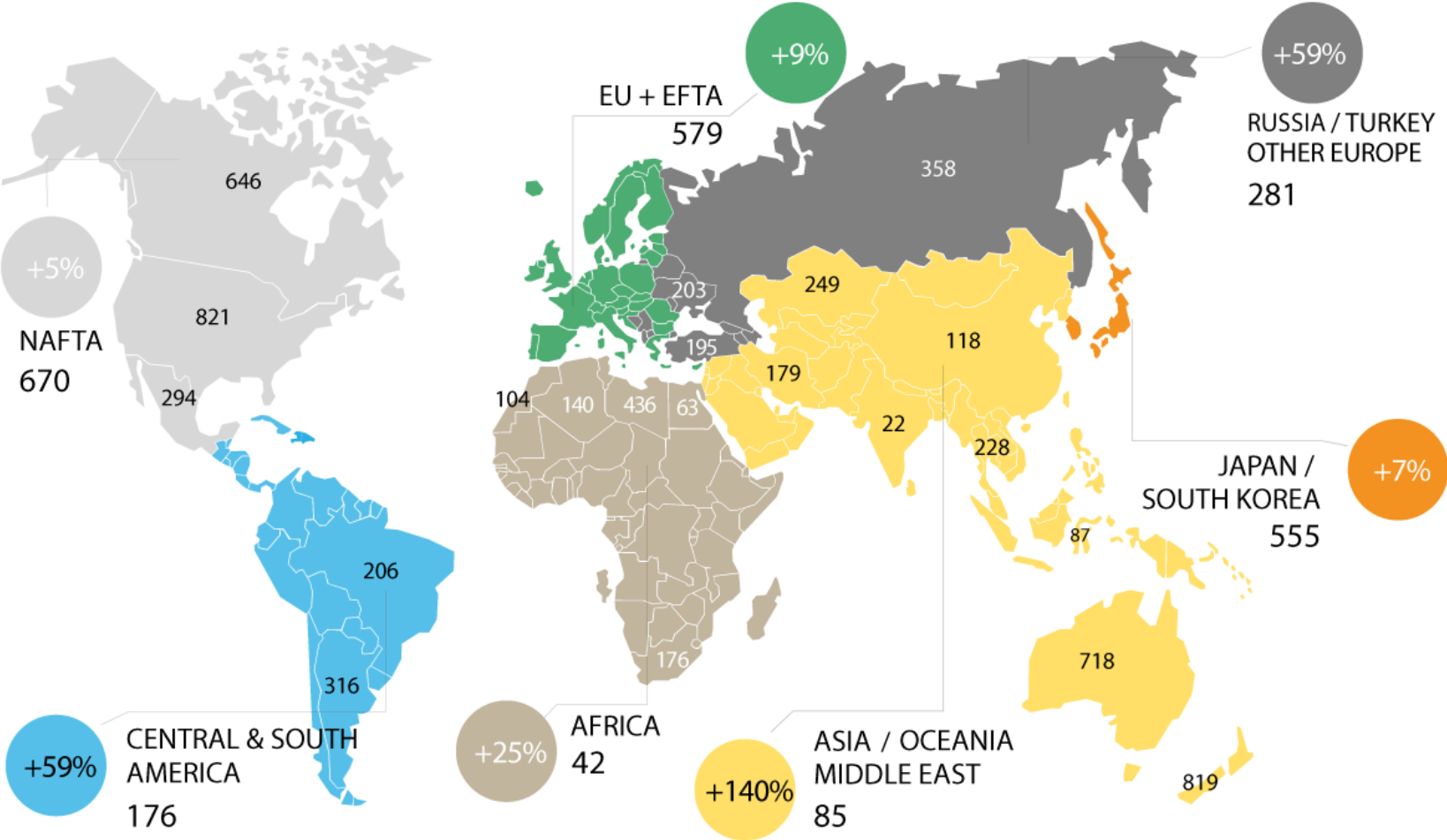
3 | Expected development in the coming years

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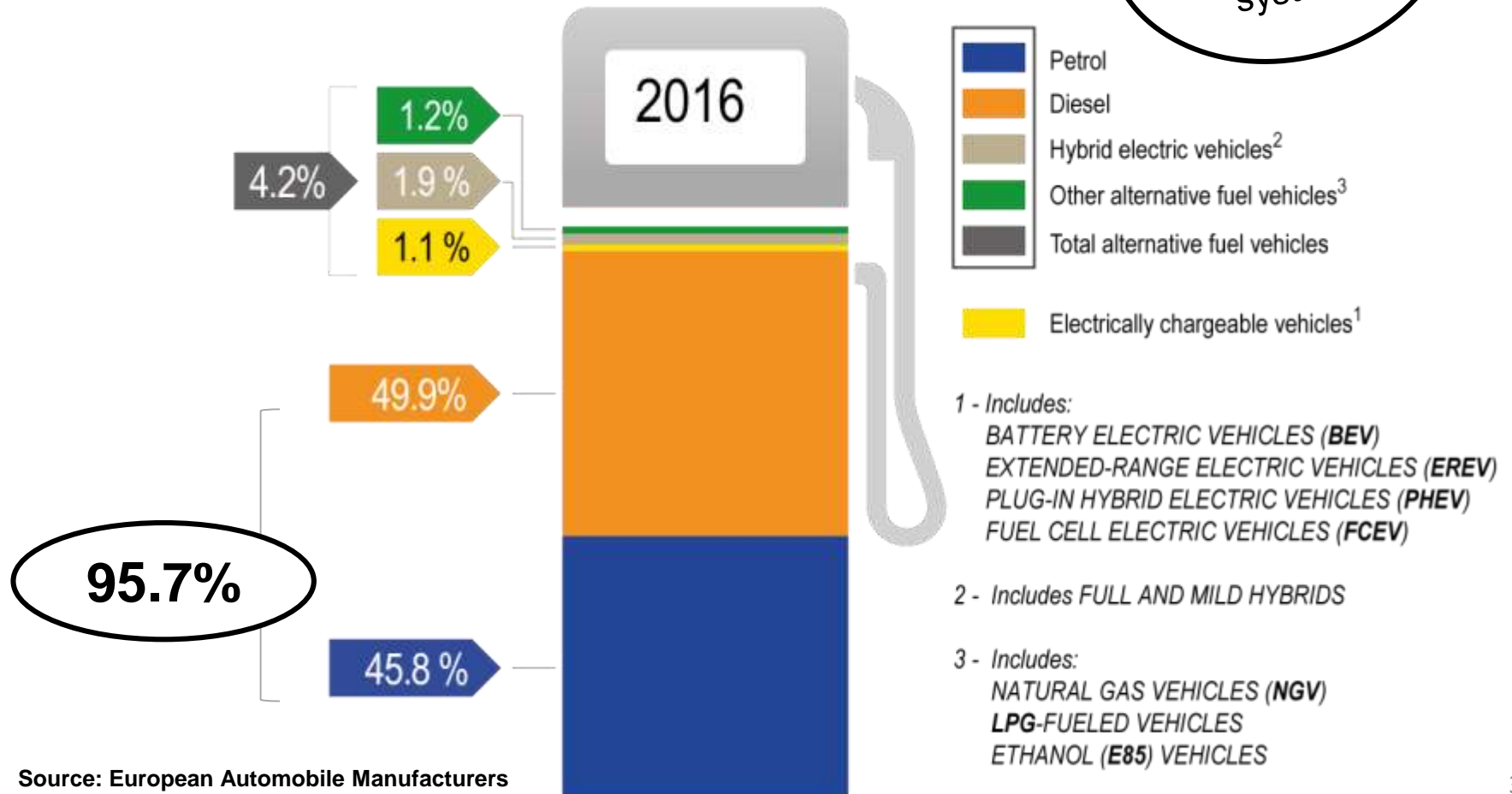
CURRENT SITUATION

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



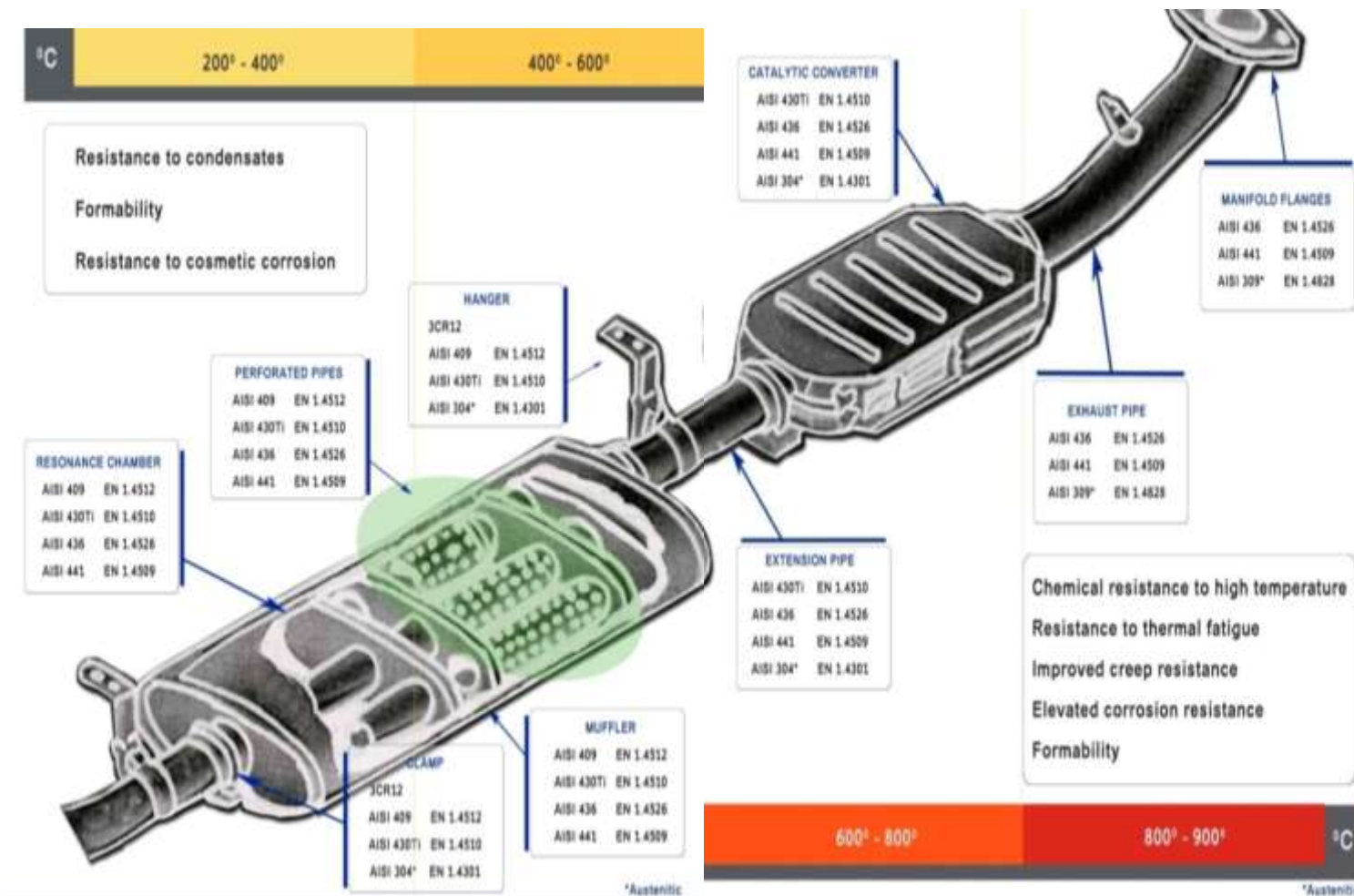
CURRENT SITUATION

➤ PASSENGER CARS BY FUEL TYPE (EU) 2016

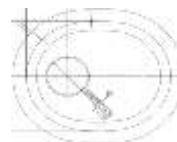
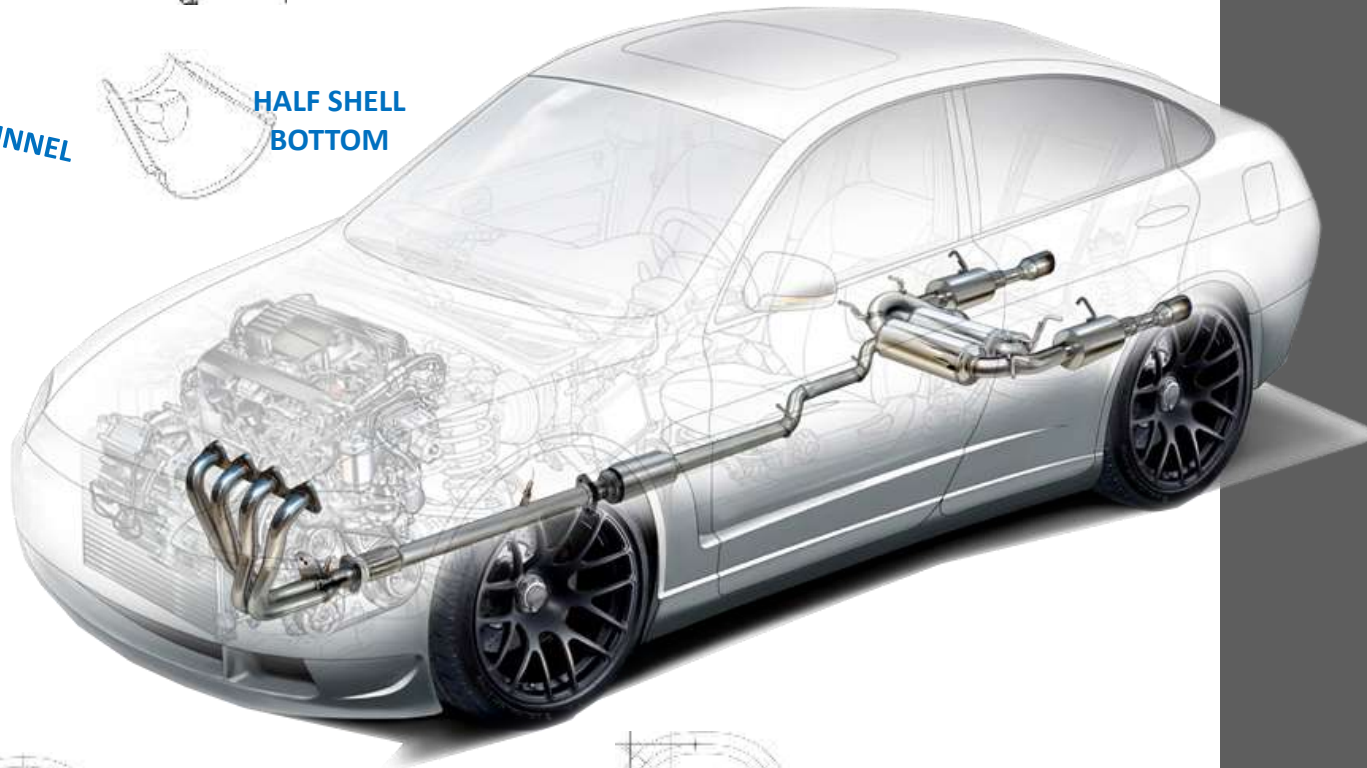
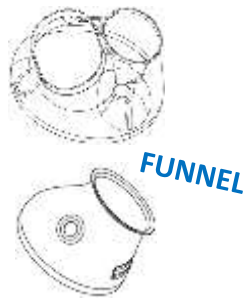
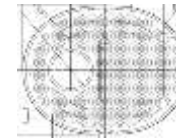
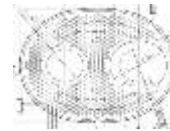


CURRENT SITUATION

➤ EXHAUST SYSTEMS: 90-95% STAINLESS STEEL CONSUMPTION



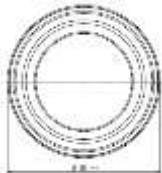
EXHAUST SYSTEM



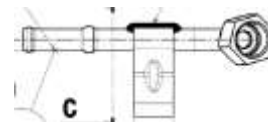
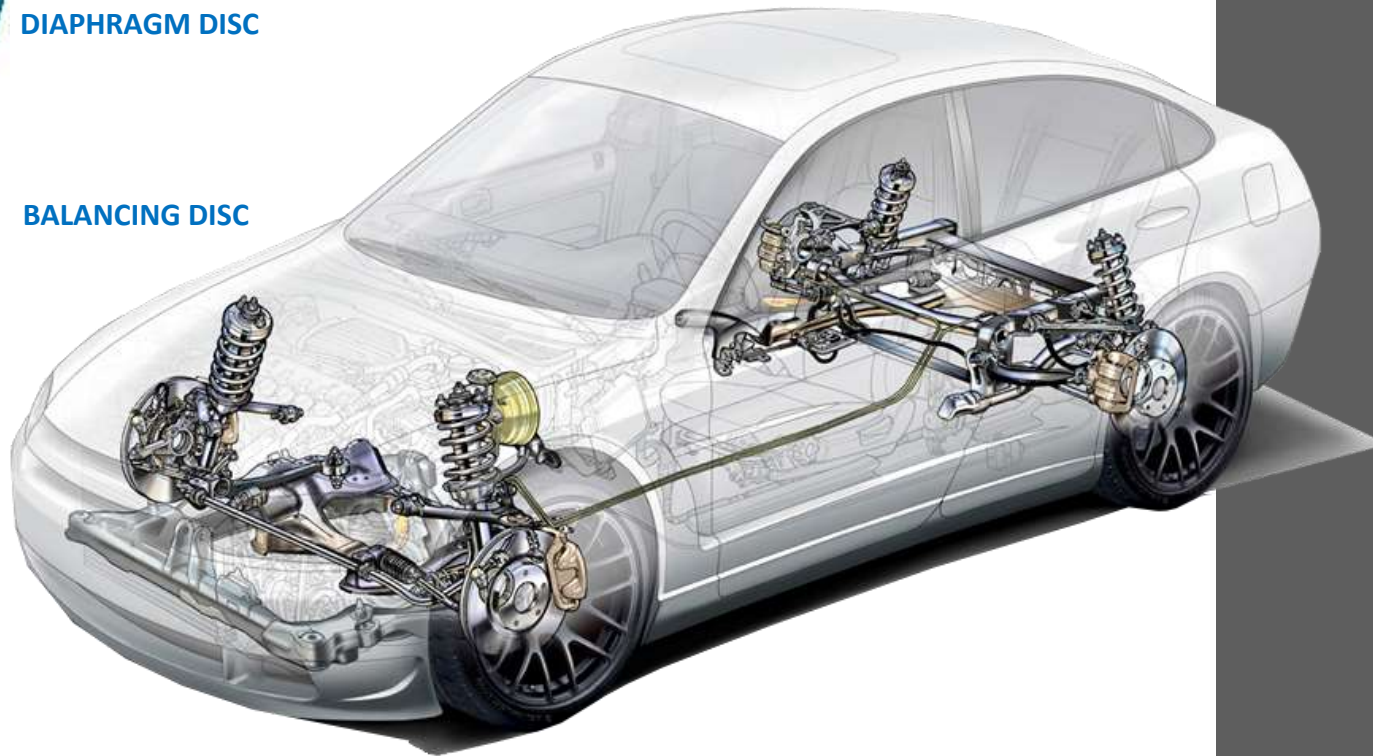
SUSPENSION & BRAKING SYSTEM



DIAPHRAGM DISC

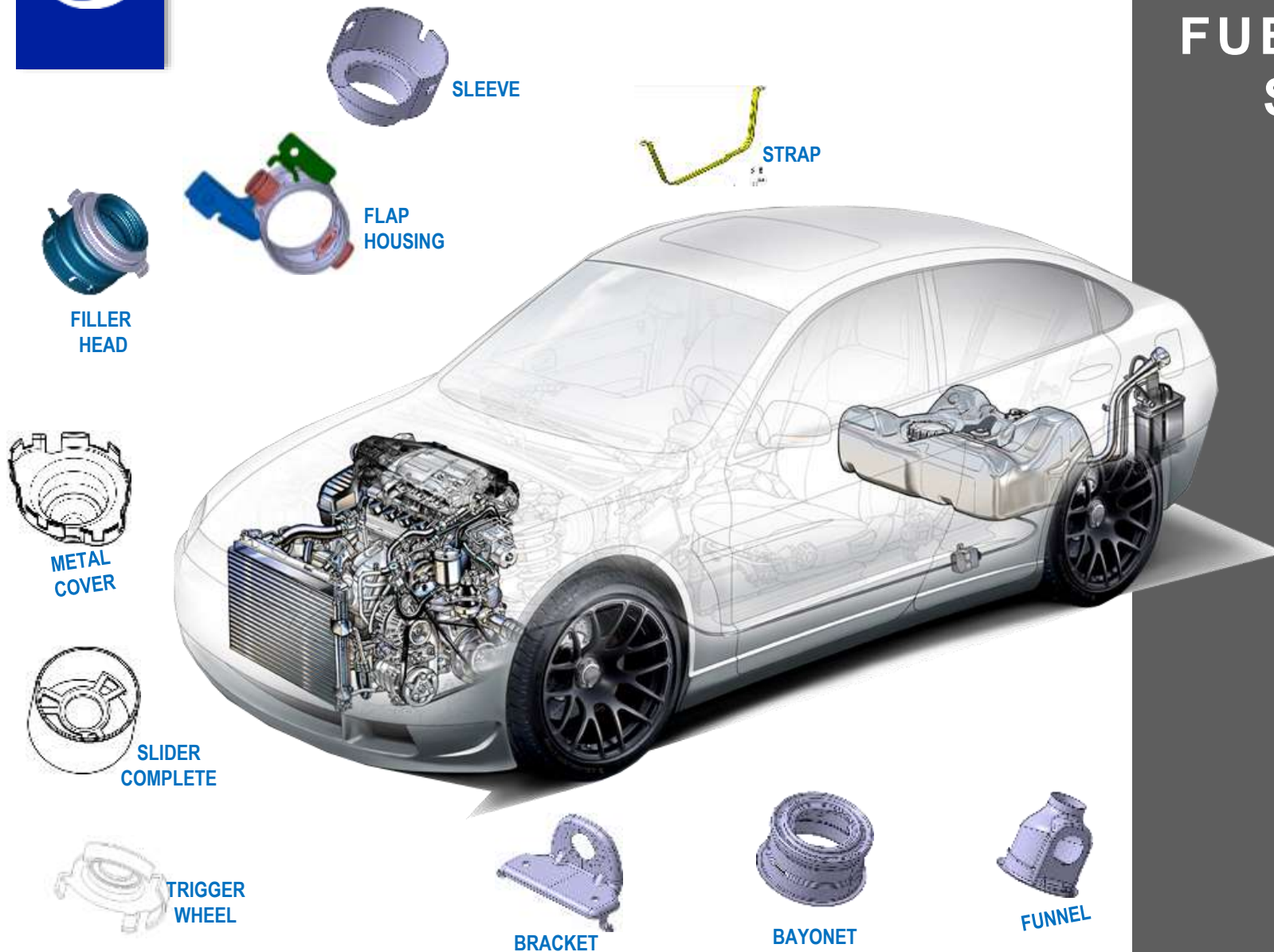


BALANCING DISC



PRESS PIPES

FUEL SUPPLY SYSTEM



OTHER PARTS



OTHER PARTS



1 | Historical evolution

2 | Current situation

3 | Expected development in the coming years

4 | Goals in the automotive industry

5 | Conclusions

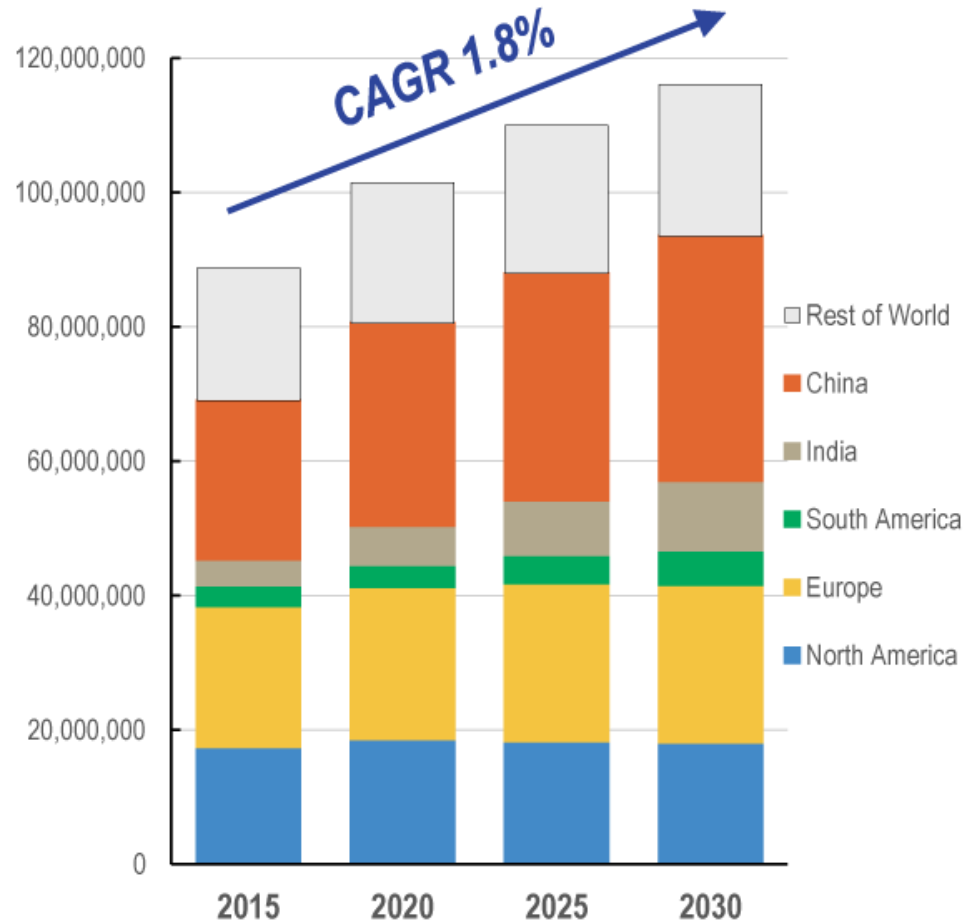


EXPECTED DEVELOPMENT



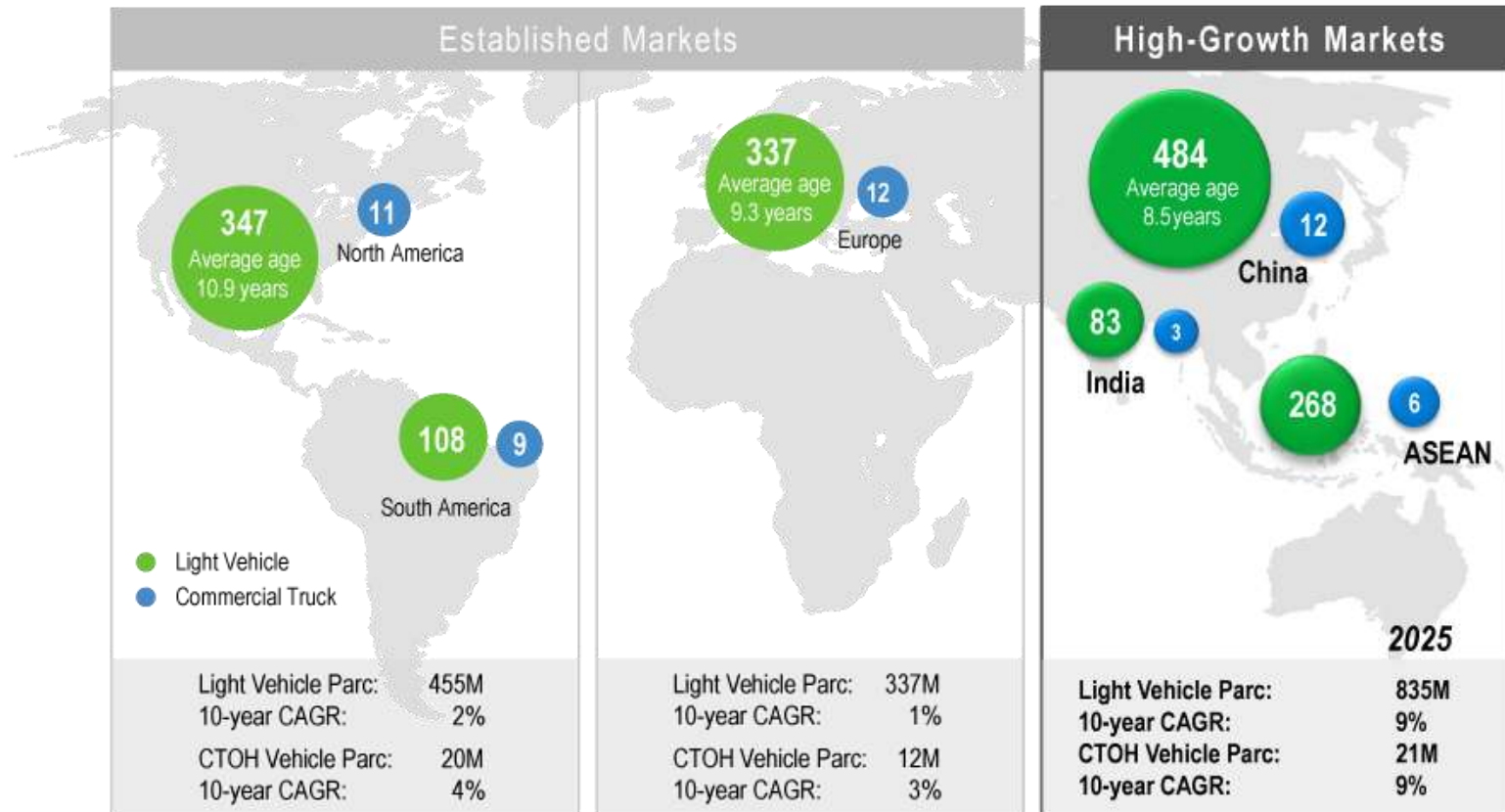
LIGHT VEHICLE UNIT GROWTH TREND

ASIA PACIFIC IS
+70% THROUGH 2030



EXPECTED DEVELOPMENT

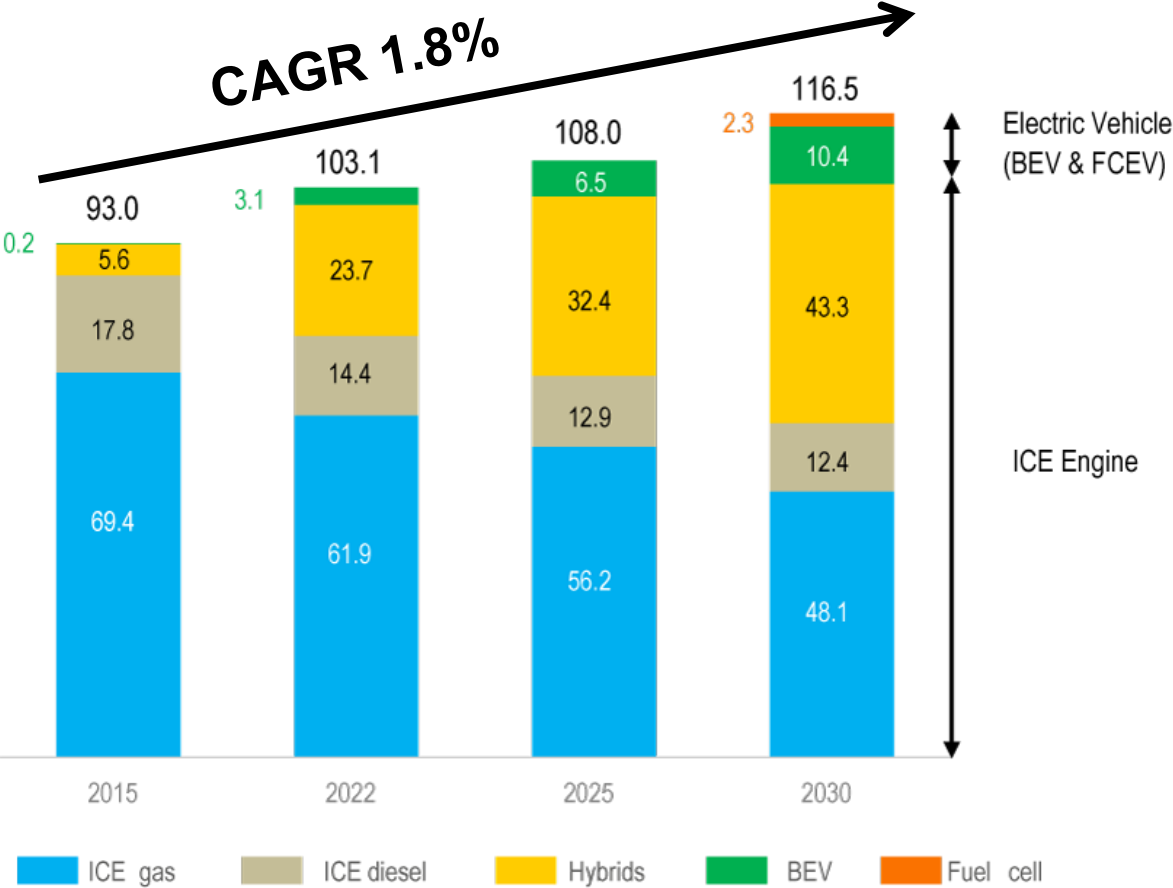
➤ VEHICLE PARC UNIT GROWTH (2025)





EXPECTED DEVELOPMENT

➤ WORLD PRODUCTION BY TECHNOLOGY (2030) million units

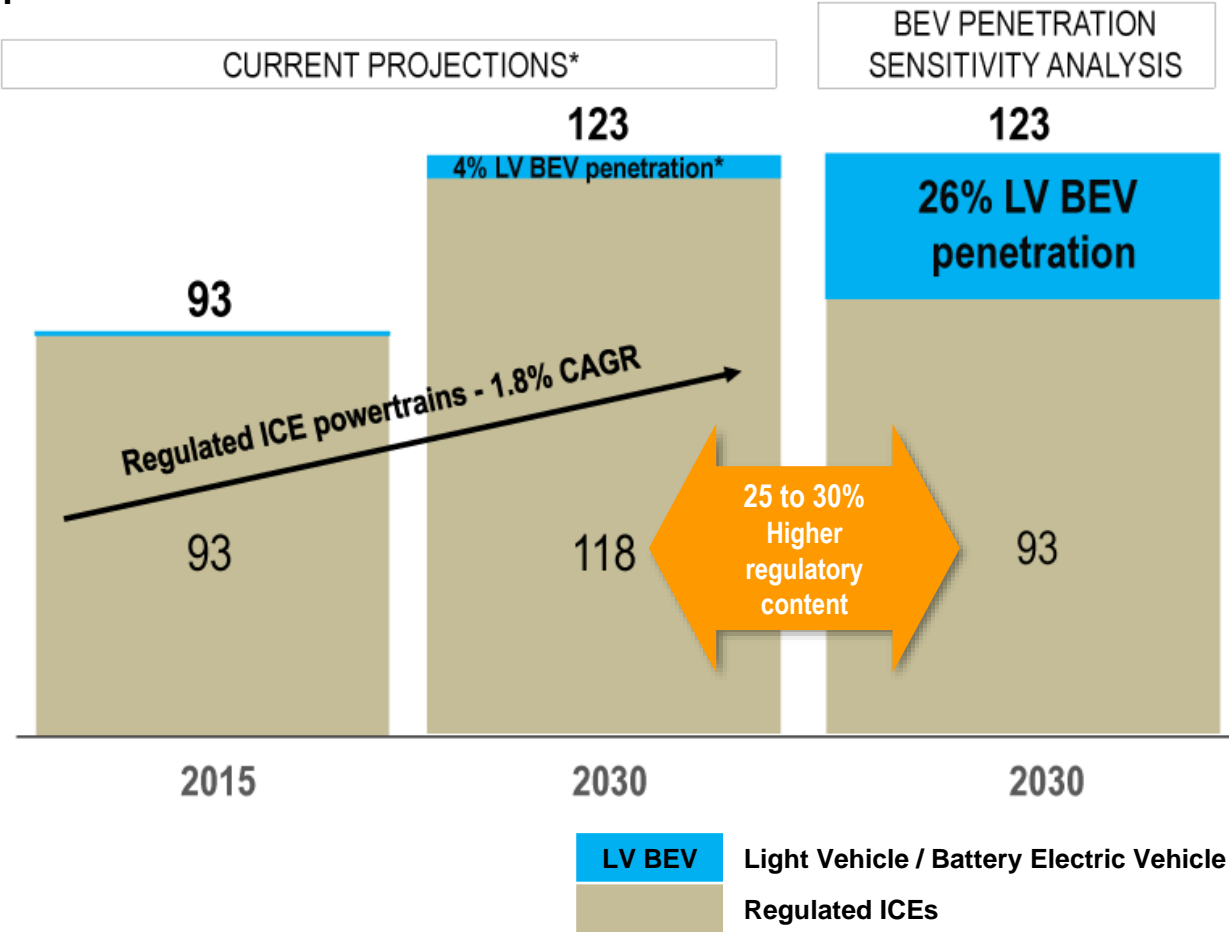




EXPECTED DEVELOPMENT

MOTOR VEHICLES | TECHNOLOGY

Total Regulated Powertrains:
Light,
Commercial,
Off-highway
Vehicles (Millions)



- 
- The background of the slide is a photograph of a busy Hollywood street, likely Hollywood Boulevard, featuring palm trees, tall buildings, and heavy traffic. A semi-transparent dark blue overlay covers the middle portion of the image to ensure the text is legible.
- 1 | Historical evolution
 - 2 | Current situation
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GOALS IN THE AUTOMOTIVE INDUSTRY

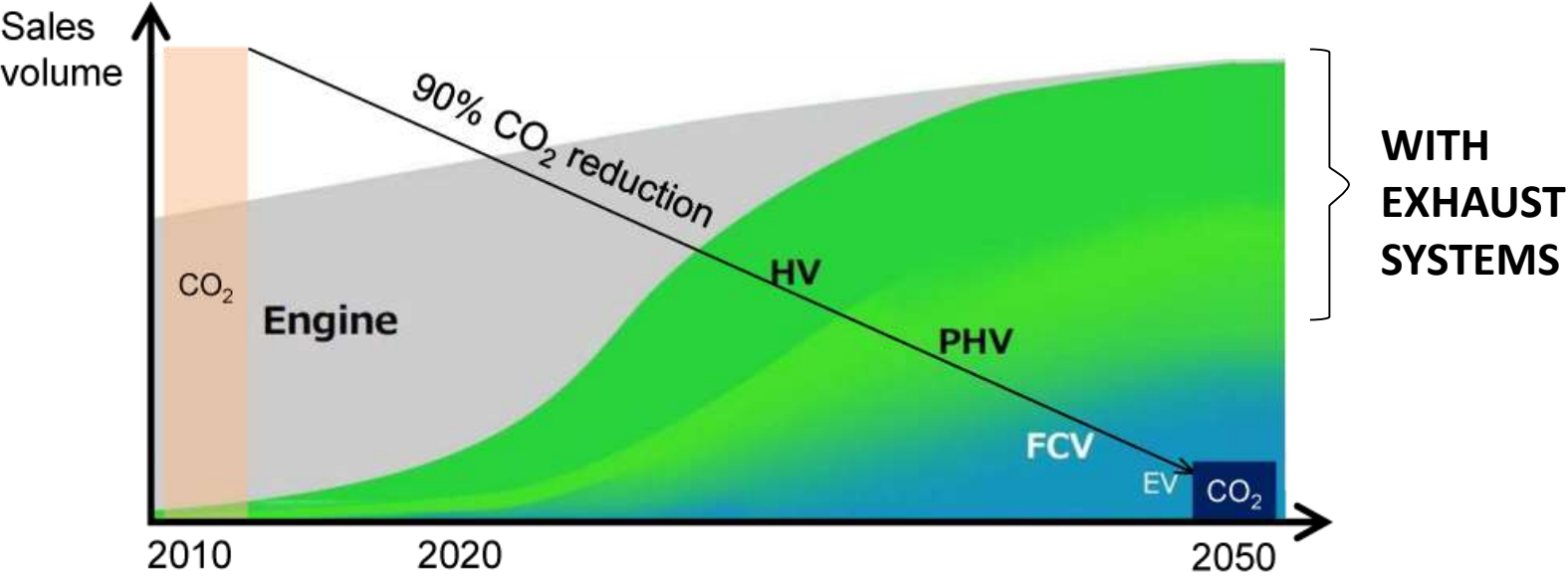
| | |
|------------------------|---|
| ➤ POLLUTION : | <i>CO₂, NO_x PARTICLES REDUCTION</i> |
| ➤ WEIGHT / THICKNESS : | <i>REDUCTION WITHOUT LESSEN RESISTANCE AND CONFORMABILITY</i> |
| ➤ EFFICIENCY : | <i>MINOR COST PER KM</i> |
| ➤ SAFETY : | <i>PASSENGERS & PEDESTRIANS</i> |
| ➤ TECHNOLOGY : | <i>NEW SUPPLY NETWORK</i> |





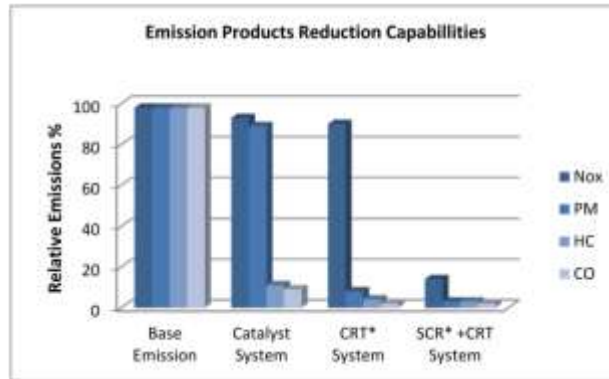
POLLUTION

➤ ELECTRIFICATION WILL INCREASE DRAMATICALLY AFTER 2020

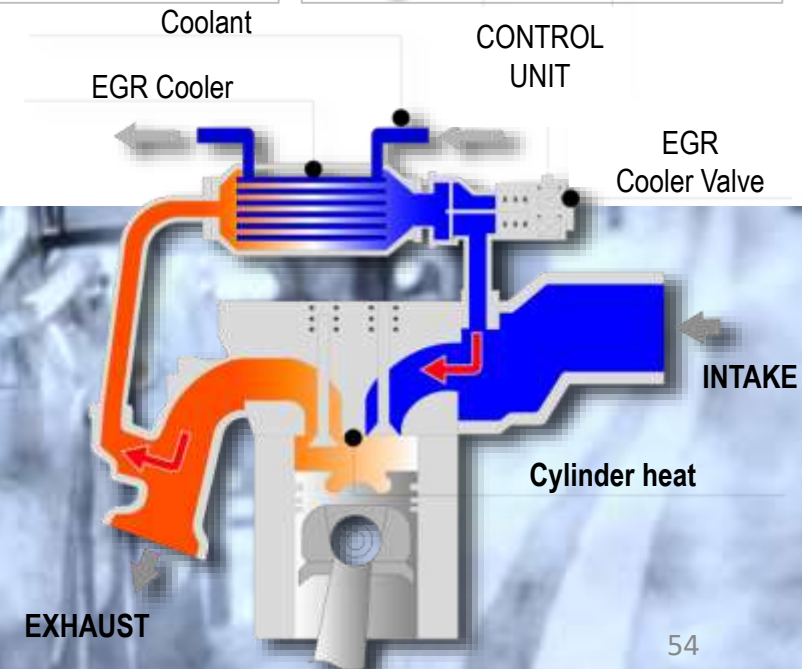


| | |
|------------|------------------------|
| HV | Hybrid Vehicle |
| PHV | Plug-in Hybrid Vehicle |
| FCV | Fuel Cell Vehicle |
| EV | Electric Vehicle |

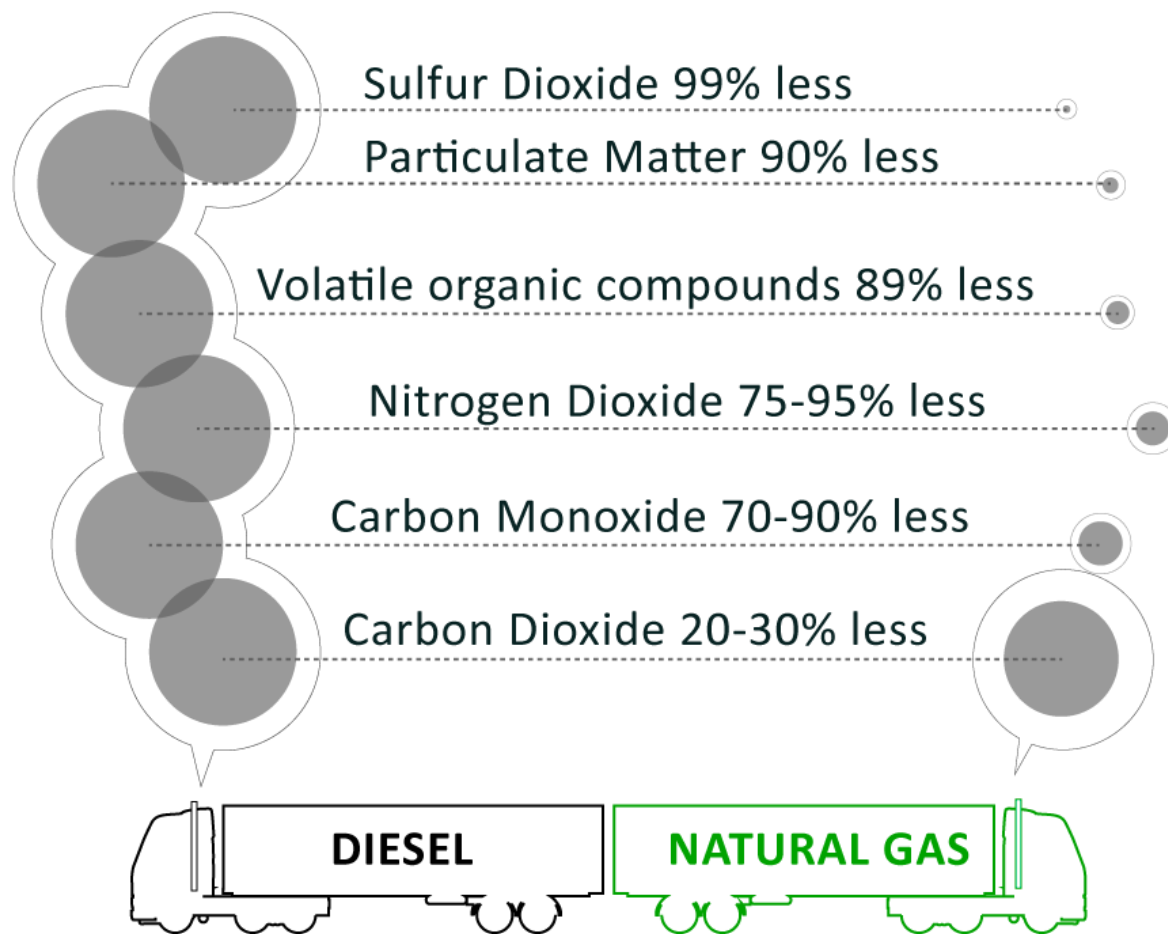
POLLUTION: EMISSIONS CONTROL



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

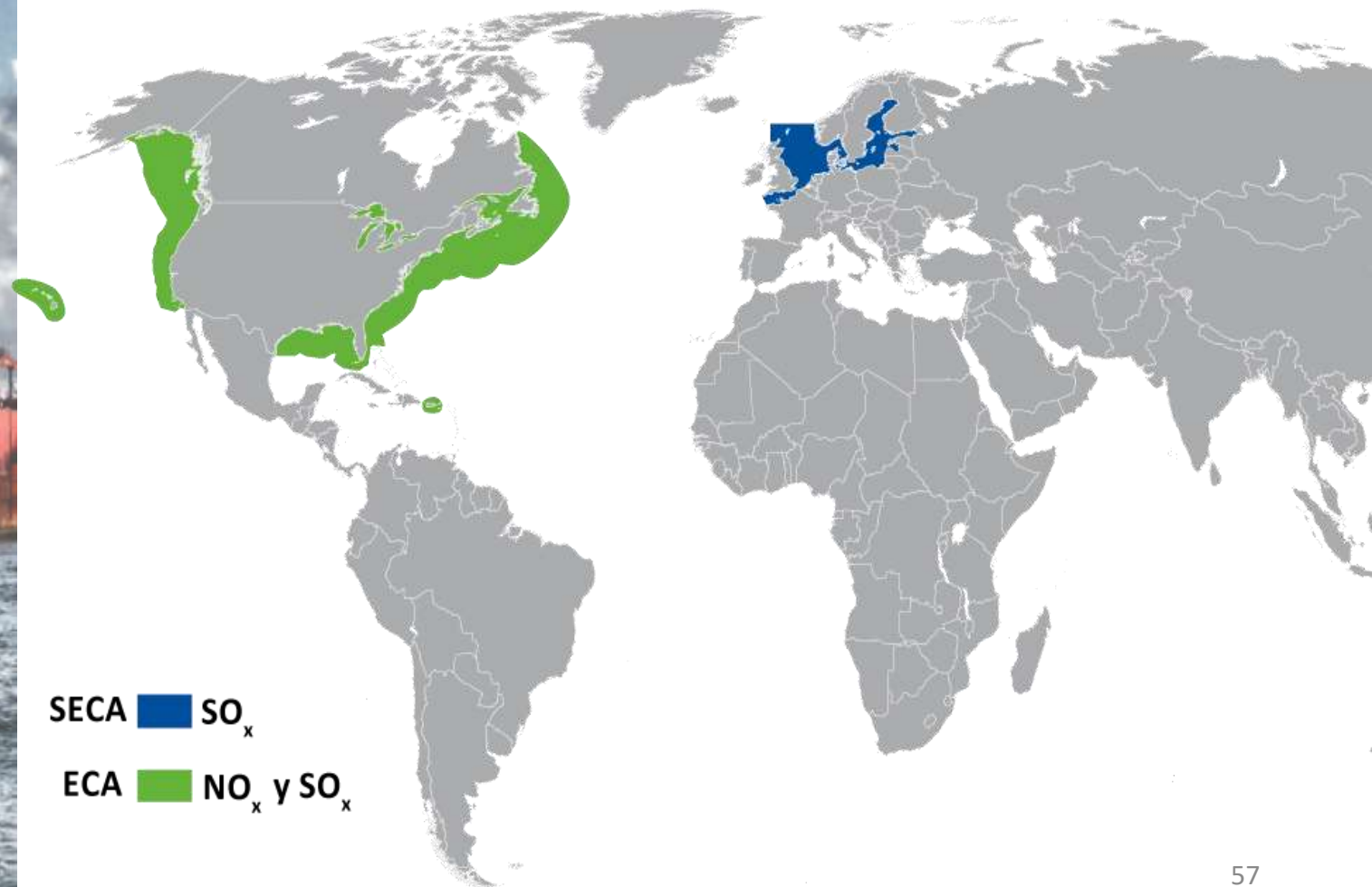
Source: LAPESA



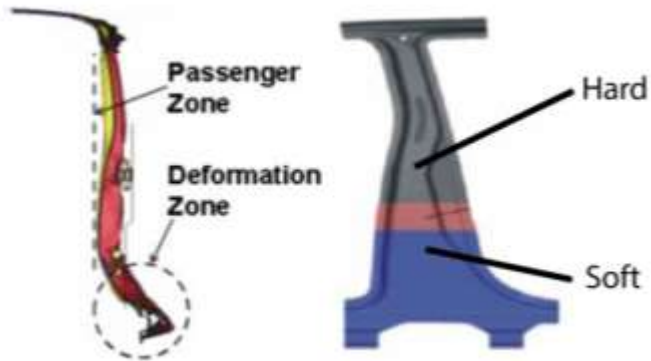
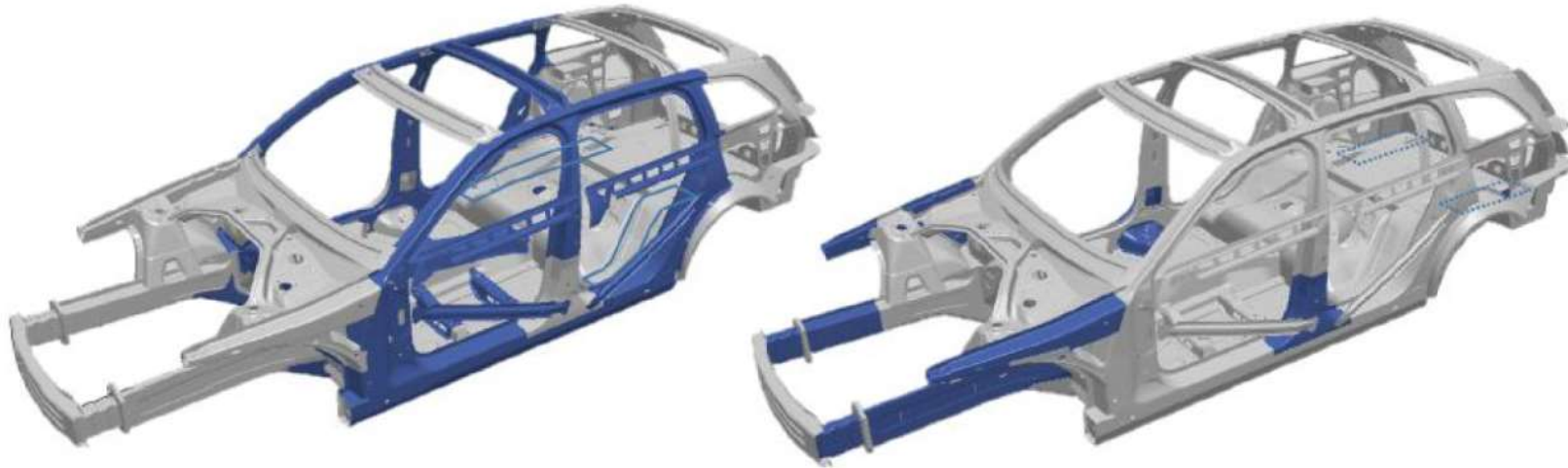
POLLUTION: NATURAL GAS



LNG VESSELS - ECA (EMISSION CONTROL AREAS)



WEIGHT REDUCTION: EFFICIENCY



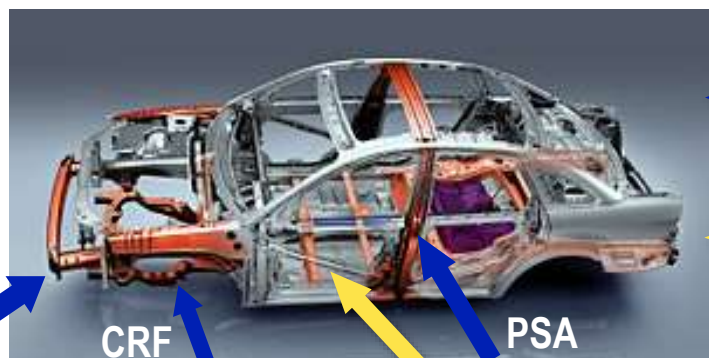
| ANTI-INTRUSION | ENERGY ABSORPTION | MULTI-STRENGTH B-PILLAR |
|----------------|--------------------------|-------------------------|
| USE "HARD" | USE "HARD + SOFT" | |
| MONO HPF PARTS | MULTI-STRENGTH HPF PARTS | |

SAFETY: STRUCTURES



BUS

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



LIGHT & SAFE

1.4318
1.4301

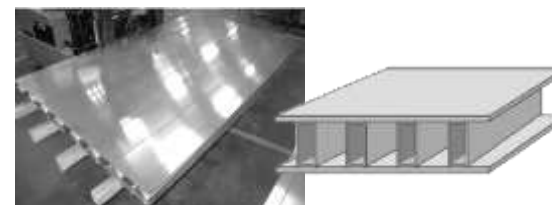
INOX-SAFE

1.4301
1.4028
304-LNi



DOLTRAC

1.4318
304SP



SAFETY: FUEL TANKS

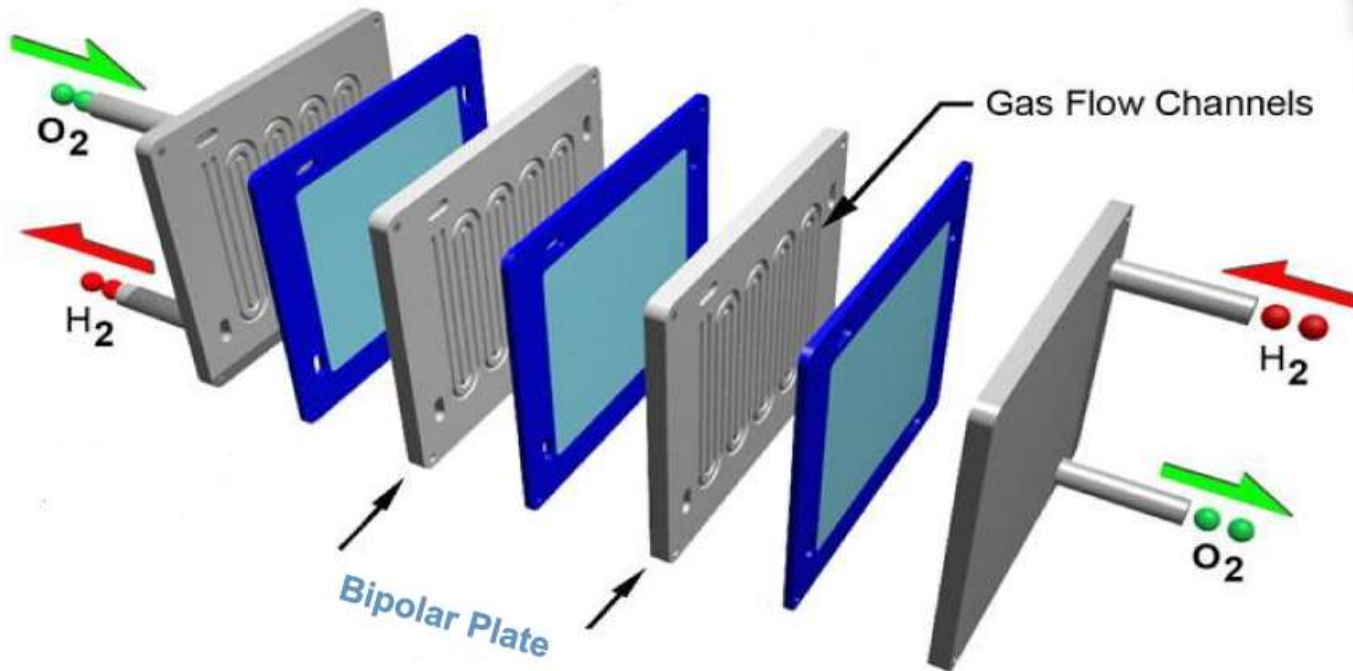
➤ STAINLESS STEEL VS PLASTIC

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



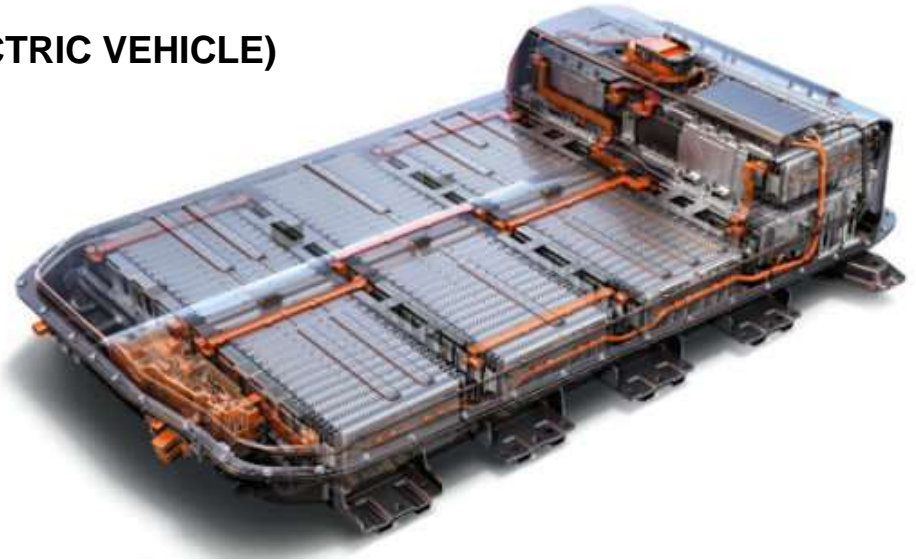
TECHNOLOGY: FCEV

➤ FUEL CELL VEHICLE: $\text{H}_2 + \text{O}_2 \rightarrow \text{H}_2\text{O} + \text{ELECTRICITY}$



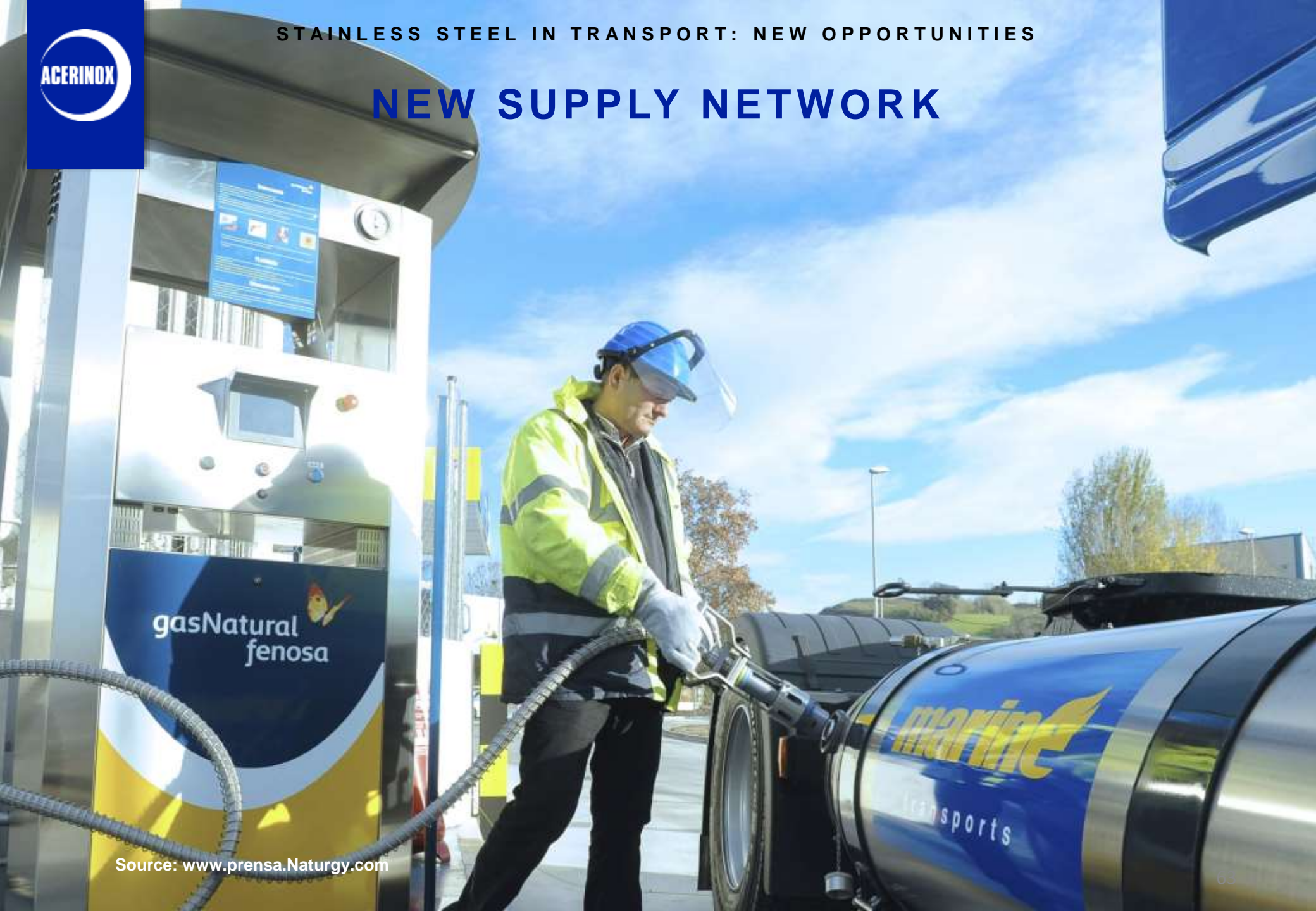
TECHNOLOGY: BATTERY ELECTRIC VEHICLE

➤ STRUCTURAL SUPPORT FOR BEV (BATTERY ELECTRIC VEHICLE)



STAINLESS STEEL IN TRANSPORT: NEW OPPORTUNITIES

NEW SUPPLY NETWORK



Source: www.prensa.Naturgy.com

NEW SUPPLY NETWORK

**Stainless Steel:
ESSENTIAL
MATERIAL FOR
AESTHETIC AND
TECHNICAL
REASONS**

- 1 | Historical evolution
- 2 | Current situation
- 3 | Expected development in the coming years
- 4 | Goals in the automotive industry

5 | Conclusions

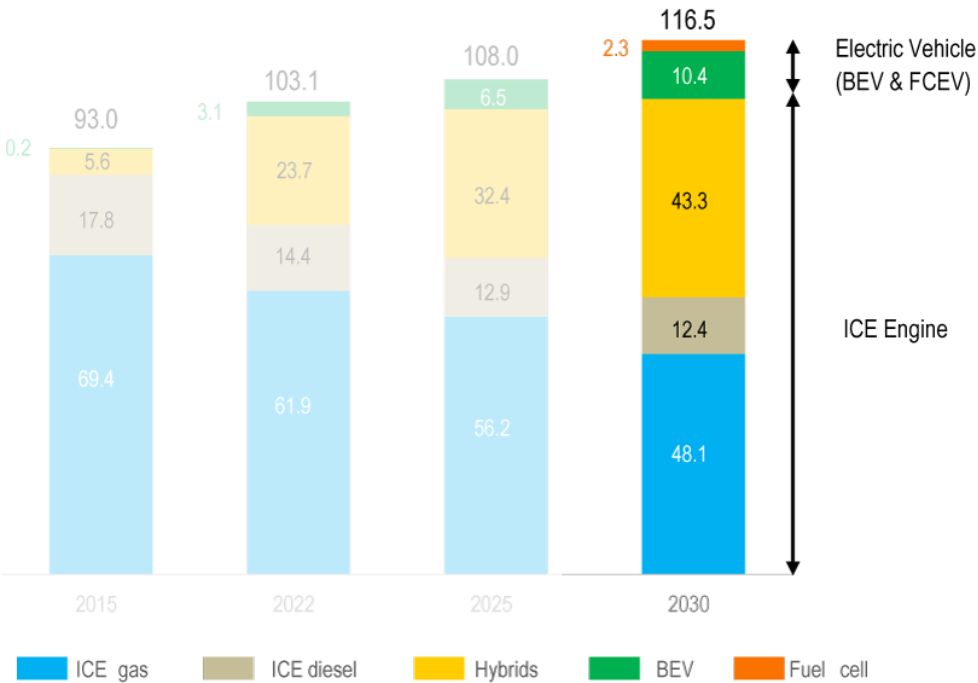


CONCLUSIONS



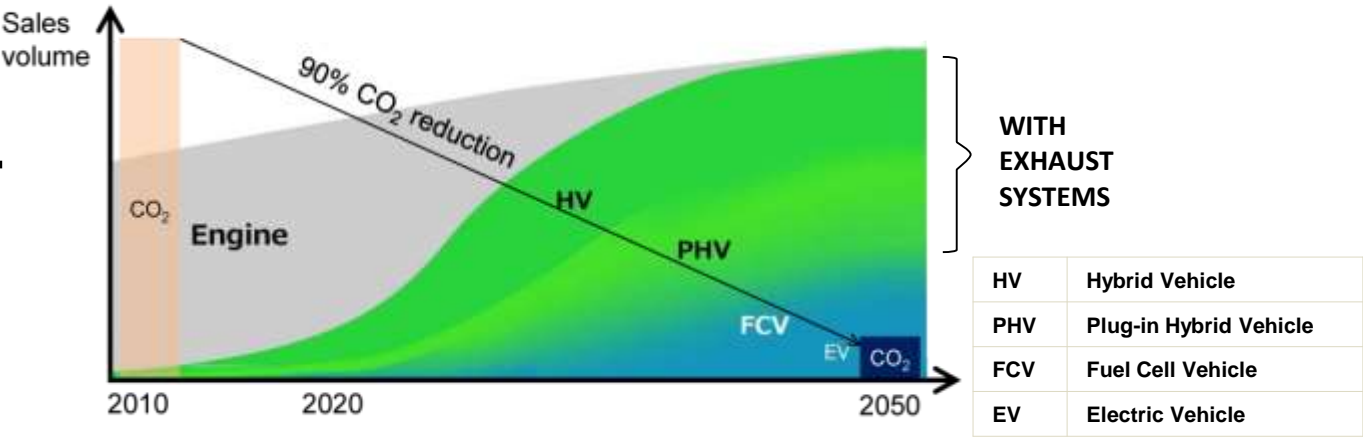
COMBUSTION ENGINE

will be the prevailing technology, at least until **2050**



HYBRIDS

Increase will support **STAINLESS STEEL** exhaust systems





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



A world map is shown in the background, with the landmasses in a light blue color and the oceans in white. Numerous location pins are placed across the map, each featuring the ACERINOX logo. The pins are concentrated in North America, Europe, and Asia, with a few in South America, Africa, and Australia. A dark blue horizontal band runs across the middle of the map, serving as a background for the "THANK YOU" text.

THANK YOU

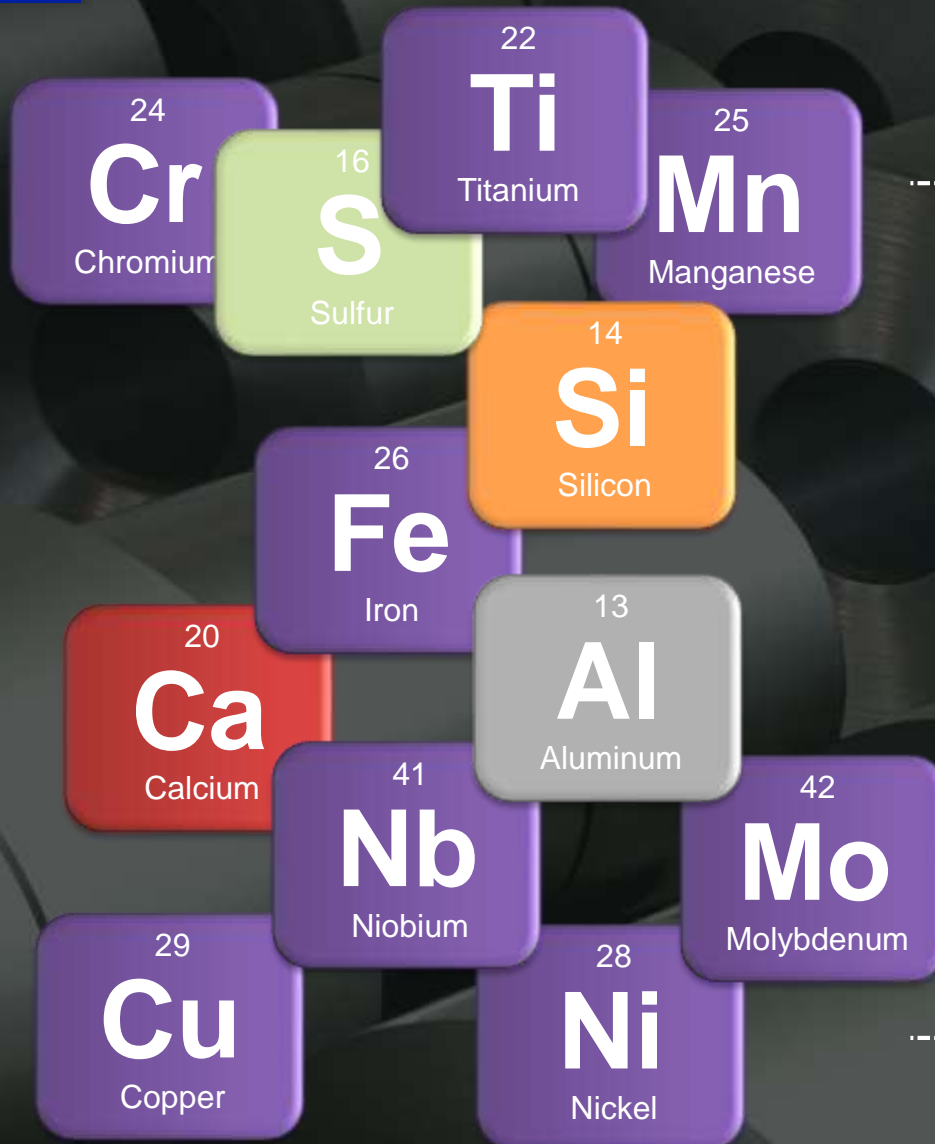
Global Procurement Strategy

Fernando Gutiérrez, Corporate Strategy and Raw Materials Director

04

Acerinox Capital Markets Day

TYPES OF RAW MATERIALS



PRIMARY MATERIALS

- Pure Metals
- Ferroalloys
- Other Materials

SECONDARY 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 |



SELECTION CRITERIA

GOALS:

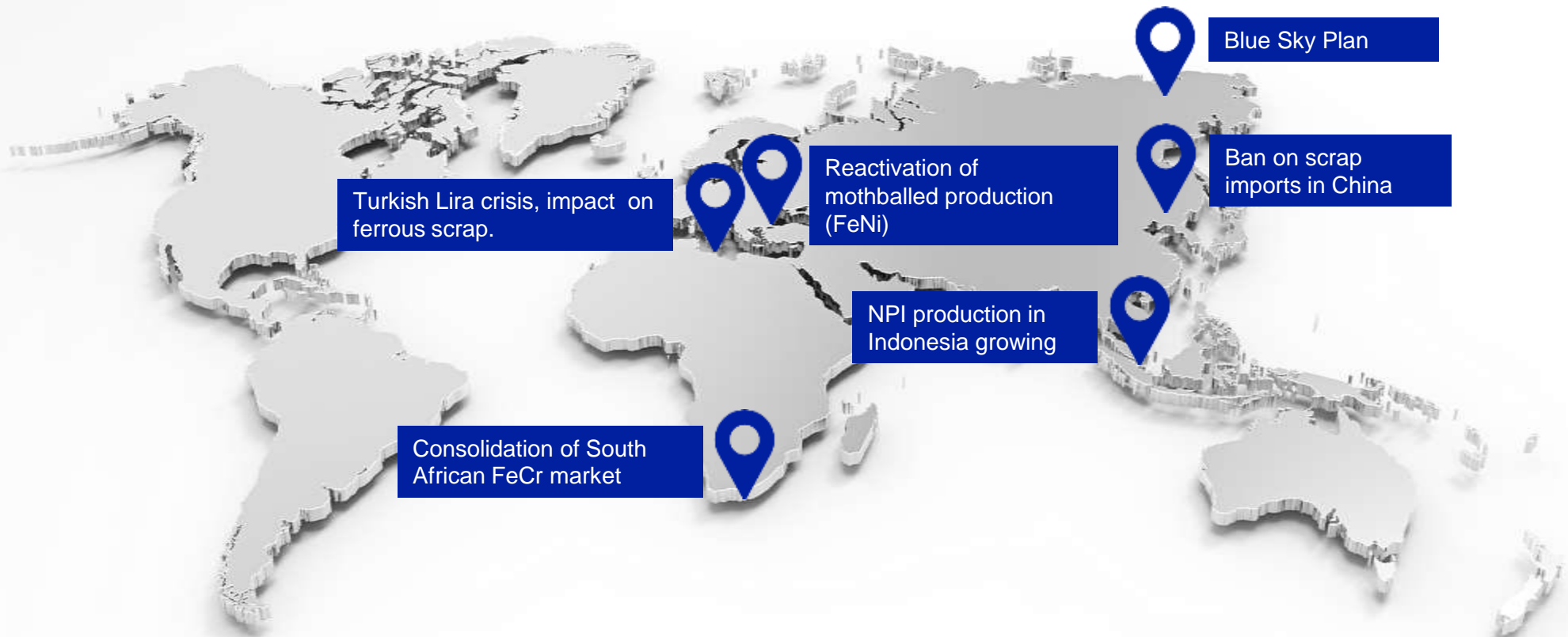
➤ To minimize the cost of the basket at all times

➤ To guarantee the purchase of strategic raw materials

➤ To ensure supply on time, with the minimum stock



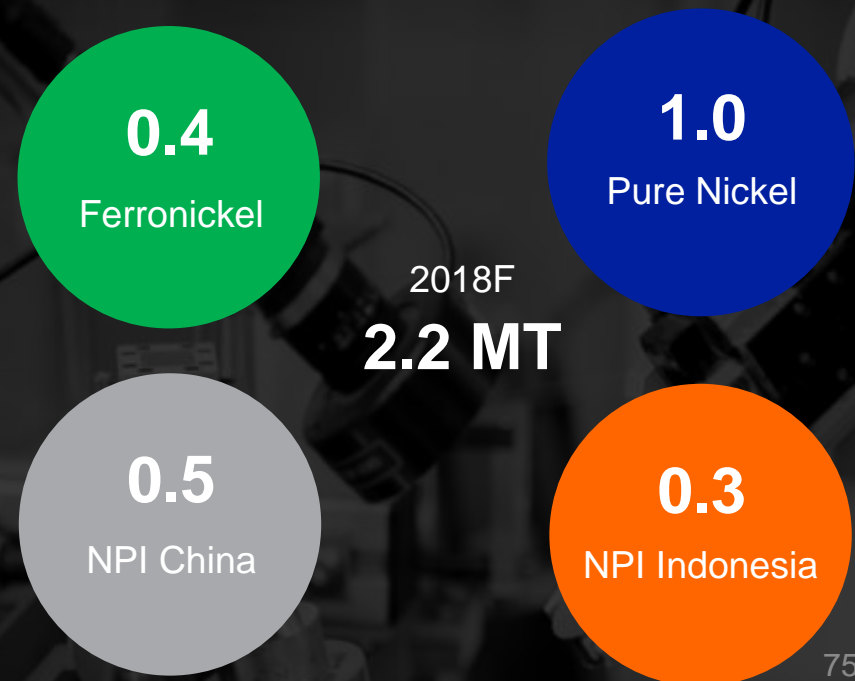
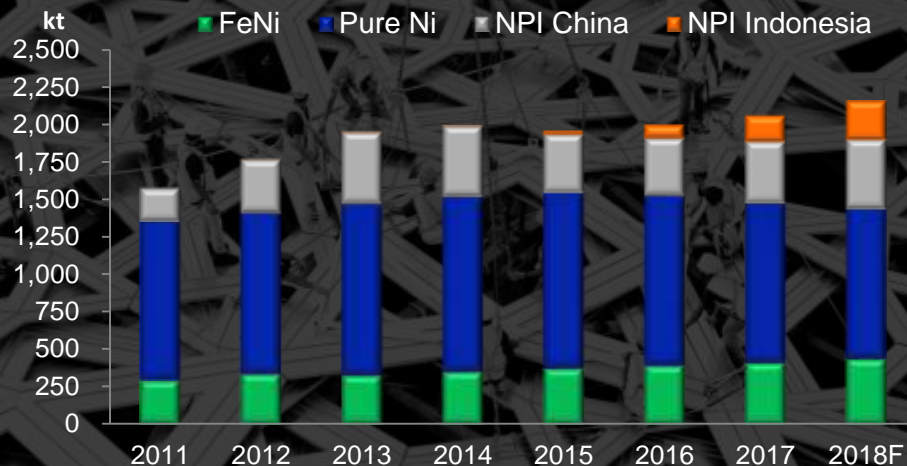
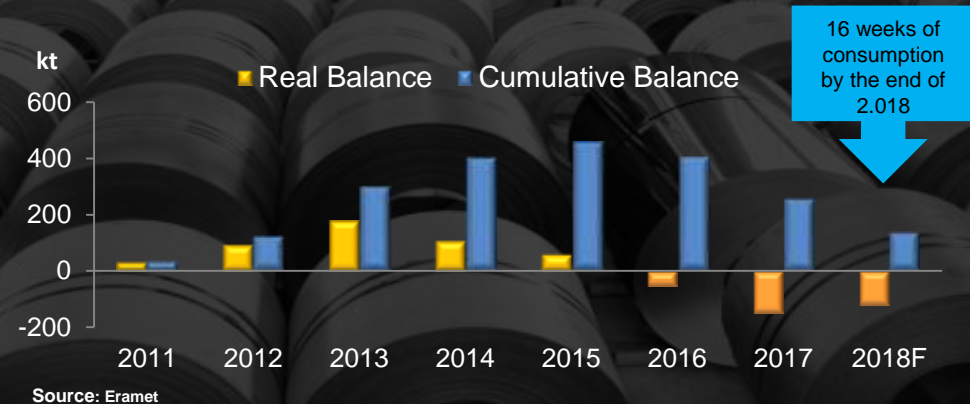
SOME RELEVANT FACTS





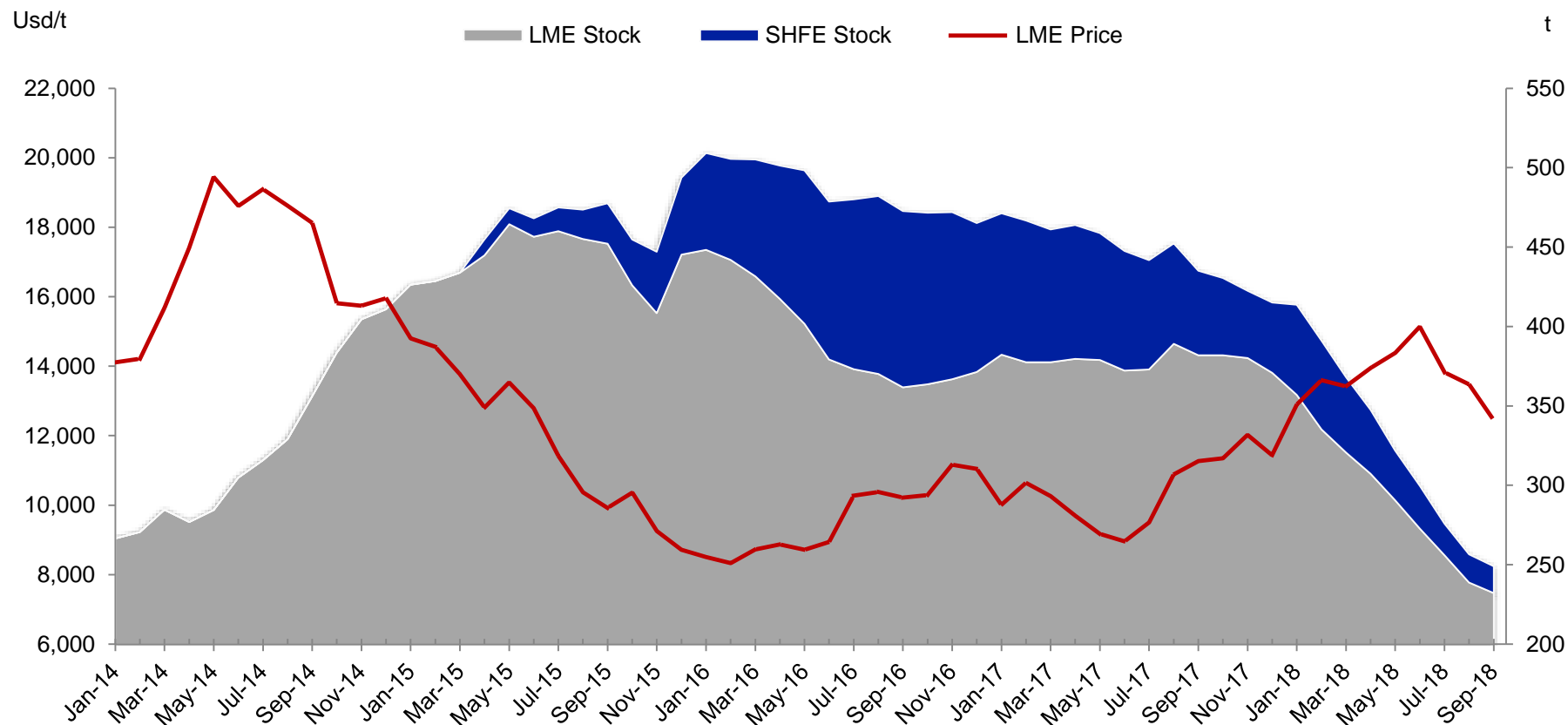
NICKEL MARKET SITUATION

- 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



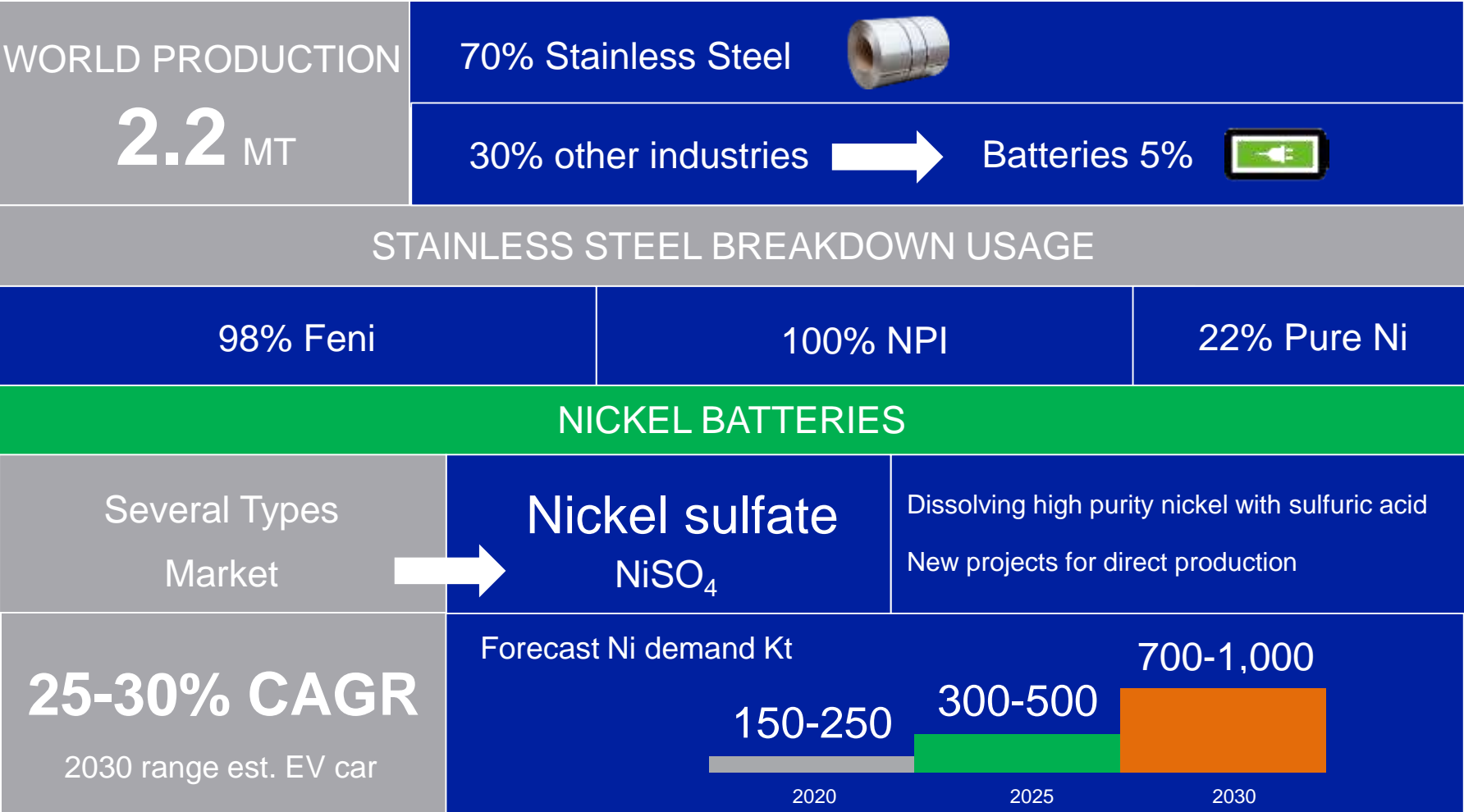


NICKEL OFFICIAL VALUES





NICKEL- BATTERIES



NICKEL

FACTS

➤ Reactivation of mothballed production, particularly in FeNi

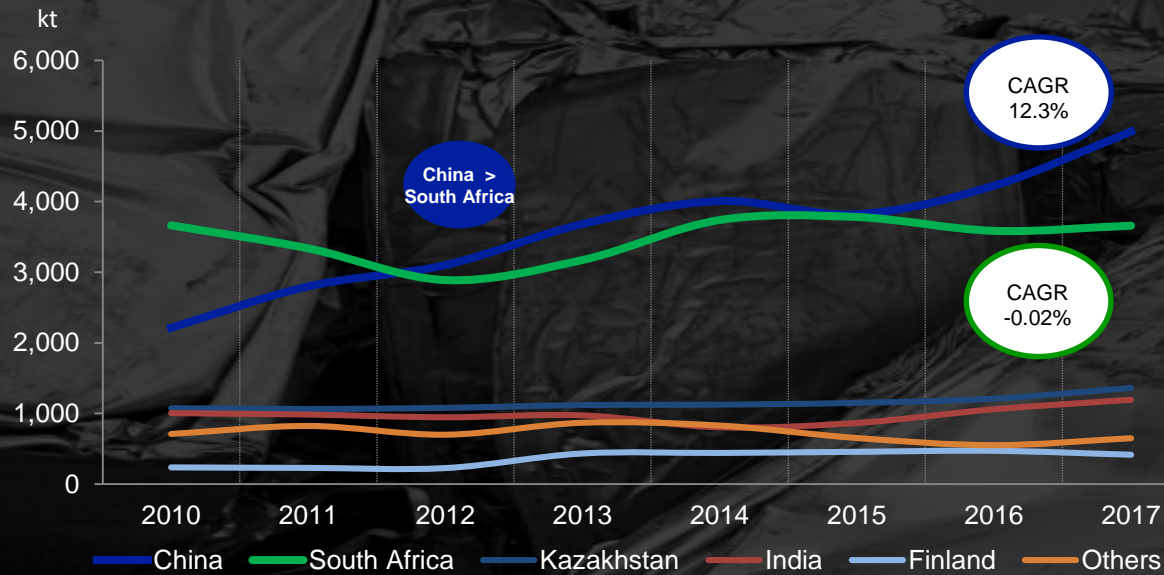
➤ Support for upward trend on nickel price, moving to more stable levels

➤ Possible disconnection of FeNi and other nickel sources from pure nickel prices

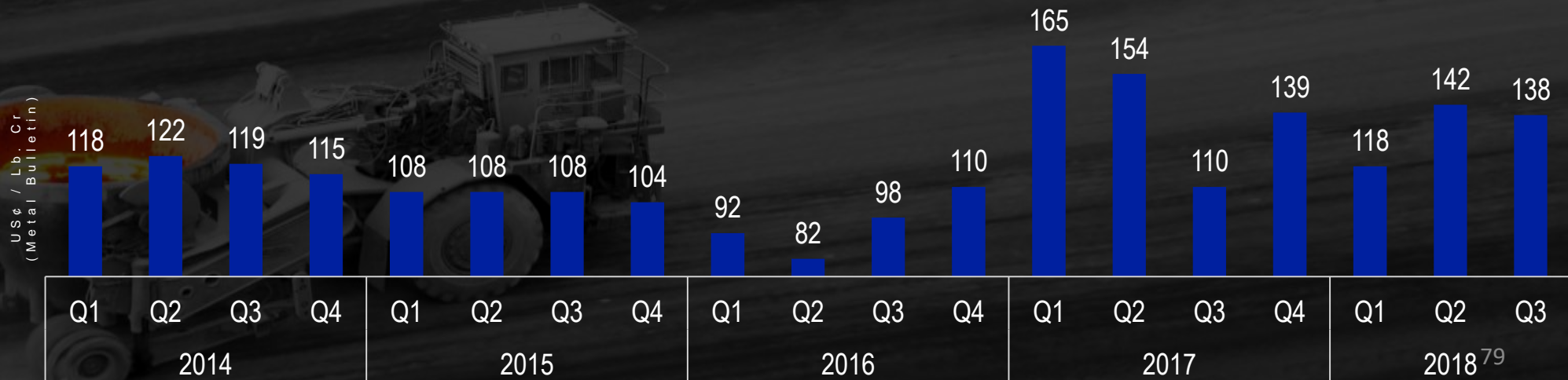
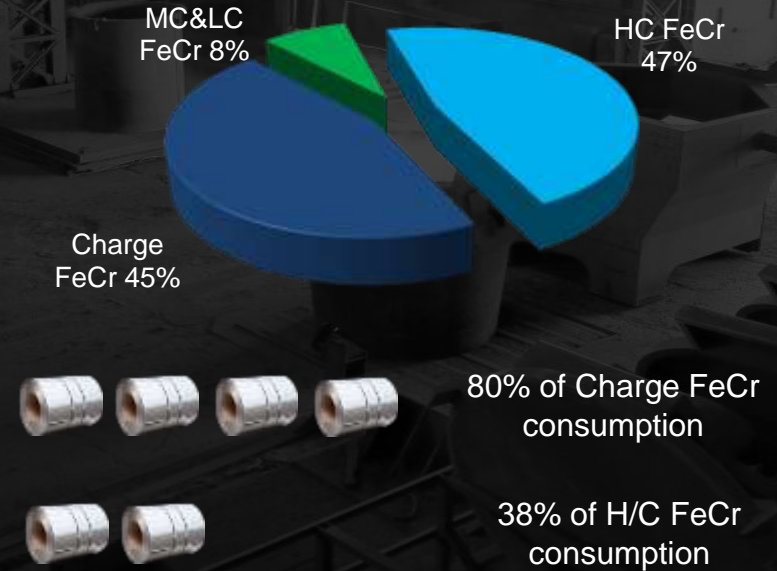
➤ Battery recycling? Potential new source of nickel units?



FERROCHROME MARKET SITUATION



Source: ICDA & own estimates





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

| SALES* | |
|--------|------|
| Ore | FeCr |
| 93% | 48% |

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

| PURCHASES* | |
|------------|------|
| Ore | FeCr |
| 72 % | 56 % |

IMPACT ON INTERNATIONAL PRICES



FERROCHROME

FACTS

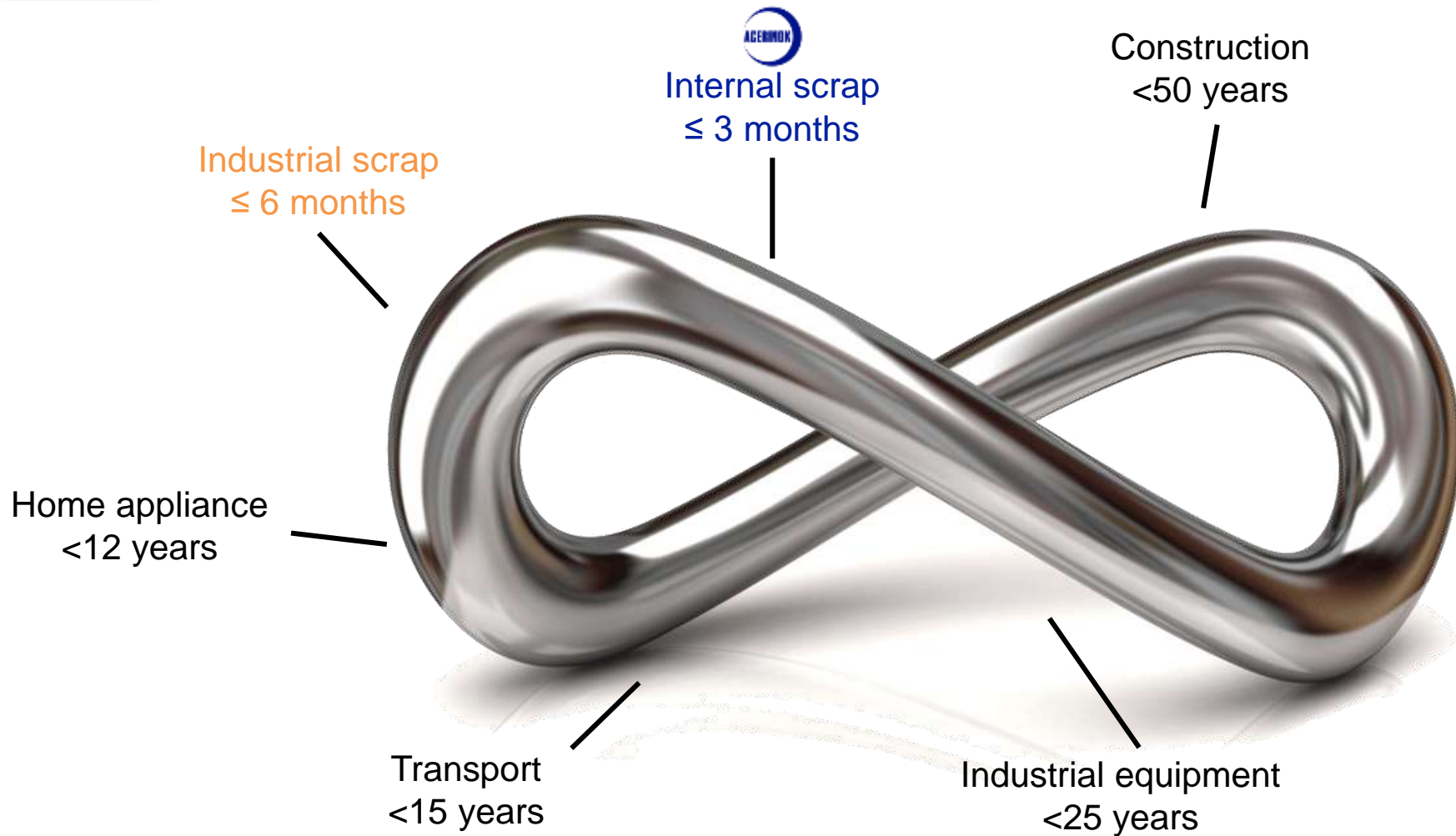
Consolidation of South African production

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





GLOBAL PROCUREMENT STRATEGY

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THANK YOU

Global Trade: New Order, New Rules?

Manuel Landeta, Head of Business Intelligence

05

Acerinox Capital Markets Day

CONTENTS

- **EXCESS PRODUCTION IN ASIA**
 - DRIVEN BY OVERCAPACITY IN CHINA
- **GLOBAL IMPACT ON TRADE**
 - DISRUPTION OF TRADE FLOWS. SURGE ON EXPORTS
- **RISING PROTECTIONISM WORLDWIDE**
 - PROLIFERATION OF TRADE MEASURES SINCE 2011
 - A TURBULENT 2018
- **US SECTION 232**
 - US RESPONSE TO GLOBAL STEEL OVERCAPACITY
 - IMPORTS TREND
- **EU SFG**
 - A MUCH NEEDED REACTION
 - DEFINITIVE MEASURES EXPECTED EARLY 2019
 - IMPORTS TREND
- **CONCLUSIONS**
 - ACERINOX GLOBAL PRESENCE, KEY FOR SUCCESS IN TURBULENT TIMES





EXCESS PRODUCTION IN ASIA

DRIVEN BY OVERCAPACITY IN CHINA

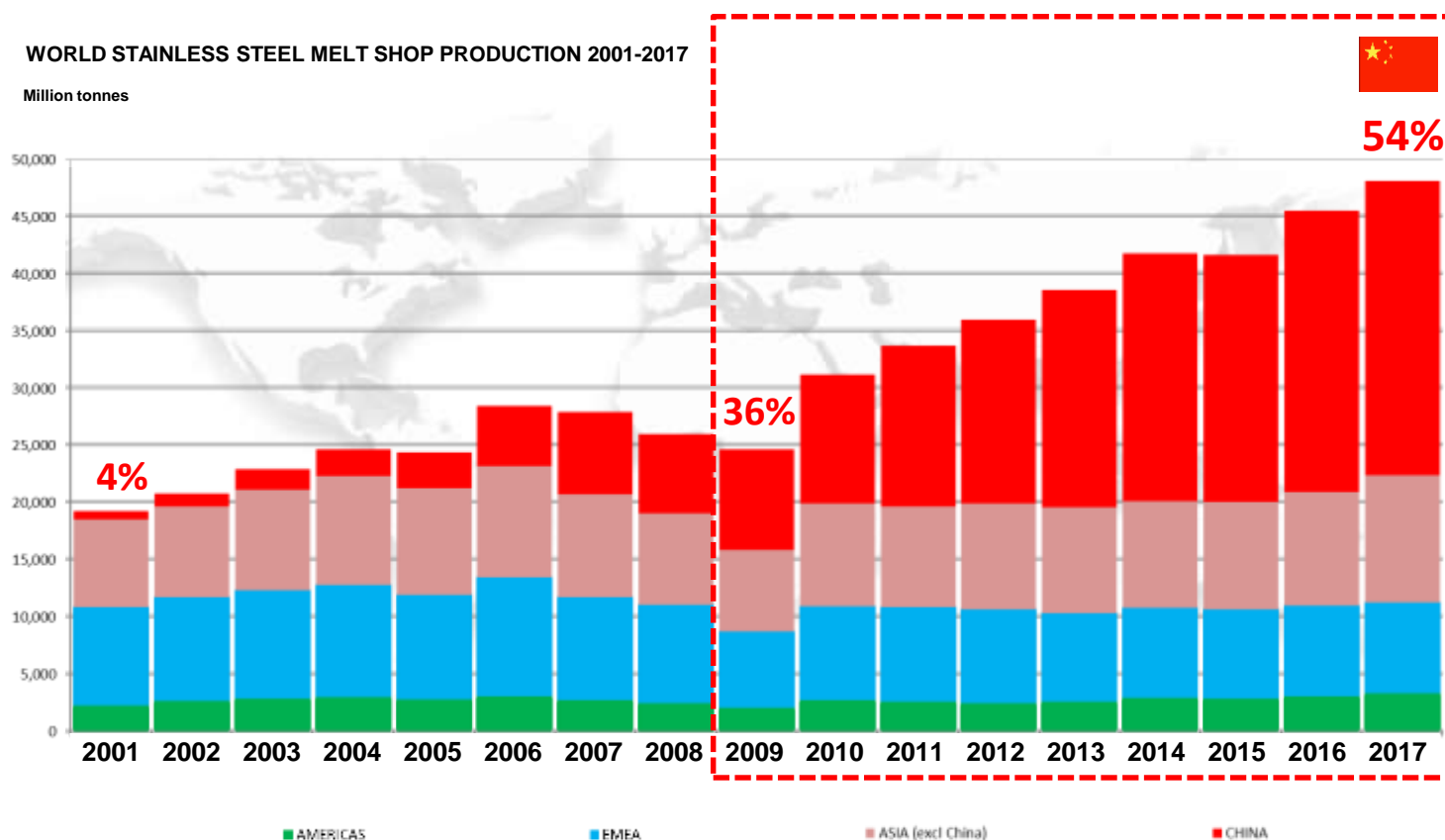
GFSEC (G20/OECD) REACHING **CONSENSUS ON GLOBAL STEEL OVERCAPACITY**

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

Million tonnes



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

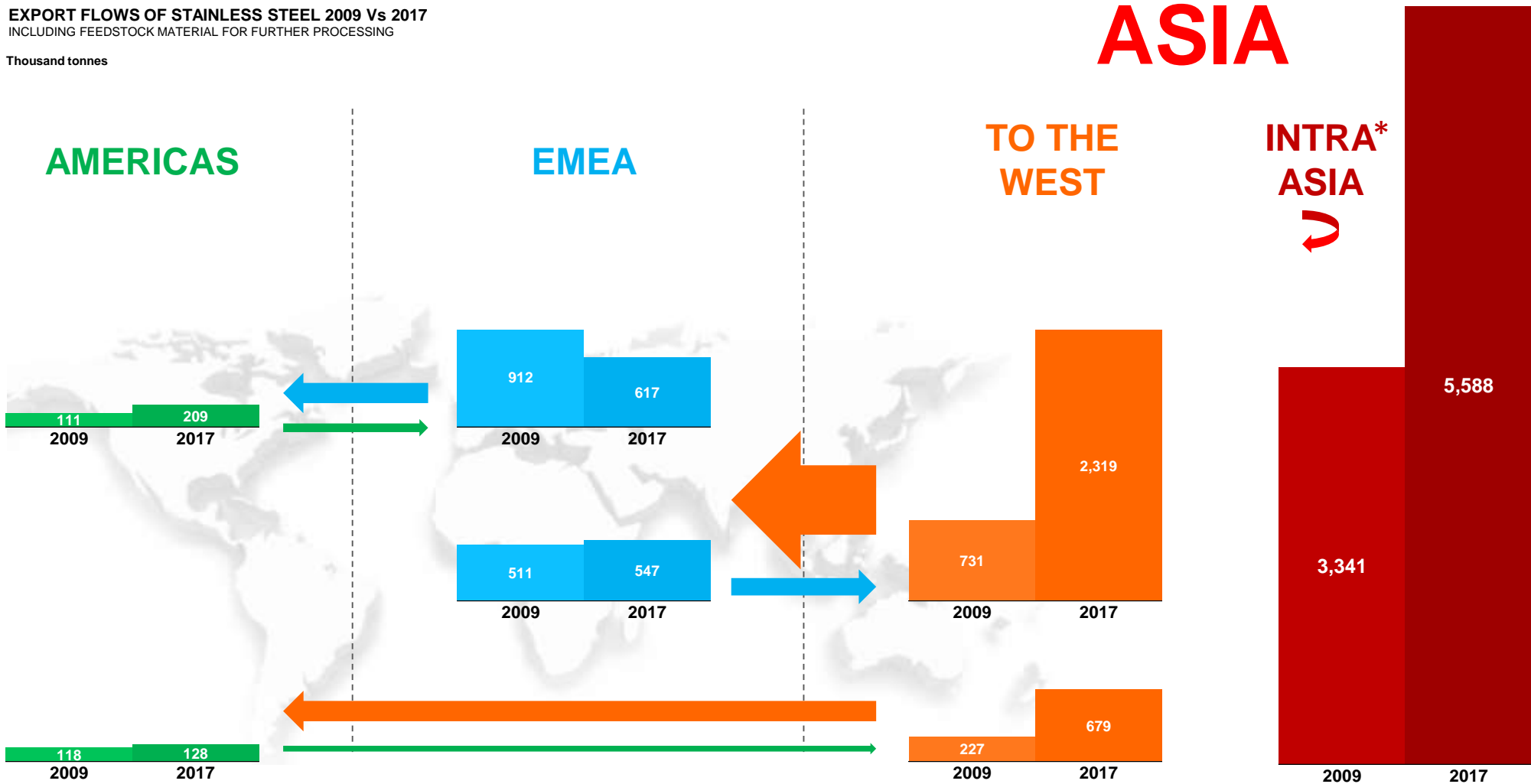


GLOBAL IMPACT ON TRADE

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

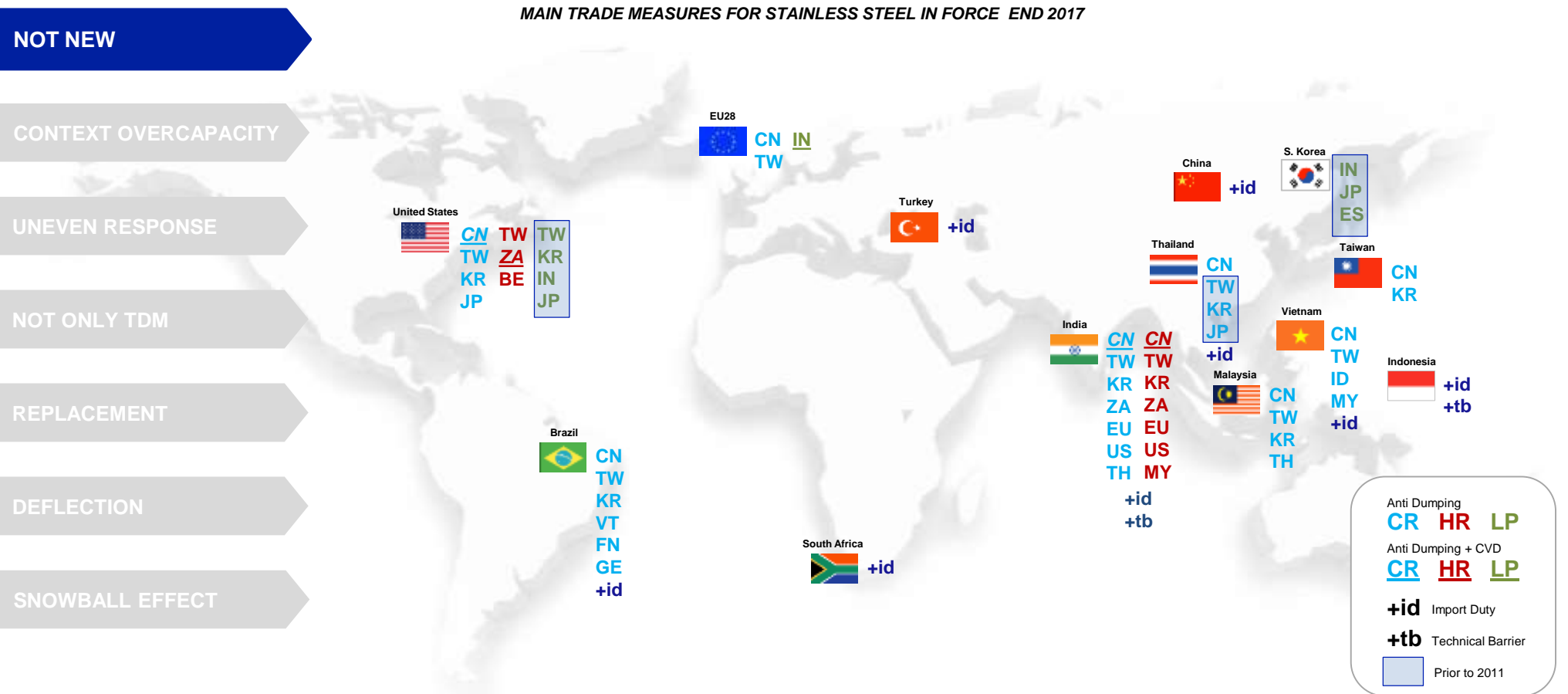


RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

ALONG INCREASE ON SURGE ON EXPORTS FUELED BY OVERCAPACITY

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017

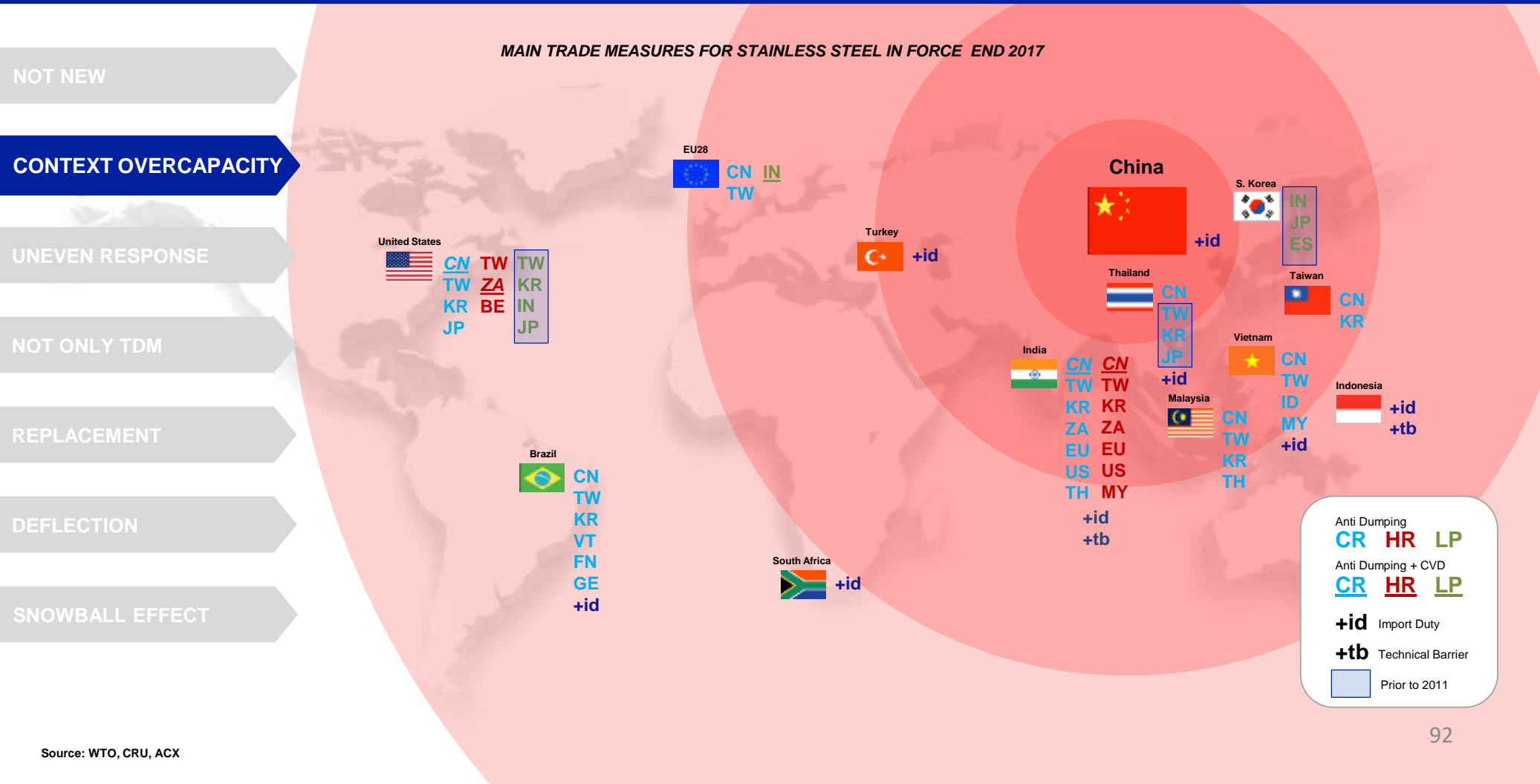




RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

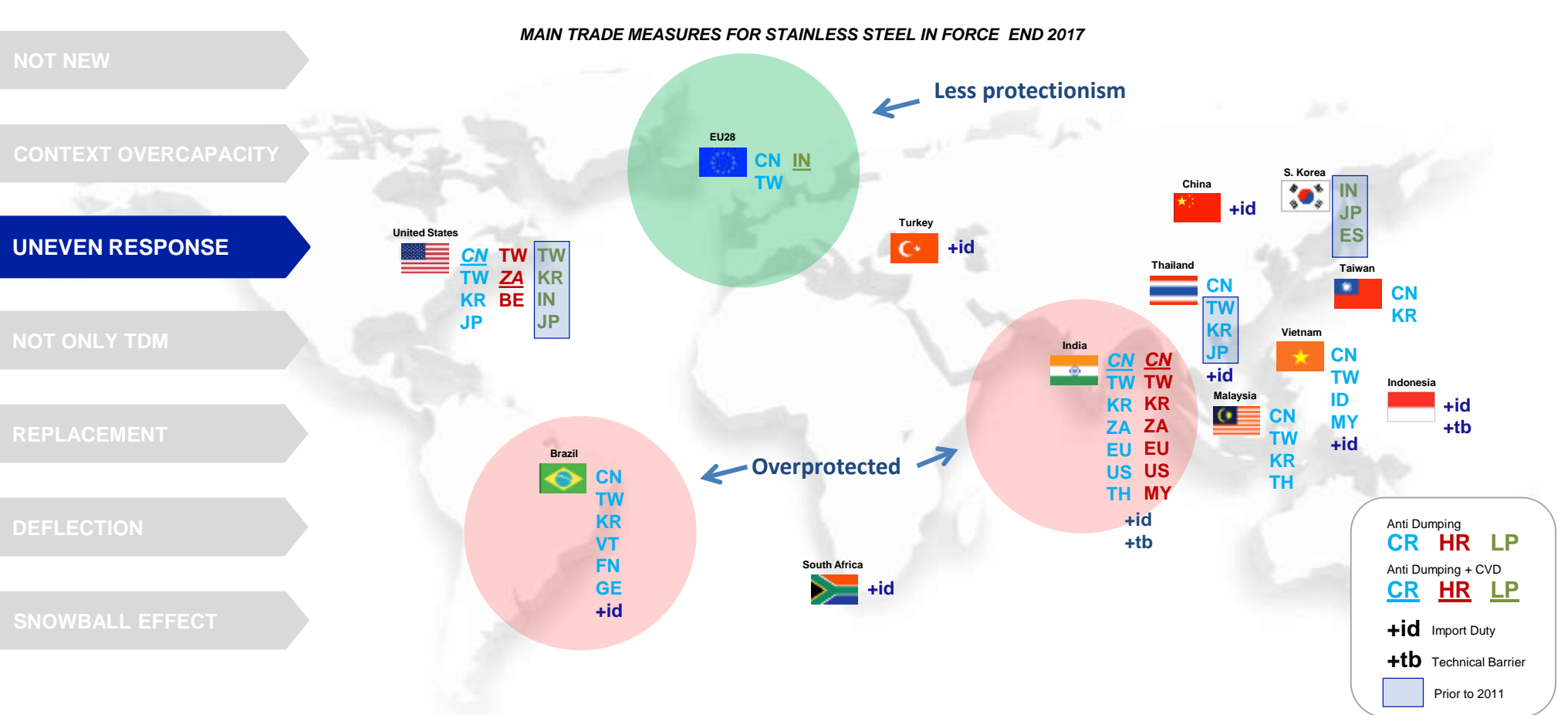
CHINA-INDUCED OVERCAPACITY DISTORTING MARKETS AND LEADING TO UNFAIR TRADE PRACTICES



RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

COUNTRY LEVEL RESPONSE RESULTING IN DIFFERENT GRADES OF PROTECTIONISM ACROSS MARKETS



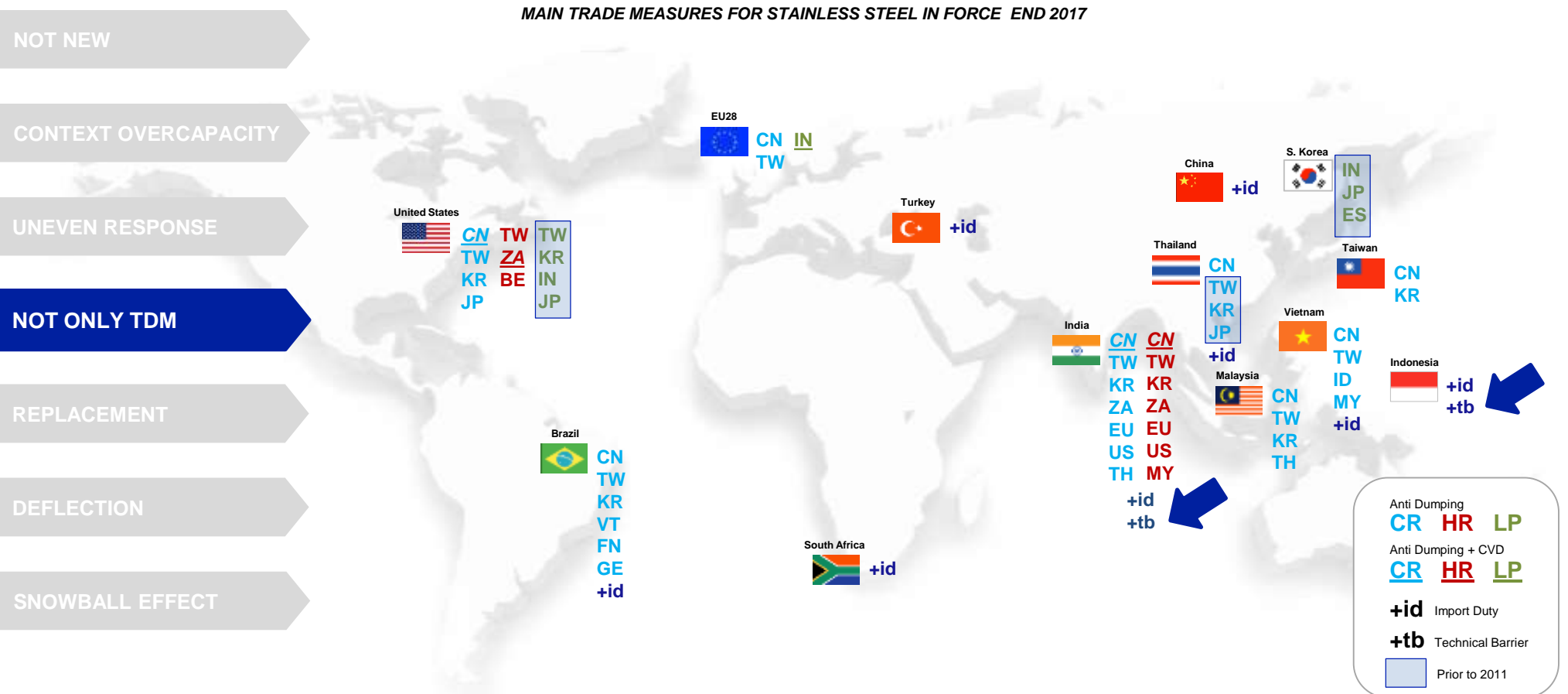


RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

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

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017

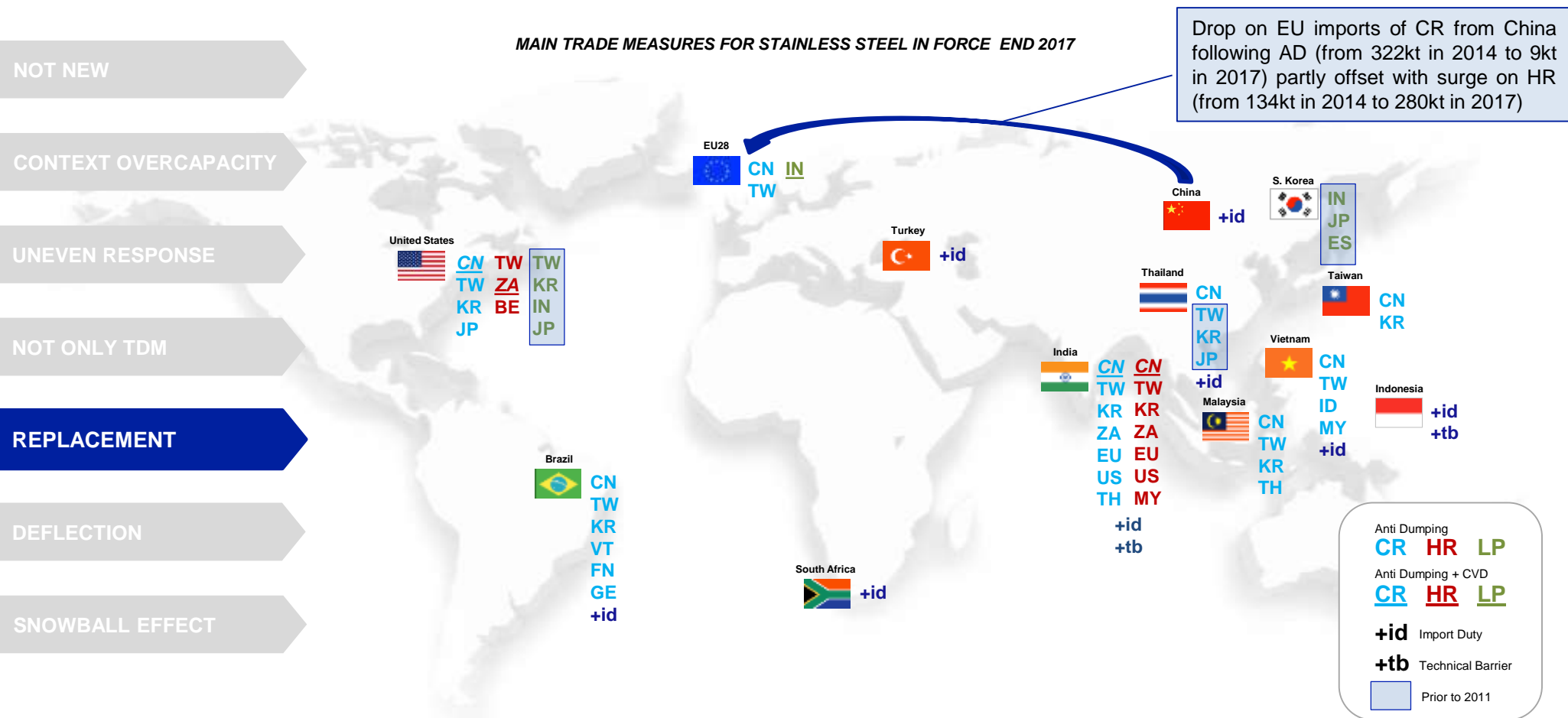




RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

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

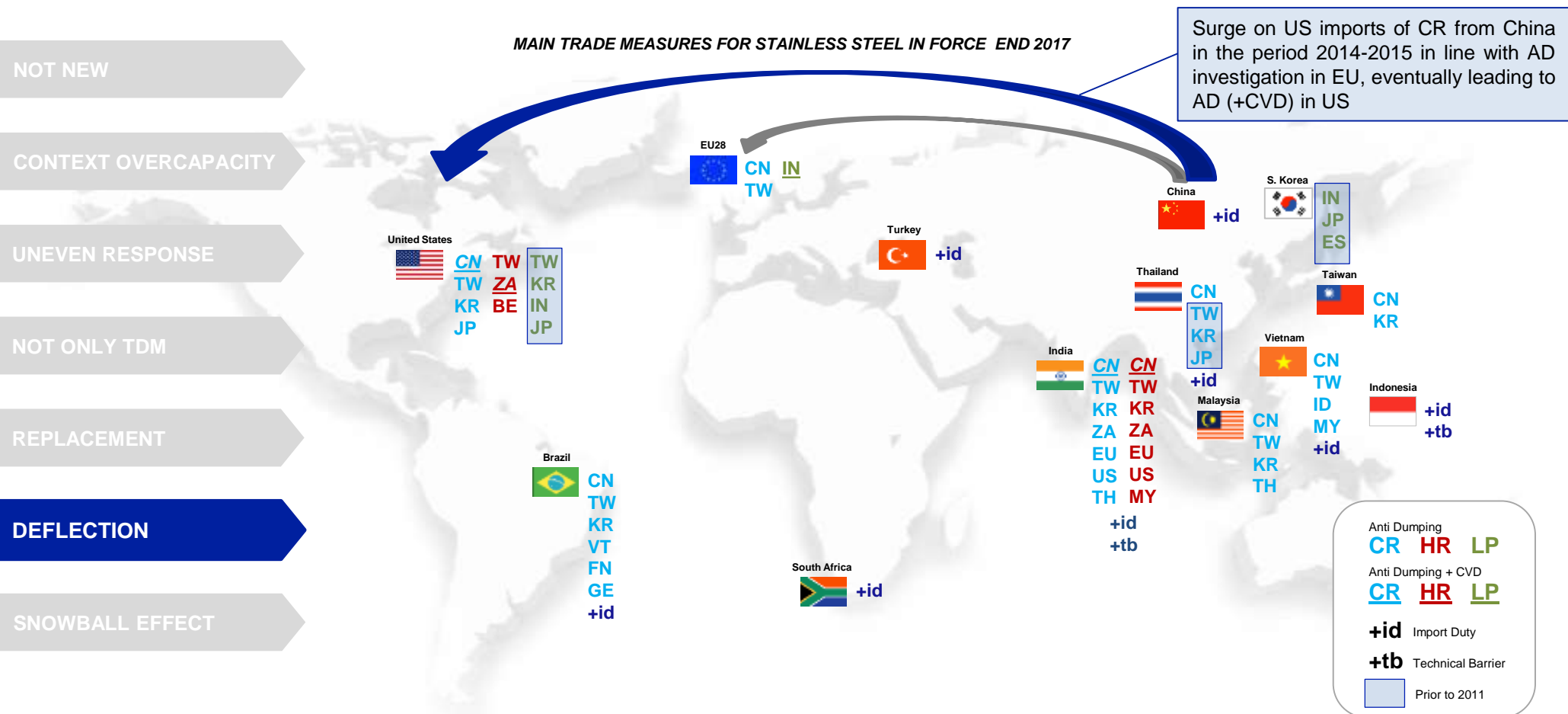




RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

MATERIALS AFECTED BY TRADE REMEDIES BEING REDIRECTED TO OTHER MARKETS



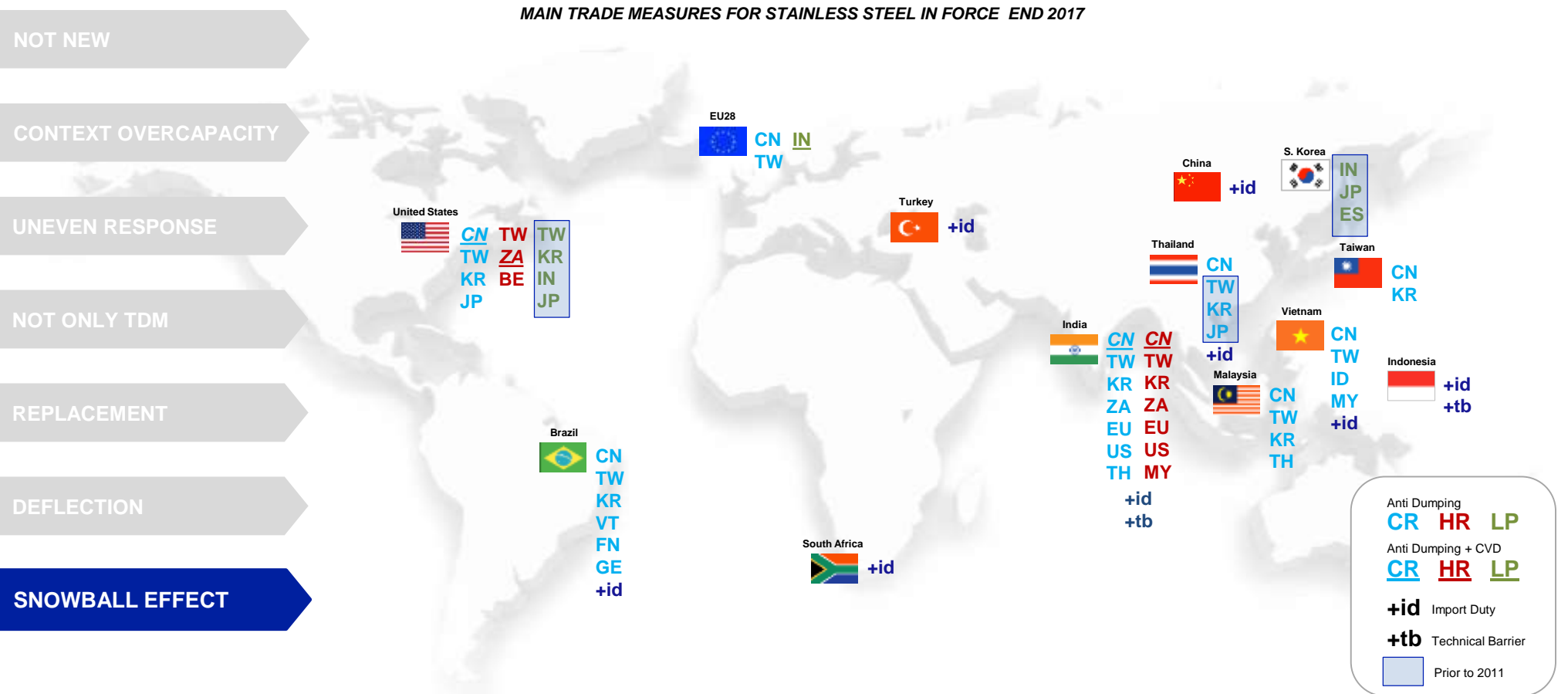


RISING PROTECTIONISM

PROLIFERATION OF TRADE MEASURES SINCE 2011

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

MAIN TRADE MEASURES FOR STAINLESS STEEL IN FORCE END 2017



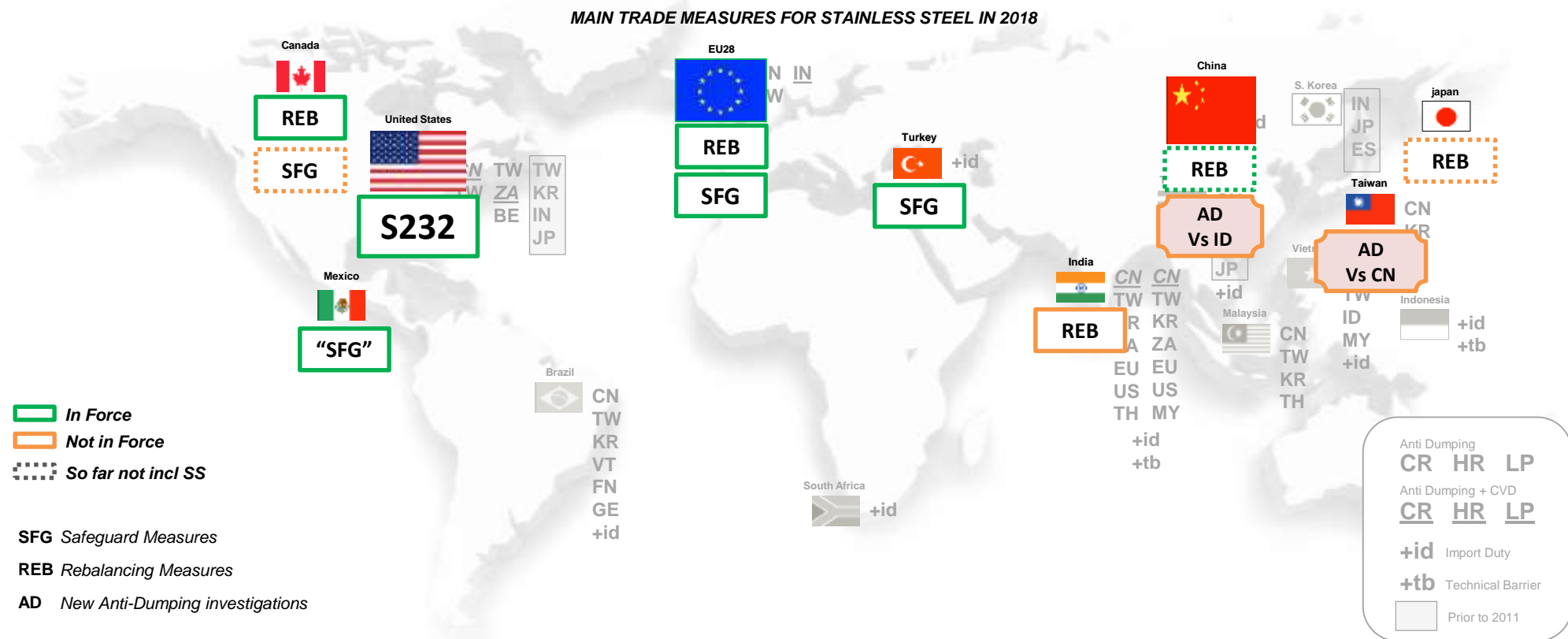


RISING PROTECTIONISM

A TURBULENT 2018

US SECTION 232 TRIGGERING A CHAIN REACTION WORLDWIDE

NEW AD INVESTIGATION BEING INITIATED IN ASIA FOR FEEDSTOCK MATERIALS



US SECTION 232

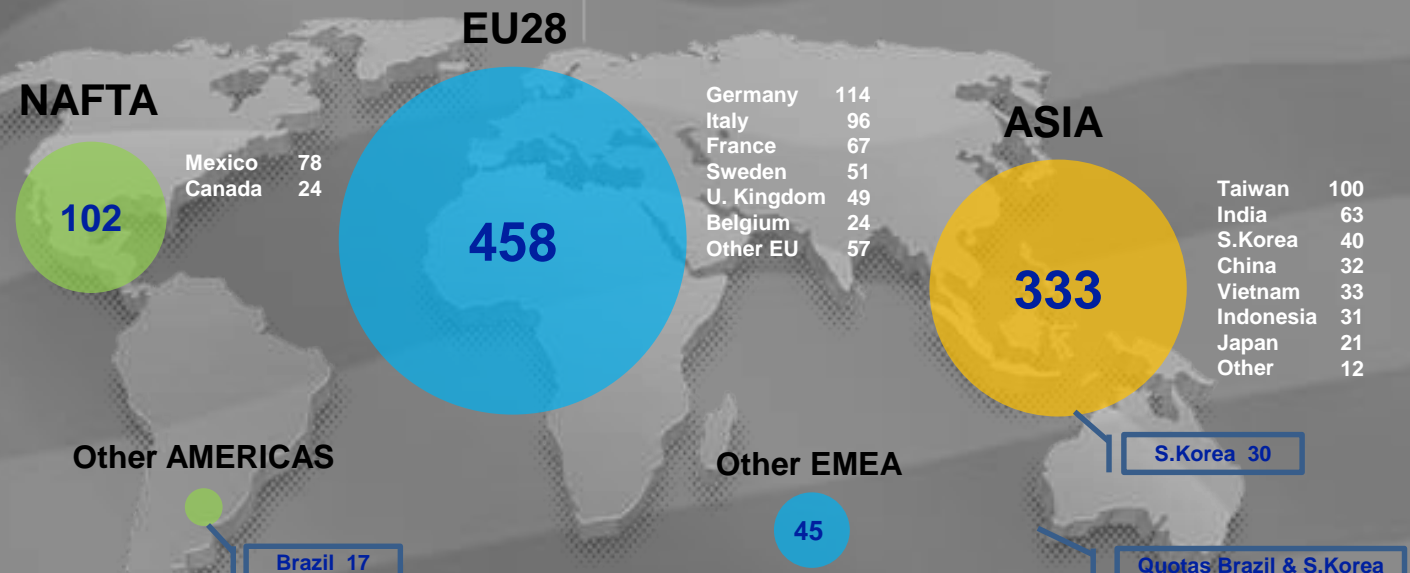
US RESPONSE TO GLOBAL STEEL OVERCAPACITY

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)

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

Thousand tonnes



Source: USITC, ACX

- > based on 70% avg 2015-17*
- > Hard quotas (capped)
- > Retroactive to Jan 1st
- * 100% for SEMIS from Brazil (no imports in SS)

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

*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

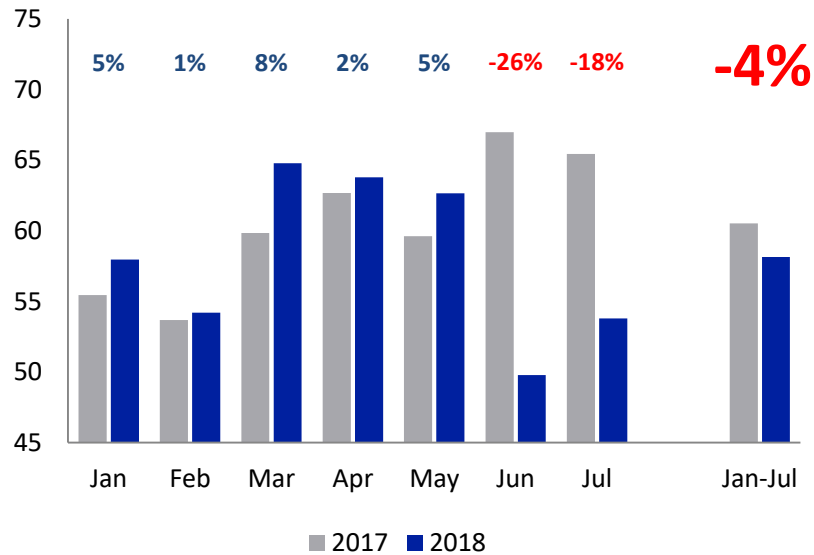
IMPORTS TREND

IMPORTS ALREADY DECREASING

IMPORTS EXPECTED TO DROP TO MINIMUMS IN H2

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

ktm

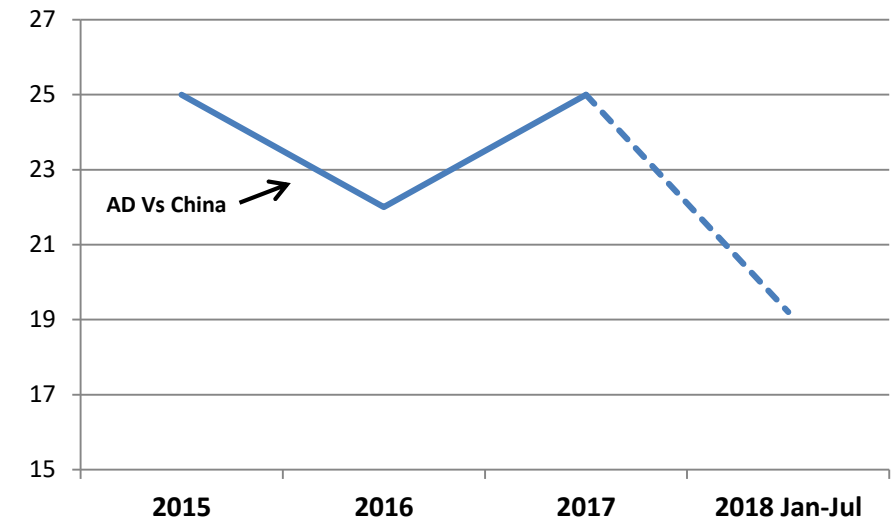


Source: USITC, ACX

IMPORTS MARKET SHARE FALLING TO 19% UP TO JULY

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

%



Source: ACX

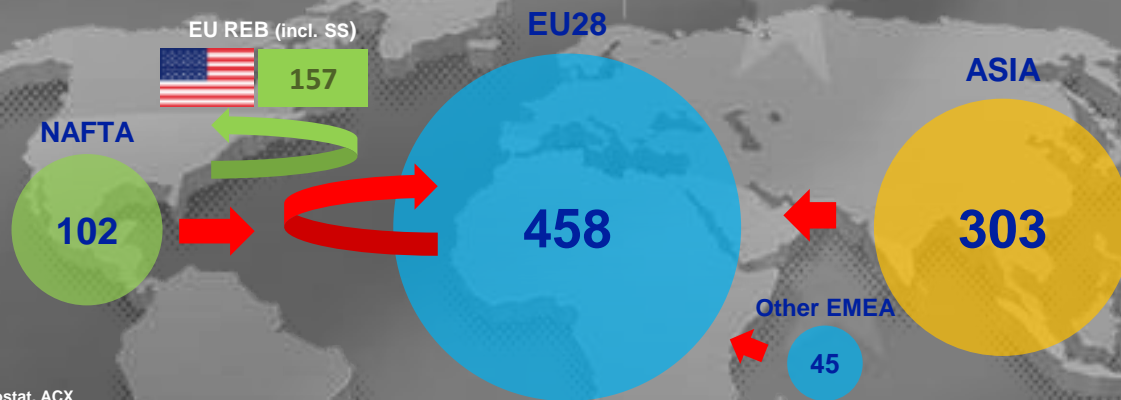
EU SFG

A MUCH NEEDED REACTION

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

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

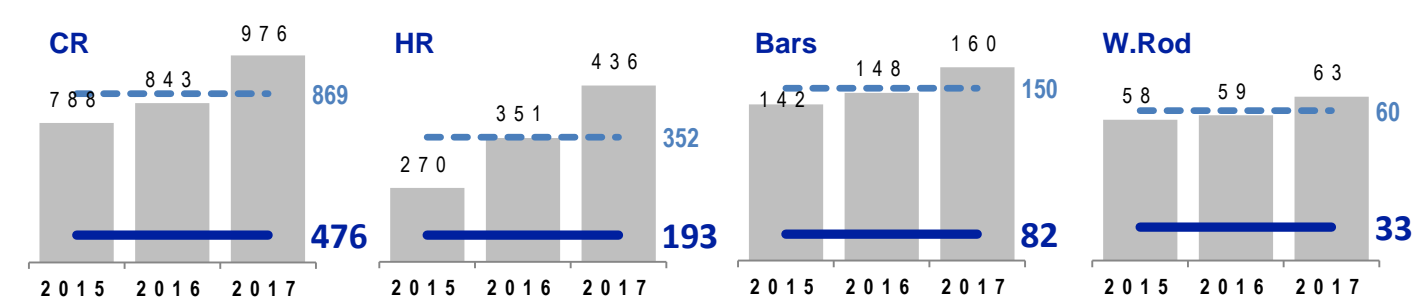
Thousand tonnes



Source: USITC, Eurostat, ACX

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

Thousand tonnes



Source: Eurostat, ACX

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

*EXCLUSIONS

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

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

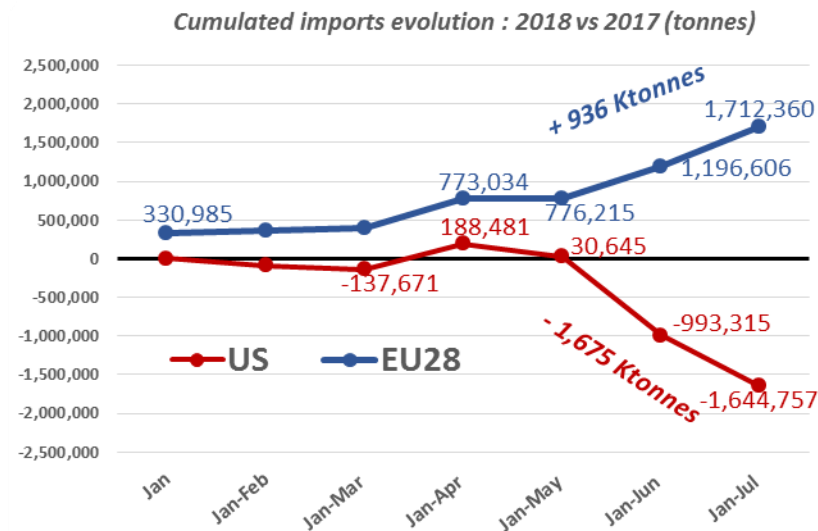
IMPORT LICENSES (END USERS)

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

Source: EUROFER (USITC, Eurostat/Comext)

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

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

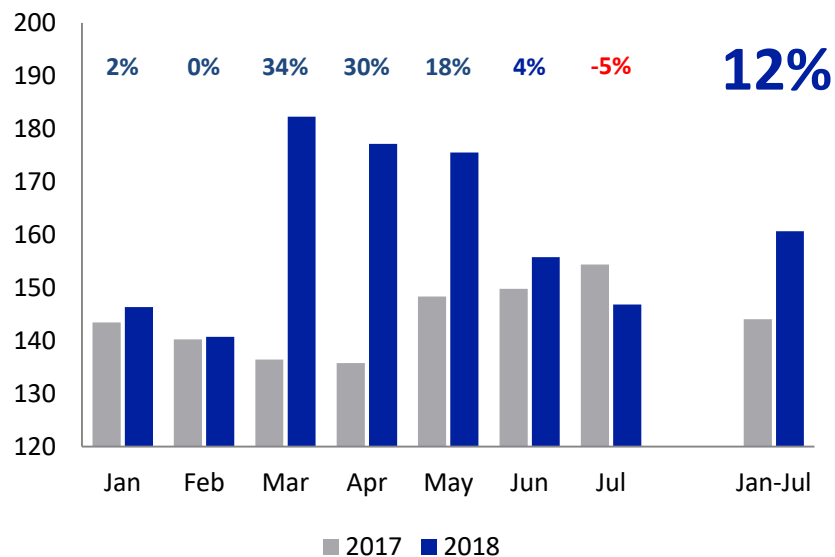
IMPORTS TREND

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

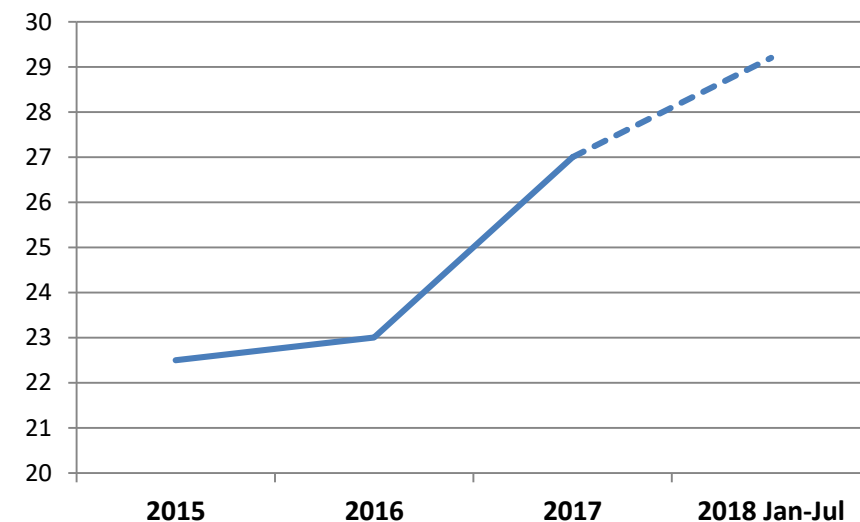


Source: Eurostat, ACX

IMPORTS MARKET SHARE CLOSE TO 30% UP TO JULY

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

%



Source: ACX



GLOBAL TRADE: NEW ORDER, NEW RULES?

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.**



GLOBAL TRADE: NEW ORDER, NEW RULES?

A world map is shown in the background, with the landmasses in a dark blue color and the oceans in a lighter blue. Numerous white location pins are placed across the map, each containing the ACERINOX logo. The pins are concentrated in North America, Europe, and Asia, with a few in South America and Africa. A semi-transparent dark blue horizontal band runs across the middle of the map, serving as a background for the "THANK YOU" text.

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

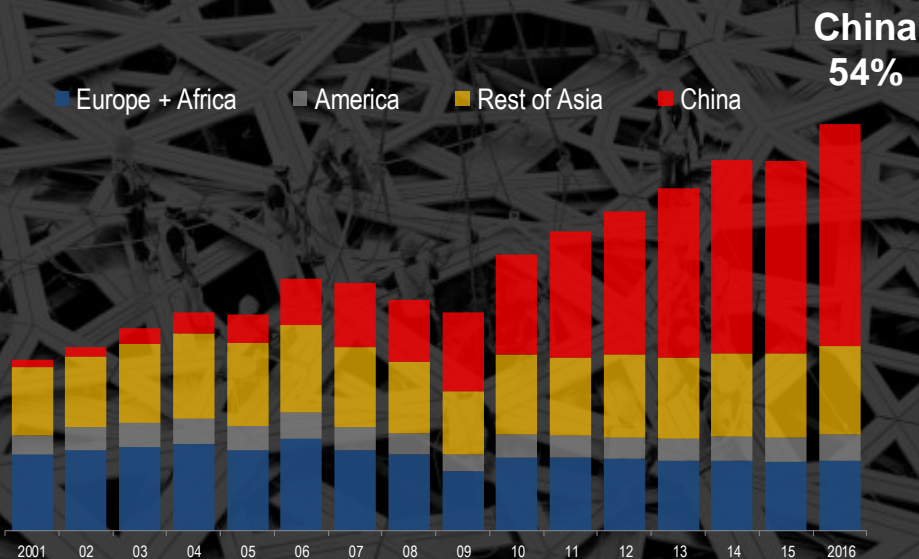
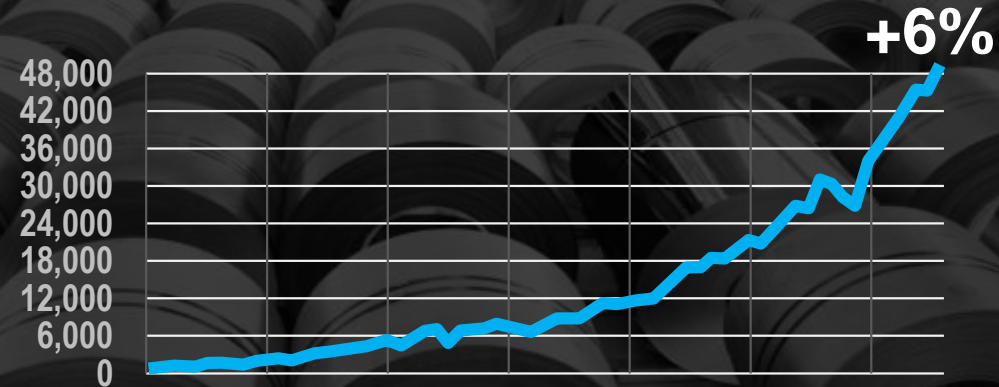
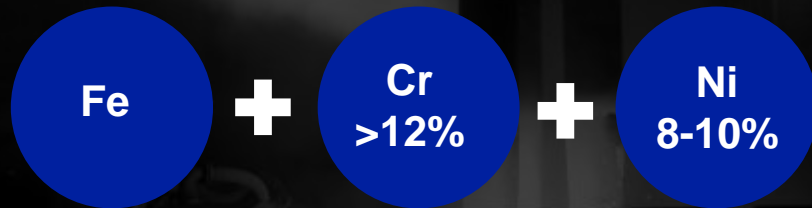


KEY DEPARTMENTS



REGULAR REVIEW

PRODUCT



50%
Consumer
goods

50%
Investment
goods

MARKET

A 3D map of the world in light gray, showing the outlines of continents and countries. It is positioned in the background of the slide.

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

- ① The Group invests an average of MEUR 200/year in the latest technologies available, of which roughly 20% is for equipment upgrades
- ② A high level of automation in all the business units
- ③ For many years, time has been devoted to capturing and collecting data without giving them any later use
- ④ 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

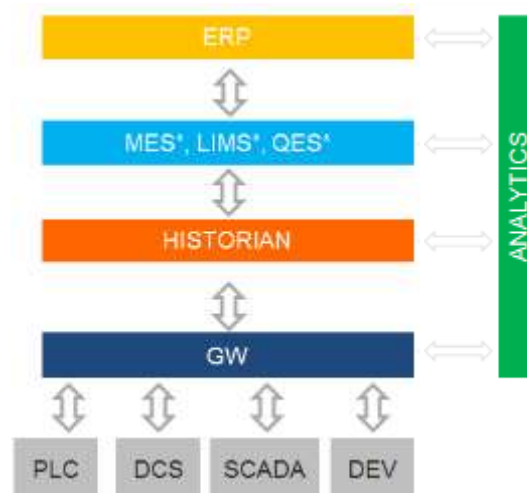
QES Quality Execution System

GW Communication 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? Historian | Why has it happened? CBM & QES | What is going to happen? Data analytics | What action should be taken? 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

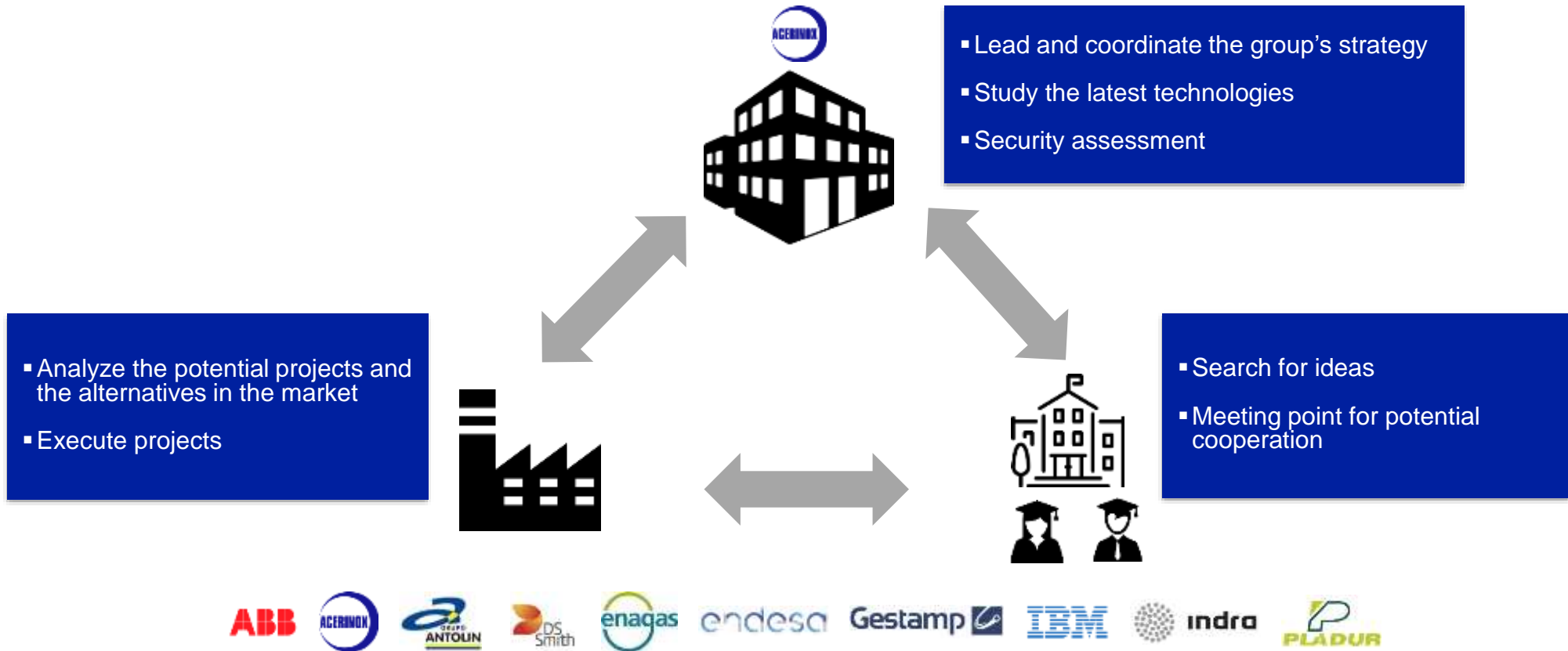


Predictability of the
demand



Integrated
planning

RESOURCES



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



DIGITALIZATION IN THE STAINLESS STEEL INDUSTRY

A world map is shown in the background, with the landmasses in blue and the oceans in white. Numerous location pins are placed across the map, each featuring the ACERINOX logo. The pins are concentrated in North America, Europe, and Asia, with a few in South America, Africa, and Australia. A dark grey horizontal band is superimposed over the middle of the map, containing the text "THANK YOU" in white capital letters.

THANK YOU

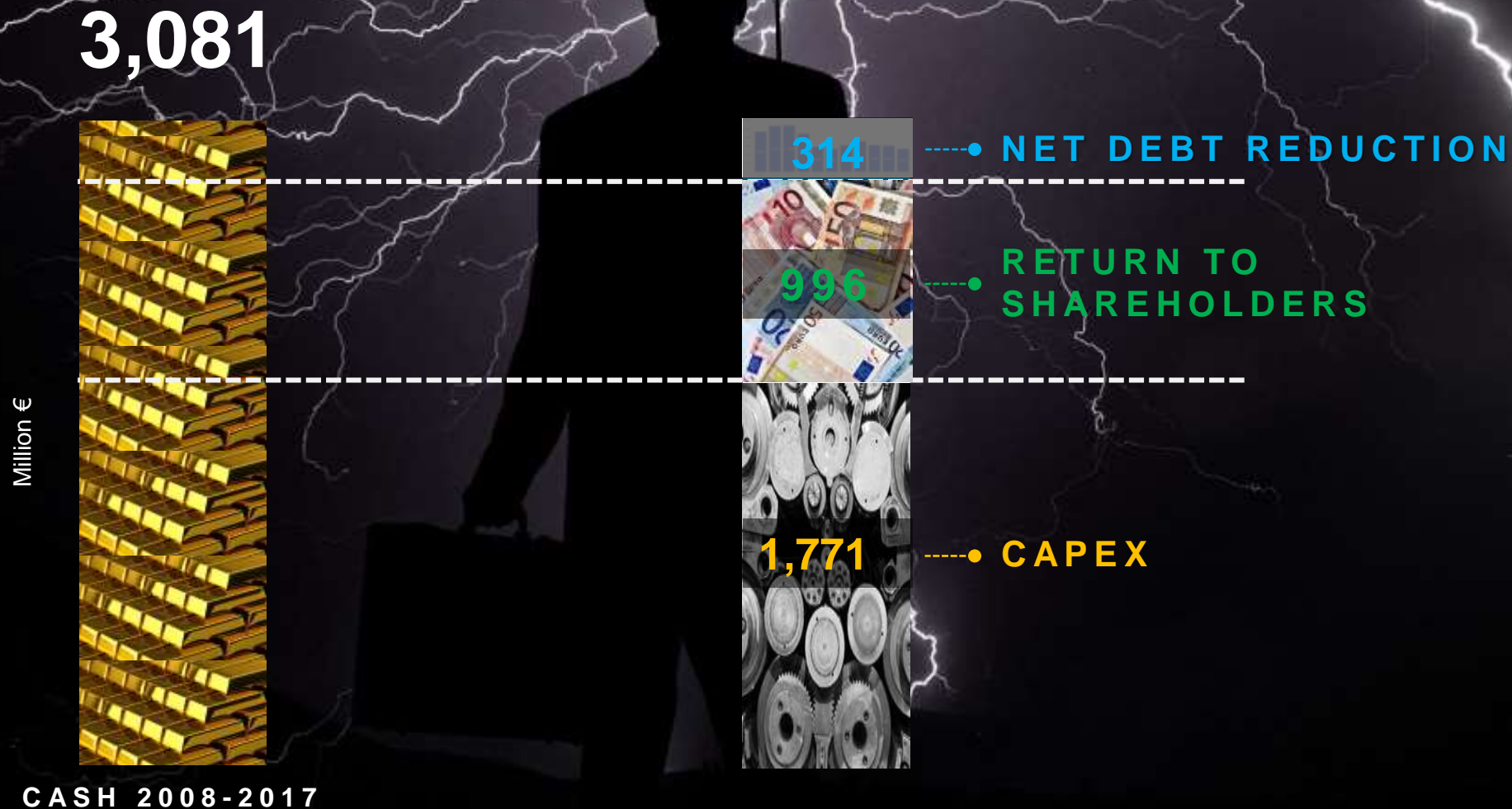
Cash is King

Miguel Ferrandis - CFO

07

Acerinox Capital Markets Day

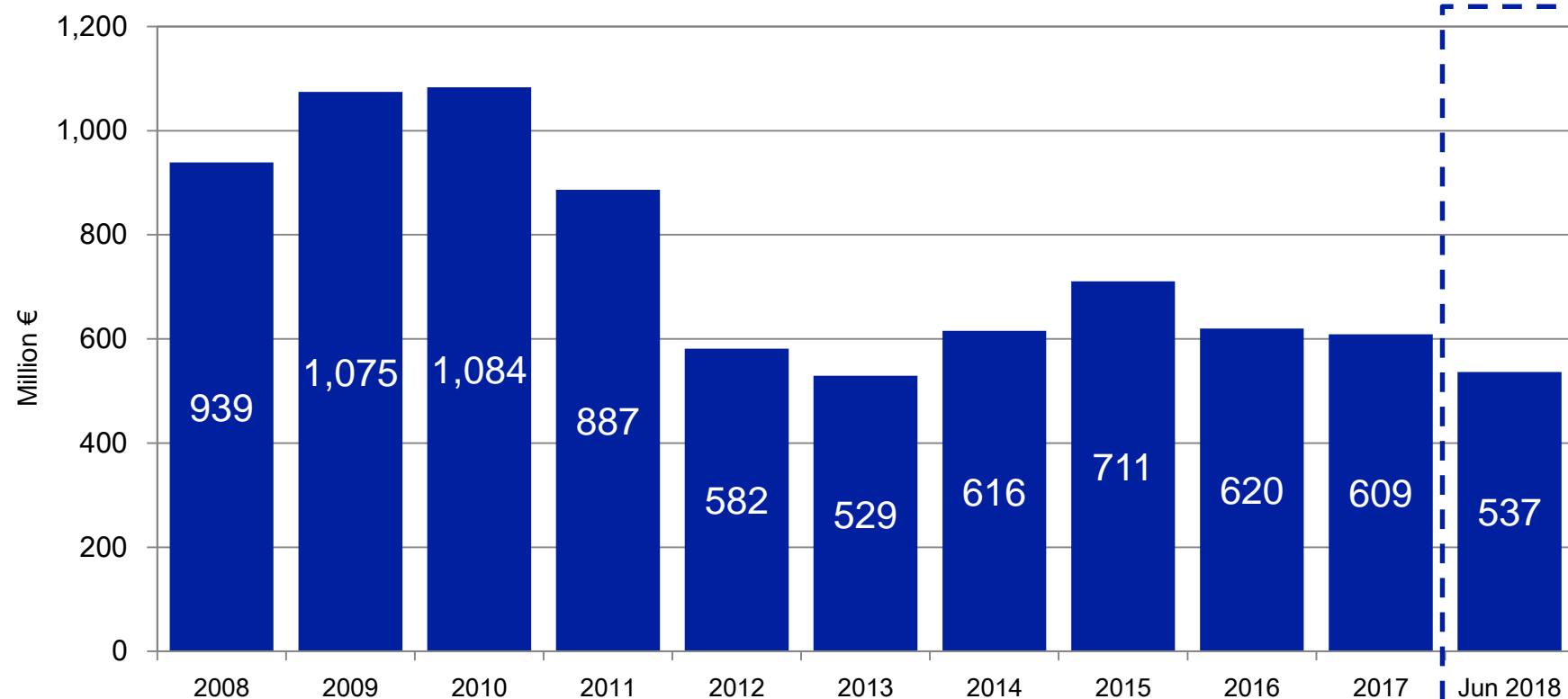
CASH GENERATION 2008 – 2017





CASH IS KING

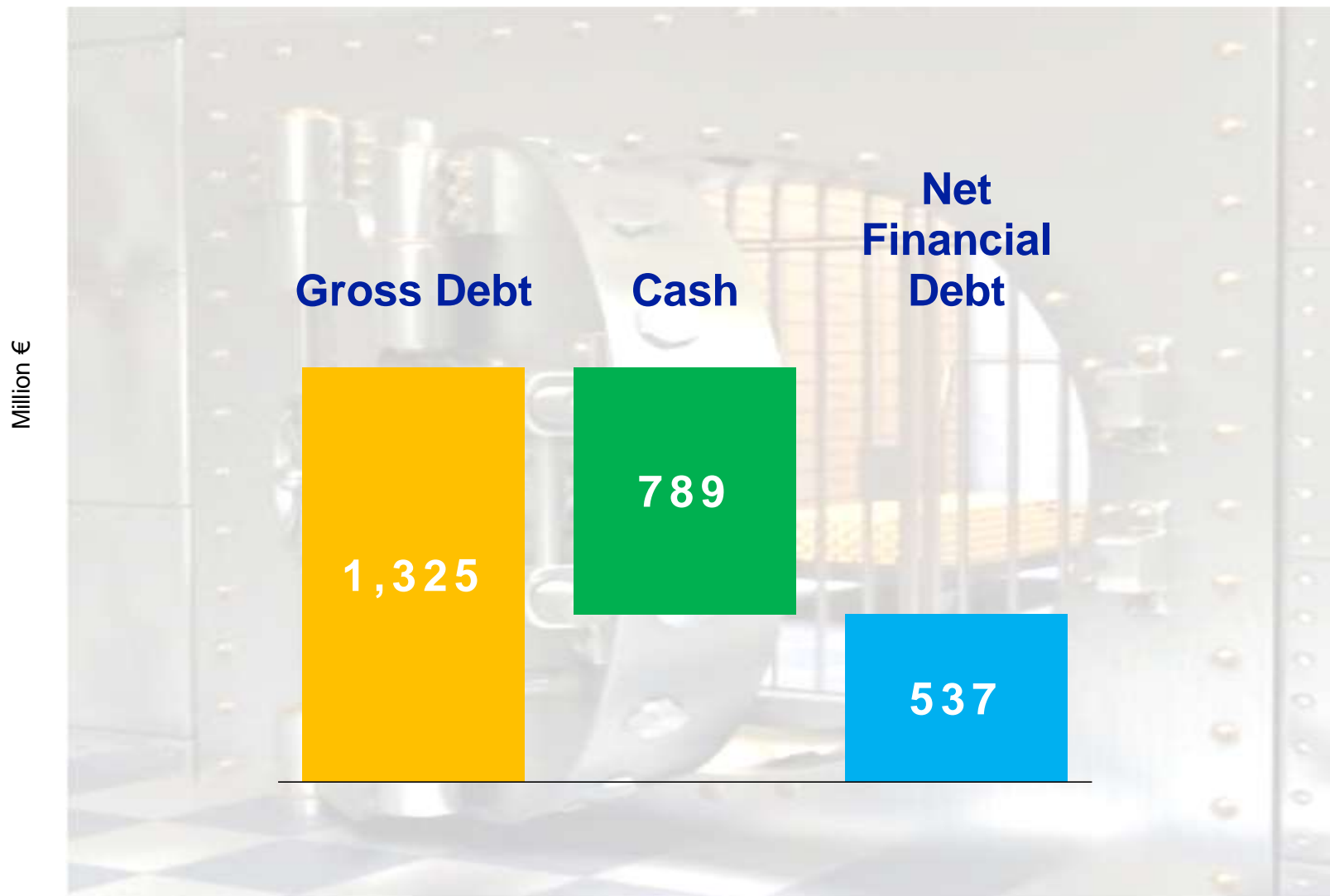
NET FINANCIAL DEBT



| | | | | | | | | | | | |
|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 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

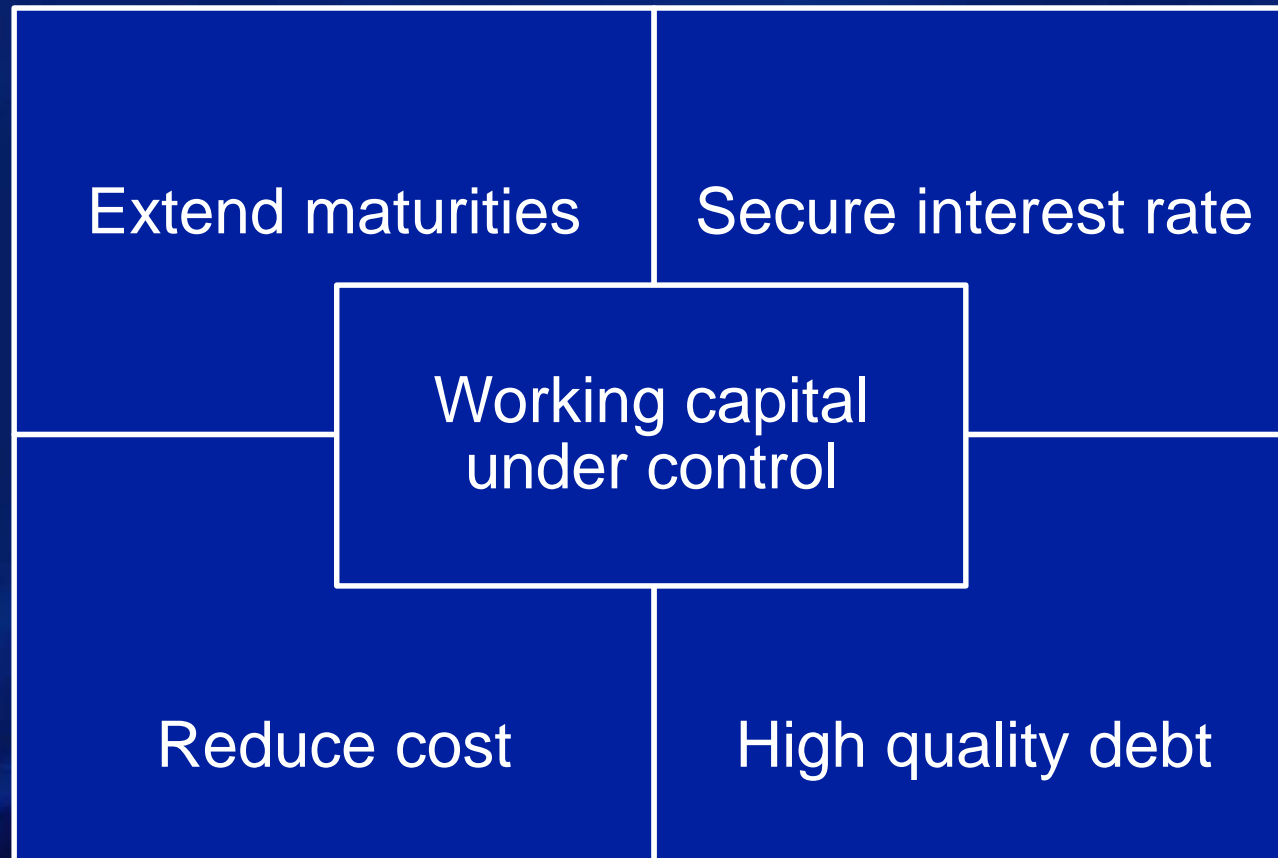
JUNE 2018





CASH IS KING

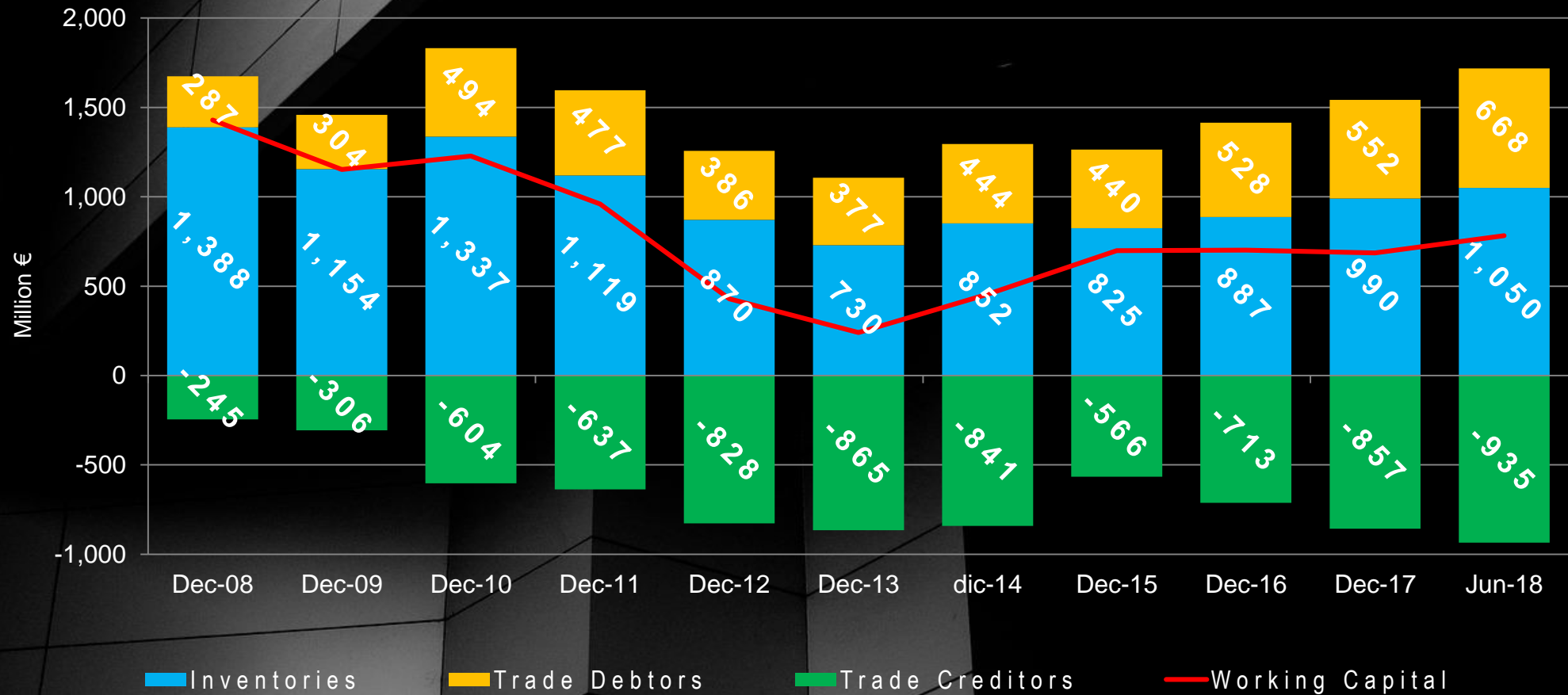
FINANCIAL STRATEGY: FOCUS IN CASH





CASH IS KING

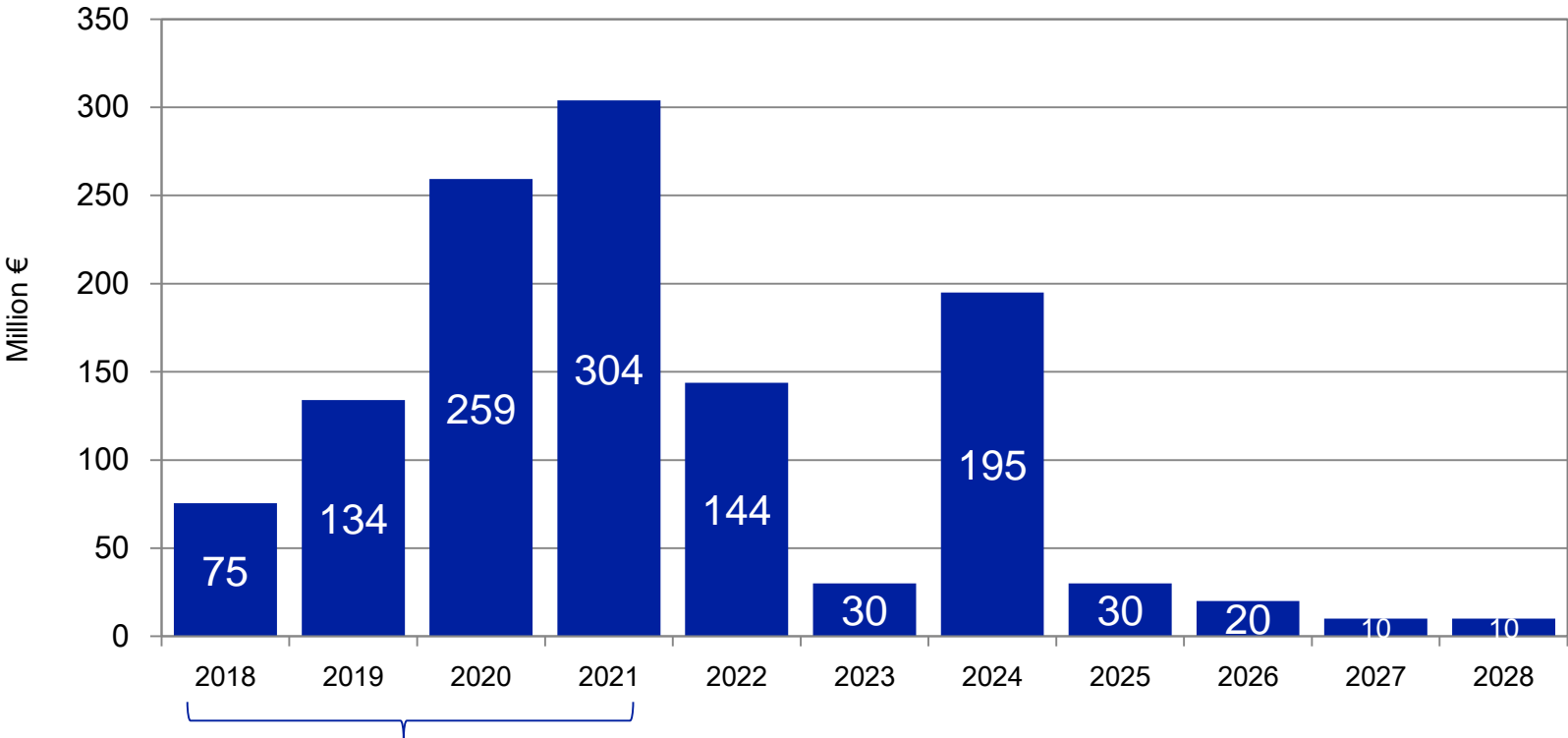
WORKING CAPITAL





TERM DEBT MATURITY

Total term debt: €1,211 million



Maturities of the next four years amount to €773 million



Cash June 2018: €789 million

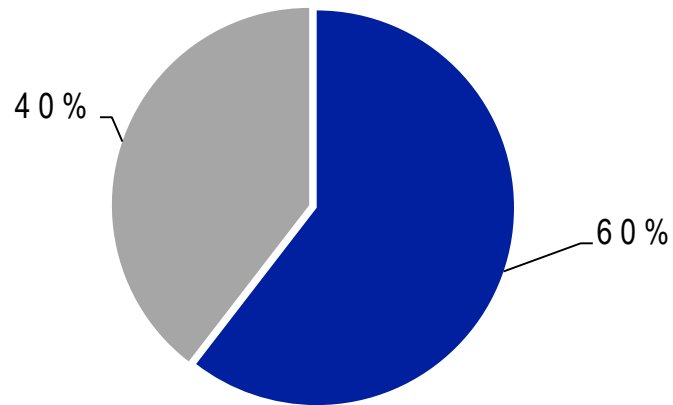


CASH IS KING

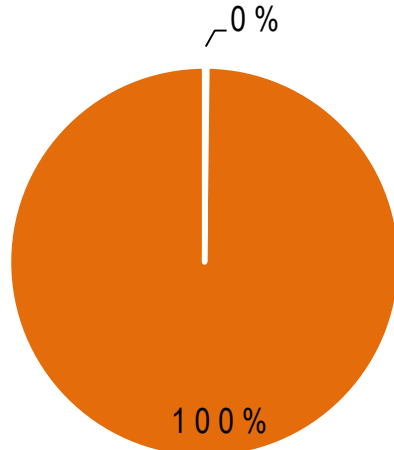
SECURE INTEREST RATE

December 2008

■ Long term debt ■ Short term debt

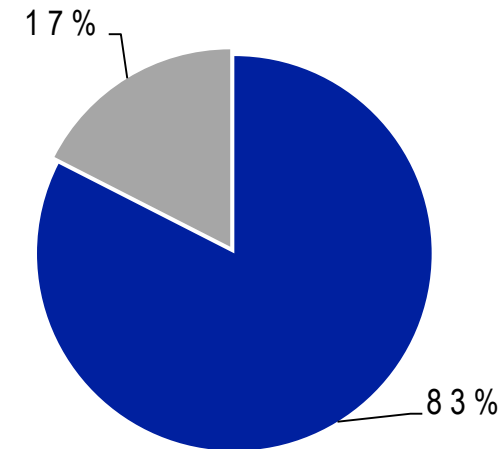


■ Fixed interest rate
■ Variable interest rate

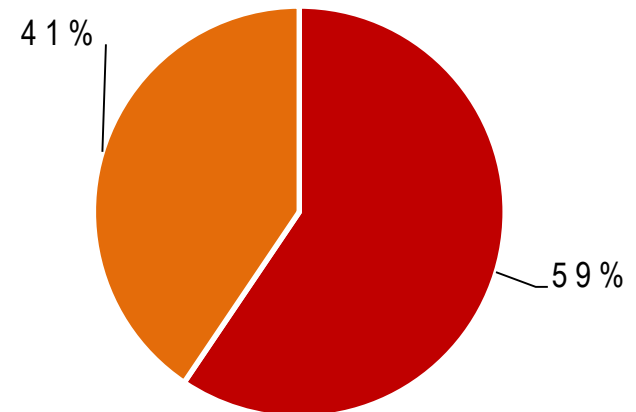


June 2018

■ Long term debt ■ Short term debt



■ Fixed interest rate
■ Variable interest rate

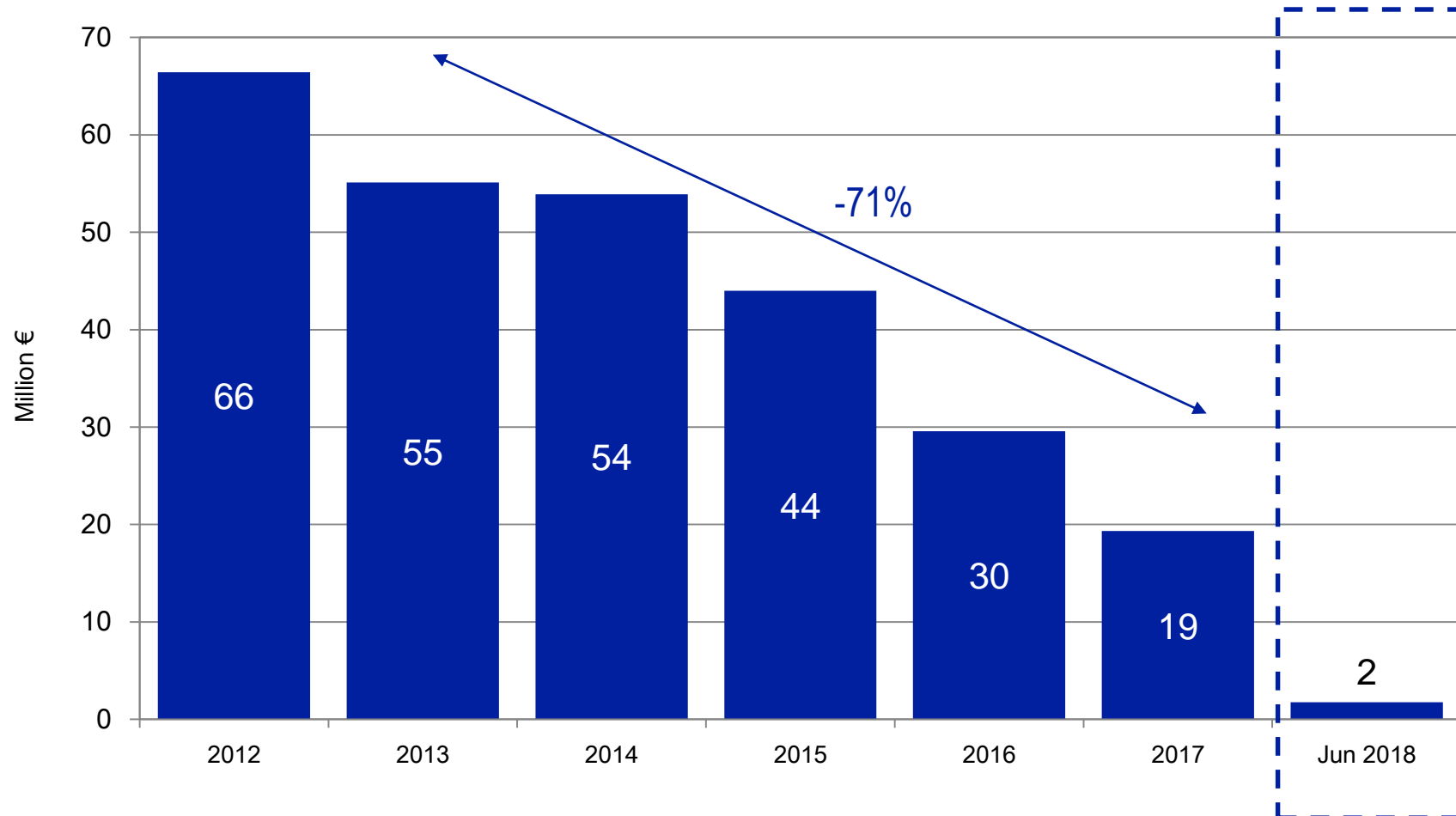




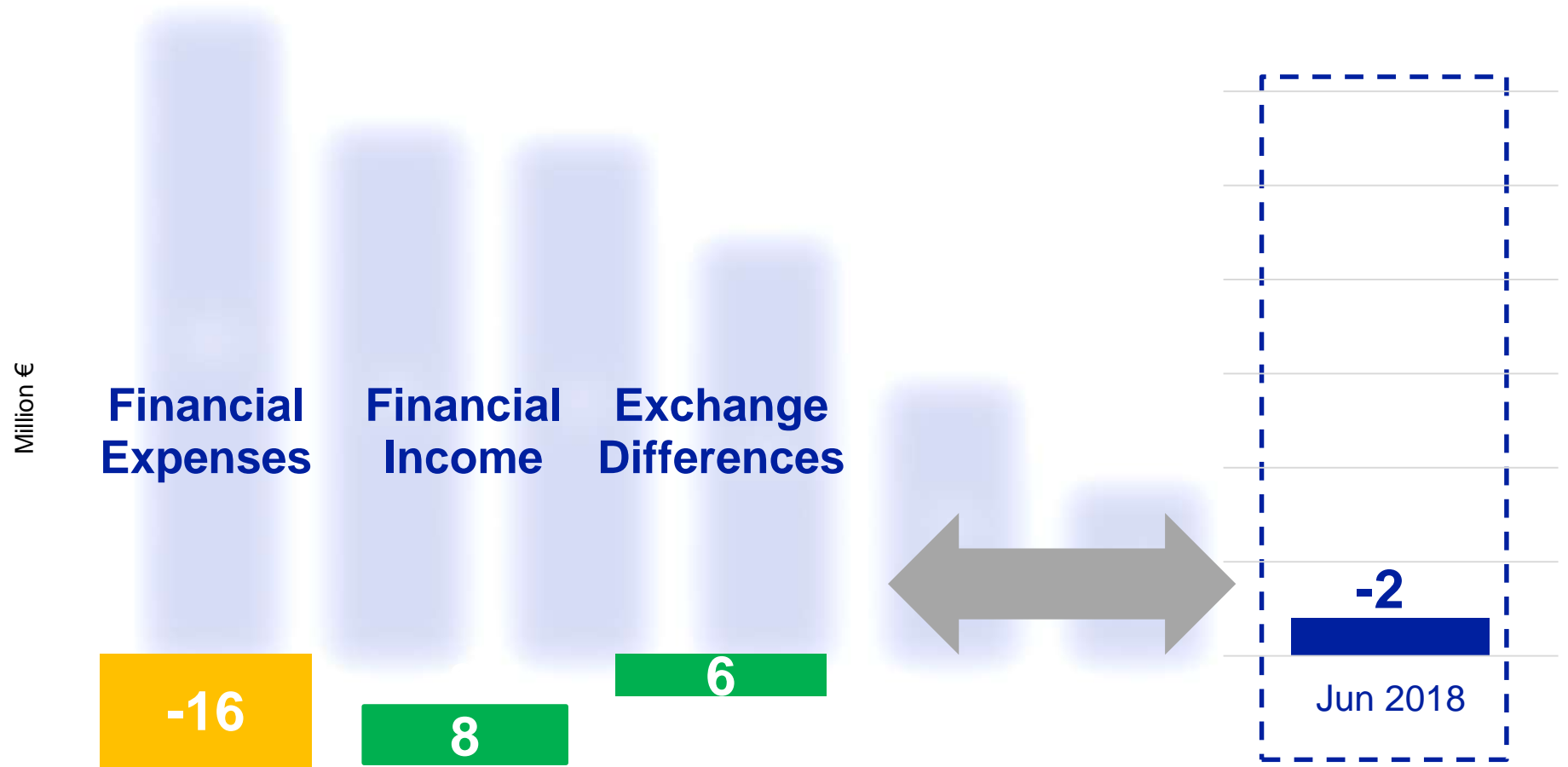
CASH IS KING

NET FINANCIAL EXPENSES

Among peers $\left\{ \begin{array}{l} \text{Lowest finance expenses} \\ \text{Highest reduction} \end{array} \right.$



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



CASH IS KING

A world map with a blue and white color scheme. Numerous location pins, each containing the ACERINOX logo, are placed across various continents, including North America, South America, Europe, Africa, Asia, and Australia, indicating a global presence.

THANK YOU

Stainless Steel Market Update

Bernardo Velázquez - CEO

08

Acerinox Capital Markets Day





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



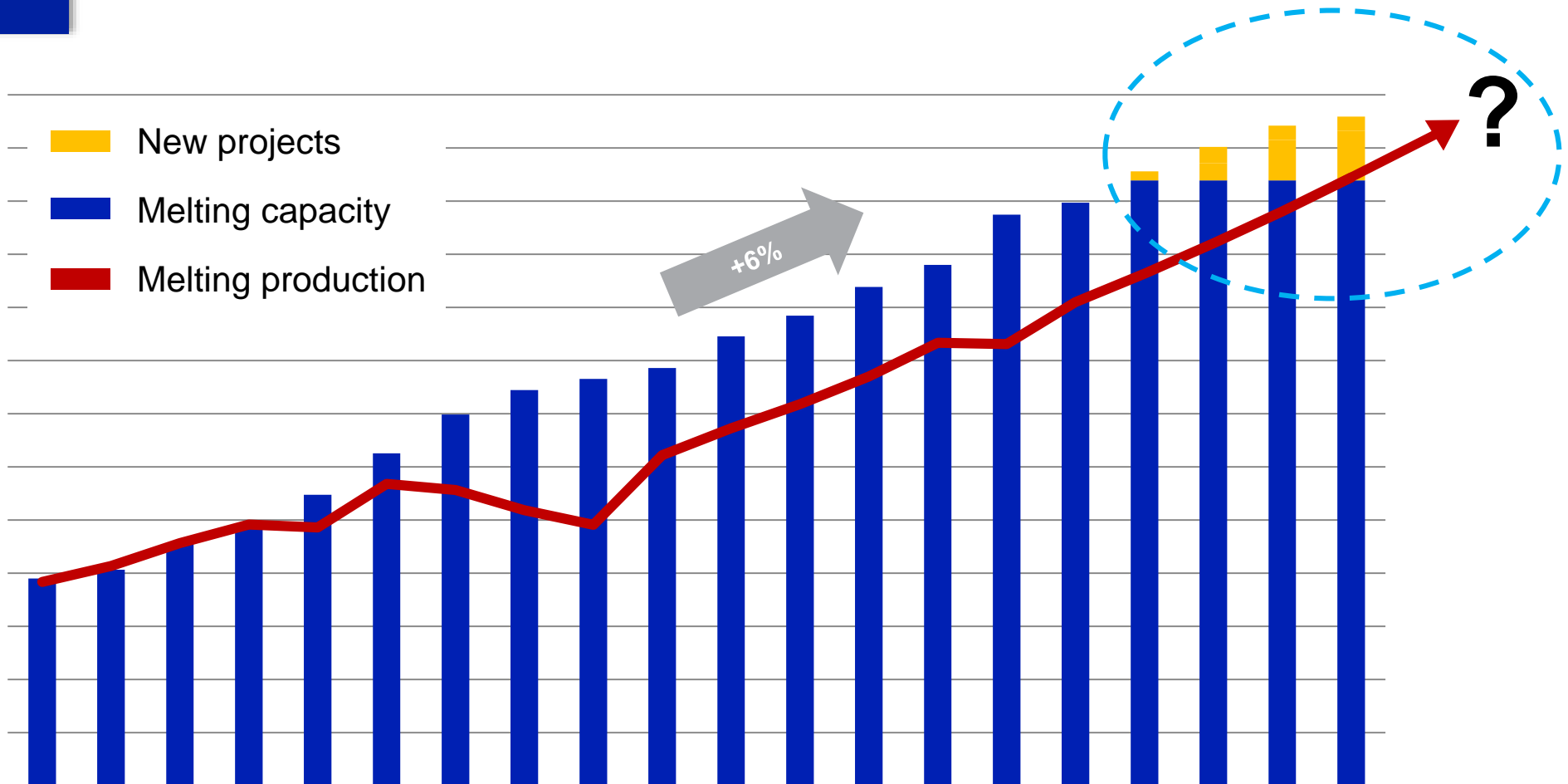
KEY DRIVERS: STRONG DEMAND

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% |

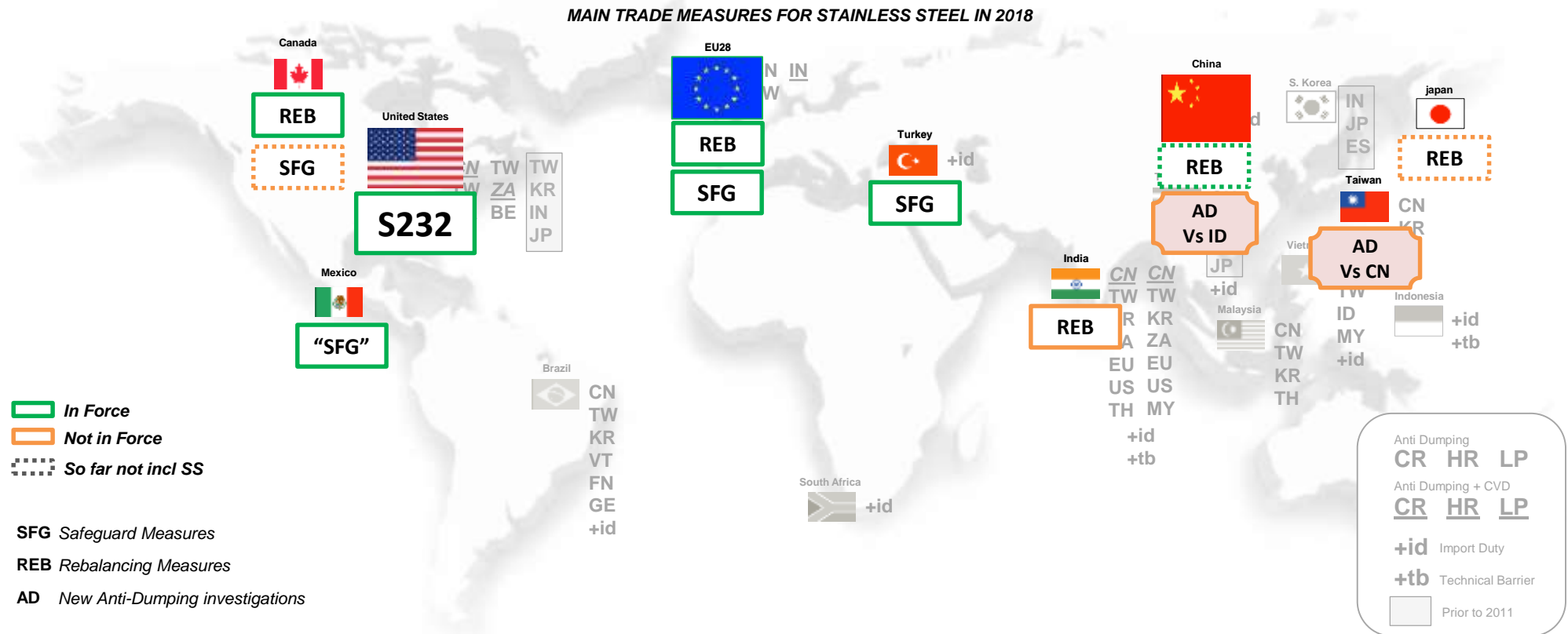
Source: Acerinox

KEY DRIVERS: OVERCAPACITY



Source: Acerinox

KEY DRIVERS: TRADE BARRIERS



Source: USITC, ACX



ACERINOX STRATEGY: GROWTH

OPTIMIZING CAPACITY UTILIZATION

**MELTING PRODUCTION
2017 SECOND BEST YEAR**

INCREASE 2017/2009: +39%

INCREASE 2017/2009: +62%

2009 2010 2011 2012 2013 2014 2015 2016 2017

**COLD ROLLING PRODUCTION
2017 BEST YEAR**



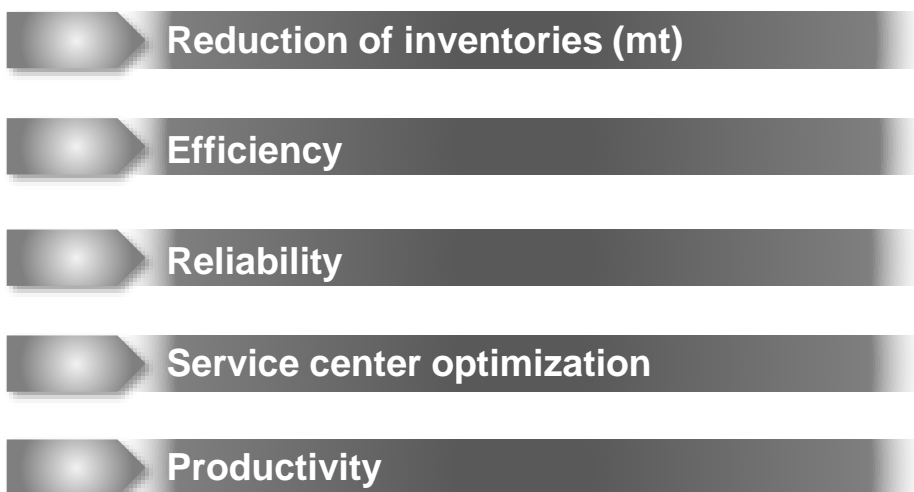
ACERINOX STRATEGY: COST CONTROL

2017-2018 EXCELLENCE PLAN V

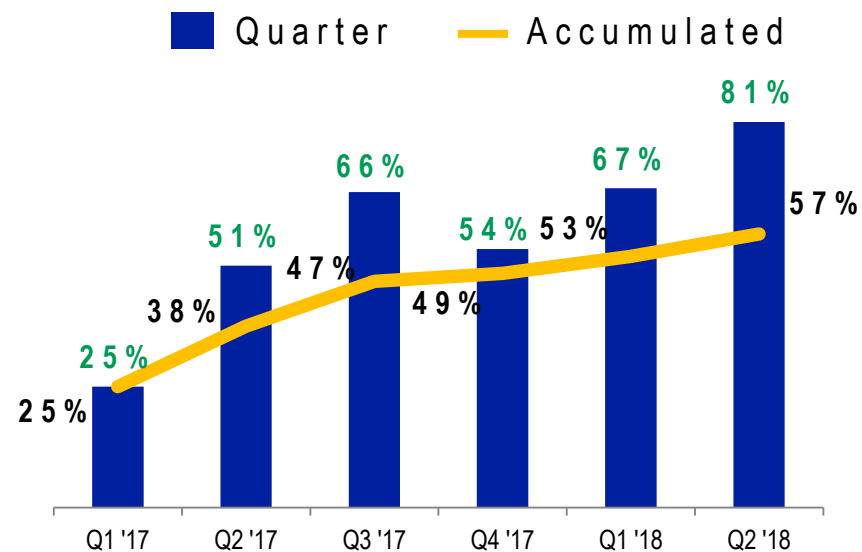
Target : 50 million EUR

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

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



PERFORMANCE % over the target





ACERINOX STRATEGY: INVESTMENTS



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 CAPITAL MARKETS DAY 2018

A world map is shown in the background, with a semi-transparent grey band across the middle. Numerous location pins are placed across the map, each featuring the ACERINOX logo. The pins are concentrated in North America, Europe, and Asia.

THANK YOU

Q&A



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