



ELVALHALCOR

HELLENIC COPPER AND ALUMINIUM INDUSTRY S.A.

Press Release

9M 2020 Trading Update Financial Results

Athens, 19th November 2020

- **Successful commencement of operation of the new hot rolling mill and gradual integration in production.**
- **Gradual recovery during the third quarter, with high sales in September.**
- **Strong profitability with an a-EBITDA of EUR 101.0 million for 9M'2020**
- **Unhindered operation of the production units despite the Covid-19 pandemic.**

ElvalHalcor responded swiftly to the new conditions shaped by the Covid-19 pandemic, prioritising the health and safety of its employees, suppliers, and customers by implementing measures that allowed for the safe continuation of operations with the minimum repercussions and spending over EUR 3 million for the nine months of 2020 on the implementation of measures against the pandemic. Nevertheless, the introduction of restrictions on movement and production in major export destinations, and the inevitable subsequent recession across many countries, affected demand and exports negatively during the first months of the year. It should be underlined that ElvalHalcor's prompt shifting of aluminium production towards sectors unaffected by the crisis, and the dynamic of the copper segment, significantly offset the recession's effects. During the summer months, the markets' gradual opening affected shipments positively for the third quarter, curbing the downtrend and diminishing the decline in volumes to 5.4% for the 9M 2020.

Respectively, ElvalHalcor's consolidated revenue decreased by 6.2% for 9M 2020 to EUR 1,500.4 million, compared to EUR 1,599.8 million in the respective prior year period, a reduction attributed mainly to a decline in both volumes and average metal prices during the period. It is noteworthy that for September sales were higher than the previous year in most product categories, a positive indicator for the future.

The decline in sales volumes, the pressure on conversion prices in some markets, and the additional expenses associated with facing off the pandemic resulted in adjusted consolidated earnings before taxes, interest, depreciation and amortization and metal price lag (a-EBITDA), a more accurate reflection of operational profitability, of EUR 101.0 million versus 123.5 million for the respective prior year period.

As a result of the pandemic, metal prices dropped significantly during the first months of the year, resulting in accounting losses from metal of EUR 8.7 million for 9M 2020 versus losses of EUR 4.6 million for the respective prior year period. This affected gross profit, which amounted to EUR 99.8 million for the first nine months of 2020 versus EUR 122.1 million for the first nine months of 2019, as well as consolidated earnings before taxes, interest, depreciation, and amortization (EBITDA), which amounted to EUR 90.9 million versus EUR 118.9 million for the respective prior year period of 2019. Finally, the decline in sales volumes and metal prices affected the consolidated earnings after taxes and non-controlling interests, which amounted to EUR 24.1 million or EUR 0.0642 per share versus EUR 42.5 million or EUR 0.1131 per share for the respective prior year period.

Sales in EUR million



a-EBITDA in EUR million



Amounts in €'000s	GROUP	
	9M 20	9M 19
Sales	1,500,429	1,599,812
Gross profit	99,794	122,126
EBITDA	90,884	118,918
a-EBITDA	100,950	123,539
EBIT	45,753	76,858
Net financial result	(18,717)	(19,603)
Profit before tax	30,340	60,186
Profit after tax	24,975	43,025
Profit after tax & non-controlling interests	24,091	42,458
Earnings per share	0.0642	0.1131

Per segment analysis

For the 9 months until 30.09	Sales		EBITDA		a-EBITDA		EBIT		EBT	
	30/9/2020	30/9/2019	30/9/2020	30/9/2019	30/9/2020	30/9/2019	30/9/2020	30/9/2019	30/9/2020	30/9/2019
€'000										
Aluminium	722,474	811,554	56,346	85,600	61,747	86,014	27,813	57,302	19,680	49,048
Copper	777,955	788,258	34,538	33,318	39,203	37,525	17,940	19,556	10,660	11,138
Total	1,500,429	1,599,812	90,884	118,918	100,950	123,539	45,753	76,858	30,340	60,186

Aluminium

During 9M 2020, the aluminium segment experienced a decline in sales volume by 9.5% versus the respective period of 2019, due to lack of demand as an effect of the pandemic, with sales amounting to EUR 722 million, a drop by 11.1%. The segment was negatively affected by the conditions in the US market, compared to the respective six months of 2019, the intense competition in foil which put pressure on prices, as well as the continued weakness of some sectors, such as the automotive and transportation industries, which lead to a change in the product mix and the destination markets. Earnings before taxes amounted to EUR 19.7 million versus EUR 49.1 million, for the respective prior year period, due to the reduced volumes, while the a-EBITDA amounted to a profit of EUR 61.7 million for 9M 2020, compared to EUR 86 million for 9M 2019.

In regards to the investment programme for the new four-stand hot rolling mill, its installation was competed with a small delay, due to the restrictions of movement and the inability of the required supplier's personnel to travel, and will be fully productive within the last quarter of the year. This important investment gives the Company the ability, with additional investments, to more than double the production capacity of final products, marking a new era for the aluminium rolling division and paving the way for new, more demanding markets. The amount dedicated to investments on PPE for 9M 2020 amounted to EUR 65.7 million; out of which EUR 59.8 million were dedicated to the production facilities of the aluminium rolling segment of the parent company in Oinofyta. Last but not least, the second phase of the investment programme was announced with the aim to maximise the utilization of the capacity of the new hot rolling mill.

ElvalHalcor participates in the anti-dumping investigation carried out by the US authorities as a producer of common alloy aluminium sheet in Greece, cooperating with the audit authorities is in the process of providing information for the auditors. In the case of Greece, the US Department of Commerce assigned a preliminary dumping margin of 2.72% to imports from ElvalHalcor as well as for all other exporters of CAAS from Greece. ElvalHalcor and its US counsel are reviewing the basis for the US Department of Commerce's preliminary determination and will bring any errors or oversights to the attention of the US Department of Commerce in accordance with the US Department of Commerce's instructions.

Copper

During 9M 2020, the copper segment marked an increase of volumes sold by 2.2%, including the uplift from the integration of the sales of enameled wires, which represent about 2.1% of the product mix, as well as the positive evolution of sales of copper bus bars and rolled copper and alloy products, despite the strong weakness of specific sectors, such as the automotive industry. There was a small decline in sales of copper tubes and a higher drop for extruded copper alloy products. The rebound of the price of copper during the third quarter had as a result the segment sales to reach EUR 778 million, partly offsetting the decline of H1 2020, to a minor decline of 1.3% for the nine months of 2020 versus prior year respective period. Earnings before taxes amounted to a profit of EUR 10.7 million, versus a profit of EUR 11.1 million for the respective period of 2019, while the a-EBITDA improved by EUR 39.2 million in 9M 2020 versus EUR 37.5 million for the respective prior year period representing the resilience of the copper products segment in terms of volumes and profitability amidst the pandemic.

It is worth mentioning that the segment continues to gain shares in crucial markets, especially during a period with a lack of growth, such as these of copper and copper alloys rolling as well as copper tubes. Important factors of this success are the fact that the segment has developed a broad spectrum of products directed to many markets within and outside of Europe, as well as the fact that the segment has dynamically capitalized on opportunities presented.

In regards to the investments, for 9M 2020, approximately EUR 16 million were spent, out of which EUR 10 million were directed to the subsidiary Sofia Med and mainly for the installation of a cold rolling mill with the rest directed to the parent company and the rest of the subsidiaries.

Prospects for the last quarter of 2020

For the remainder of 2020, ElvalHalcor follows up developments closely and is ready to address any temporary fluctuations in demand. The progressive lockdowns of some markets to counter the second wave of the pandemic are not expected to significantly affect exports, as these are being carried out with different planning compared to the first wave. As the Group and the Company have so far faced successfully the situation stemming from the Covid-19 pandemic, its strategic advantages, such as the customer-centric philosophy, the investments, the production capacity, and high flexibility, provide the ability to exploit any future opportunity.

In parallel, ElvalHalcor stays focused on its long term growth strategy of increasing sustainable development through exports both in Europe as well as outside Europe and increasing capacity and market shares in products with compelling prospects in the context of a cyclical economy against climate change and the transition of the economy to a more environmentally friendly growth model.

Consolidated Condensed Statement of Financial Position

	30/09/2020	31/12/2019	30/09/2019
ASSETS	€' 000	€' 000	€' 000
Non-current assets	1,049,931	1,012,320	977,675
Inventories	483,456	469,952	502,813
Trade receivables	276,692	215,700	248,172
Other current assets	1,420	2,526	8,741
Cash and cash equivalents	39,486	48,688	23,188
Assets held for sale	-	4,495	4,495
TOTAL ASSETS	1,850,985	1,753,680	1,765,084
EQUITY & LIABILITIES			
Share Capital	146,344	146,344	146,344
Other Company's shareholders equity	612,033	600,844	599,923
Company's shareholders equity	758,377	747,188	746,268
Minority rights	13,924	14,084	14,144
Total Equity	772,301	761,272	760,412
Long term borrowings liabilities	495,304	452,186	466,999
Provisions / Other long-term liabilities	92,656	95,499	88,705
Short term borrowings liabilities	212,193	162,393	154,054
Other short-term liabilities	278,531	282,330	294,915
Total Liabilities	1,078,685	992,408	1,004,673
TOTAL EQUITY & LIABILITIES	1,850,985	1,753,680	1,765,084

Condensed Consolidated of Statement of Cash Flows

	30/9/2020	30/9/2019
	€ '000	€ '000
Net cash flows from Operating activities	2,290	68,922
Net cash flows from Investing activities	(90,624)	(107,170)
Net cash flows from Financing activities	79,132	27,195
Net (reduction)/ increase in cash and cash equivalents	(9,202)	(11,053)