



2020 | Annual Report | Jaarverslag

MCB International





Management report 2020

Table of Contents

4	Corporate profile and key figures
6	Report of the Supervisory Board
8	Report of the Board of Management
10	The market in 2020
13	Positioning and market approach
13	Financial developments
13	Activities
14	Risk management
14	Communication
16	Human Resources
18	Corporate Social Responsibility (CSR)
22	Prospects
25	Word of thanks
26	Operating companies
29	Financial statements
30	Consolidated balance sheet
32	Consolidated income statement
33	Consolidated cash flow statement
34	Significant accounting policies
36	General accounting policies
43	Notes to the consolidated balance sheet and income statement
50	Company balance sheet
52	Company income statement
53	Notes to the company balance sheet and income statement
56	Proposed appropriation of net income for the 2020 financial year
57	Other information
57	Auditor's report
57	Appropriation of net income as per the Articles of Association
57	Appropriation of net income for the 2020 financial year
58	Independent auditor's report
60	Appendix to our auditor's report on the financial statements 2020 of MCB International BV
62	Five-year summary
64	List of operating companies





Corporate profile and key figures

Corporate profile

MCB International BV is a holding company with operating companies in the Netherlands, Belgium, northern France and Germany. The operating companies are primarily active as wholesalers and Service Centres dealing in metals such as steel, stainless steel, aluminium, copper and brass. The holding company and the operating companies together form the MCB Group.

The MCB Group is continually looking for ways to increase added value to both customers and suppliers. Significant added value is provided by the ability to fill custom orders in the various Service Centres. MCB also carefully tailors its range of products to the customer's specific requirements and offers expert advice and creative solutions for the use and processing of products. MCB thinks along with its customers, offering quality products and a broad range of services, including logistics. The companies of the MCB Group play an intermediary role in the production and marketing chain by supplying the right materials in the right place at the right time. MCB International provides centralized facilities whereby the individual operating companies can benefit from the advantages of scale offered by the MCB Group.



Key figures for 2020

Amounts in thousands of euros

Net sales	648,945
Net profit	26,166
Cashflow (net)	35,584
Capital expenditure	12,435
Group equity	146,323
Interest-bearing loan capital	11,921
Non-interest-bearing loan capital	109,606
Fixed assets	80,579
Current assets	187,272
Average number of employees	892

Report of the Supervisory Board

To the shareholders

We are pleased to present for your approval the financial statements of MCB International BV for 2020, prepared by the Board of Management and co-signed by the Supervisory Board, together with the report of the Board of Management.

Consultations and decisions

The Supervisory Board held four meetings in 2020. Each meeting considered a number of fixed agenda items, including the strategy of the company and its operating companies, financial developments, the operational and policy plans of the individual operating companies and potential substantial capital expenditure. The meeting at which the financial statements were discussed was also attended by the external auditor, PricewaterhouseCoopers Accountants N.V. This meeting also considered the report of factual findings. The annual consultation meeting of the Supervisory Board with the Works Council of MCB Nederland was held on 9 December 2020.

Developments in 2020

Although the COVID-19 pandemic has inevitably raised some unexpected challenges, MCB International BV and its subsidiaries continued to perform well during the reporting year. Not only were the financial results positive, further progress was also made in the planned strategic projects. While some projects have been deliberately scaled back for the time being, all are to be continued.

Prospects for 2021

Given that the COVID-19 pandemic is still not under control, 2021 promises to be another challenging year. Market demand for metals is expected to recover despite the pandemic. Suppliers will have to pull out all the stops to satisfy that demand. If supply nevertheless falls short of demand, prices will inevitably rise. MCB is financially robust enough to counter the effects of any price fluctuations. Moreover, MCB knows that it can count on the support of its customers, who have expressed confidence in the future and see clear added value in their cooperation with MCB. The implementation of the various strategic projects will continue throughout 2021. As before, much attention will be devoted to ensuring optimal customer service.

Financial statements and discharge from liability

PricewaterhouseCoopers Accountants N.V. has issued an unqualified auditor's report on the financial statements of MCB International BV for 2020. The financial statements were discussed at the meeting of the Supervisory Board of 15 April 2021, at which it was decided that both the financial statements and the proposed profit appropriation would be submitted for approval to the General Meeting of Shareholders. We therefore advise and request you to approve the financial statements for 2020, to discharge the Board of Management from liability for its conduct of business, and to discharge the Supervisory Board from liability for its supervision during the year.

Word of thanks

The Supervisory Board wishes to thank the Board of Management and all employees of the MCB Group for their efforts and commitment in 2020. We are confident that MCB will continue to perform strongly in the years ahead.

Valkenswaard, 15 April 2021

The Supervisory Board of MCB International BV

A.G. Fortanier (Chairman)

W.T.J. Das

G.M.J. van Kempen

G.L.P.M. Duijmeling

MCB

Creating **progress**

Stop verspreiding van het coronavirus

Wat moet je doen?



Was vaker je
handen.



Schud geen
handen.



Houd 1,5 meter
afstand.

Alleen samen krijgen we
corona onder controle



Report of the Board of Management

The plan for 2020 was to focus on the further implementation of the long-term strategic plan. The objectives of this plan are clear: MCB wishes to reaffirm its position as an essential partner to all customers and suppliers in the supply chain of standard metals and specials. Rather than acting as a passive intermediary, MCB wishes to offer real added value. MCB can and will play a coordinating and directing role throughout the chain – from supplier to customer – and adopt a proactive approach when identifying the materials, services, solutions and quality with which it can best meet its customers' requirements and expectations. In addition to standard (customer-specific) materials, MCB also offers specialist products and expertise. In doing so, MCB stands for reliability, cooperation and progress. MCB is a modern organization. Through automation, digitization and the efficient use of manpower and machines, MCB is able to offer its services at competitive prices. MCB therefore makes a significant contribution to the long-term competitive strength of the manufacturing industry.

Performance during the first quarter of 2020 was good, showing an improvement on the same period of 2019. Further progress could also be made in implementing the strategic plan. Before the first quarter ended, however, the focus inevitably shifted to the COVID-19 outbreak. It was clear that the pandemic would have a major impact on global society and the world economy, and hence on the

sales and results of the MCB Group. Sure enough, the effects began to manifest themselves in April 2020. As soon as the virus reached the Netherlands, MCB assembled a crisis team and implemented measures to ensure the safety of our staff while guaranteeing continuity of supply to our customers. Various scenarios were formulated to determine the potential consequences of the crisis and its expected impact on MCB.

Following a decline in sales in April, the difference between actual and projected sales lessened in the following months. As a result, MCB could restrict its reliance on government support measures in 2020. In the Netherlands we claimed only a temporary deferment of tax obligations, while in Belgium and Germany we made use of temporary lay-off and furlough schemes.

Following the initial turbulent period, in which our priorities were personal health and continuity of supply, we established a new balance. MCB employees worked from home as far as possible. Where this was not possible, the guidelines issued by the National Institute for Public Health and the Environment (RIVM) and its foreign counterparts were followed. Good coordination with suppliers and customers, combined with smart internal logistics, enabled us to continue to deliver our products and services to our customers.



With this new balance, MCB has consciously opted for short-term security and a sound, future-proof course in the longer term. Our staff remain highly motivated and committed and our IT architecture facilitates working from home. The current situation demonstrates the prudence of the digitization process on which MCB has embarked. In a particularly challenging and uncertain year, we not only demonstrated that MCB is a financially robust organisation but with the support of our staff, customers, suppliers and other partners, we were able to exploit opportunities to emerge from the crisis even stronger than before.

MCB's strategy rests on three pillars: strengthening the basis, expanding its market leadership, and further digitization. Ten projects in pursuit of this strategy were given further shape in 2020. They have been designed in a straightforward, consistent manner and progress is subject to ongoing evaluation to ensure that all make a meaningful contribution to MCB's future success. These projects are intended not only to cement our market leadership in the Benelux countries, but above all to increase customer loyalty and help us to remain distinctive. To achieve this we intend to expand our customer services yet further, increase flexibility, optimize our network and pursue further digitization of the supply chain.

The reporting year saw the full roll-out of the SAP system at Testas and TS Métaux, whereupon work to expand Testas' logistics operations could begin. This expansion will be operational in 2021 and will support further growth in Belgium and northern France. The restructuring of the logistics operations in Valkenswaard suffered some delay due to the nitrogen pollution problem. The provincial authority issued the necessary permit in late 2020 and applications for the necessary local permits were submitted to the municipality of Valkenswaard. The necessary modifications in Valkenswaard will begin in the course of 2021 and are due to be completed in 2022. Finally, the catalogue of MCB Specials was expanded in 2020 to include titanium, in order to further strengthen the positioning of MCB Specials as a 'one-stop-shop' for specials.

There has been clear progress in the digitization process on both the sales and purchasing sides. Based on the 'omnichannel' approach, we will work towards the digitization of the entire chain, both internal and external, in the years ahead. Each of the companies was able to report further growth in online sales in 2020. We expect to continue along this growth path in 2021.

MCB's net sales decreased from 718.2 million euros in 2019 to 648.9 million euros in 2020. The sales volume in tons decreased slightly compared to 2019. MCB closed the year 2020 with a pre-tax profit of 25.2 million euros (2019: 21.8 million euros).

The market in 2020

The Netherlands Bureau for Economic Policy Analysis (CPB) reports that the Dutch economy contracted by over four per cent in 2020. This is entirely due to the COVID-19 pandemic which began in the early part of 2020 and quickly developed to become a global crisis.

According to Statistics Netherlands (CBS), the effects on the Dutch economy could be seen even in the early stages of the pandemic. The first quarter of 2020 was marked by shrinkage of 1.5 per cent. In the second quarter, the downward trend continued apace, leading to economic contraction of as much as 8.5 per cent. The third quarter showed a remarkable 7.7 per cent recovery of the Dutch economy, followed by a slight dip of 0.1 per cent in the fourth quarter. CBS notes that the relatively minor shrinkage in the first quarter, followed by the devastating blow of the second and exceptional recovery in the third, mirrors the situation in many other European Union member states, the United Kingdom and the United States.

In terms of economic recovery, the Netherlands fared somewhat better than other European countries. CBS reports that the gross domestic product (GDP) in the Netherlands in 2020 was 3.8 per cent lower than in the preceding year. This compares favourably with the 4.1 per cent shrinkage reported by France, Germany's 4.2 per cent and Sweden's 5 per cent. In Belgium, GDP at the end of 2020 was even 5.7 per cent lower than in 2019. The greatest year-on-year decline was reported by the United Kingdom, which saw GDP fall by 9.7 per cent.

The second quarter of 2020 brought worldwide concern about the availability of materials. The pandemic forced several producers to suspend or discontinue operations. Moreover, there was a decline in imports from Asia, due in part to the region's purchasing policy. The overall supply of materials fell but demand remained more or less unchanged. During the first half of 2020 this imbalance led to price increases and longer delivery times. Later in the year, supply fell yet further while demand was increasing. By the end of 2020, prices were not the issue. Rather, it was the availability of the materials needed to continue production at all. This was an unprecedented situation for all links in the supply chain.

Metal industry

The fallout of the COVID-19 pandemic is leaving deep scars on the steel industry. According to Euler Hermes, both market supply and production were approximately 16 per cent lower in 2020 than in the preceding year.

Some tentative signs of recovery could be seen in the third quarter of 2020. Given the prevailing climate, however, they were inevitably accompanied by much uncertainty. Moreover, the sector was facing a number of negative influences even before the COVID-19 crisis emerged.

Global overcapacity in the steel market caused prices to fall during the first half of 2020. Prices were also affected by ongoing high steel production in China and the trade disputes between the USA and China. The fourth quarter of 2020 saw a sharp increase in prices, fuelled by further shortages of certain steel categories.

Worldwide, we saw increasing protectionism and ever more trade barriers. There was a marked decrease in demand on the part of the automotive and mechanical engineering industries. International competition put prices under pressure. In August 2020 the price of iron ore surged by 18 per cent.

Developments in the steel market are often a harbinger of things to come in other sectors.

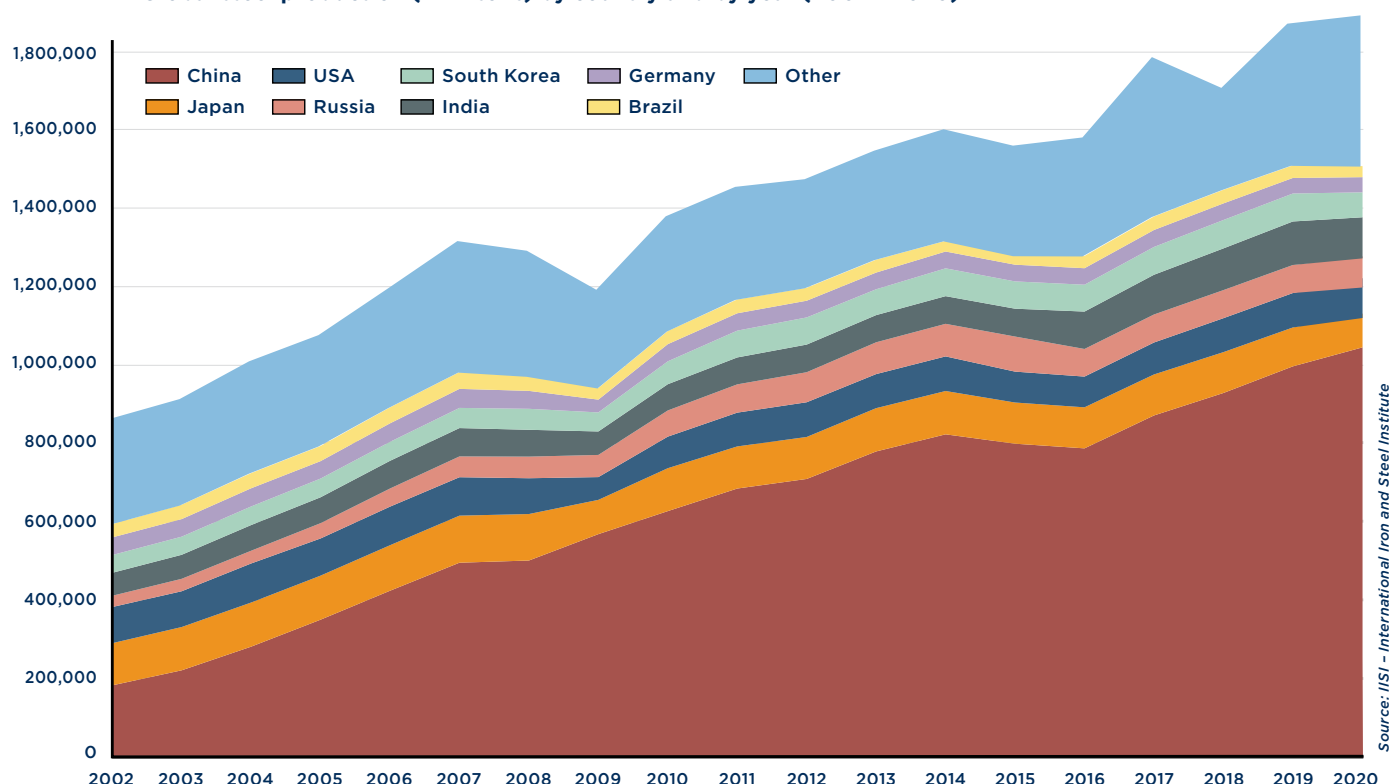
Metal production and consumption

The World Steel Association reports that global steel production fell by almost 1 per cent in 2020 compared to the 2019 level. The 64 steel-producing countries had a total output of 1,864 million tons of steel in the past year (2019: 1,880 million tons). China, the world's largest steel producer by some distance, accounted for output of 1,053 million tons in 2020, a year-on-year increase of 5.2 per cent. China was therefore responsible for 56.5 per cent of global steel production in 2020.

Other countries which increased their steel production in 2020 include Russia (+2.6 per cent), Turkey (+6.0 per cent) and Iran (+13.4 per cent).

These increases were offset by falling production elsewhere. In Europe as a whole, steel production fell by 11.8 per cent compared to 2019. Germany, Europe's largest steel producer, saw steel production decrease by 10 per cent. Steel production in the Netherlands fell by just over 9 per cent to 6.1 million tons in 2020. Belgium also produced 6.1 million tons, which represents a year-on-year decrease of over 21 per cent.

Global steel production (x 1m tons) by country and by year (2002 - 2020)



Stainless steel

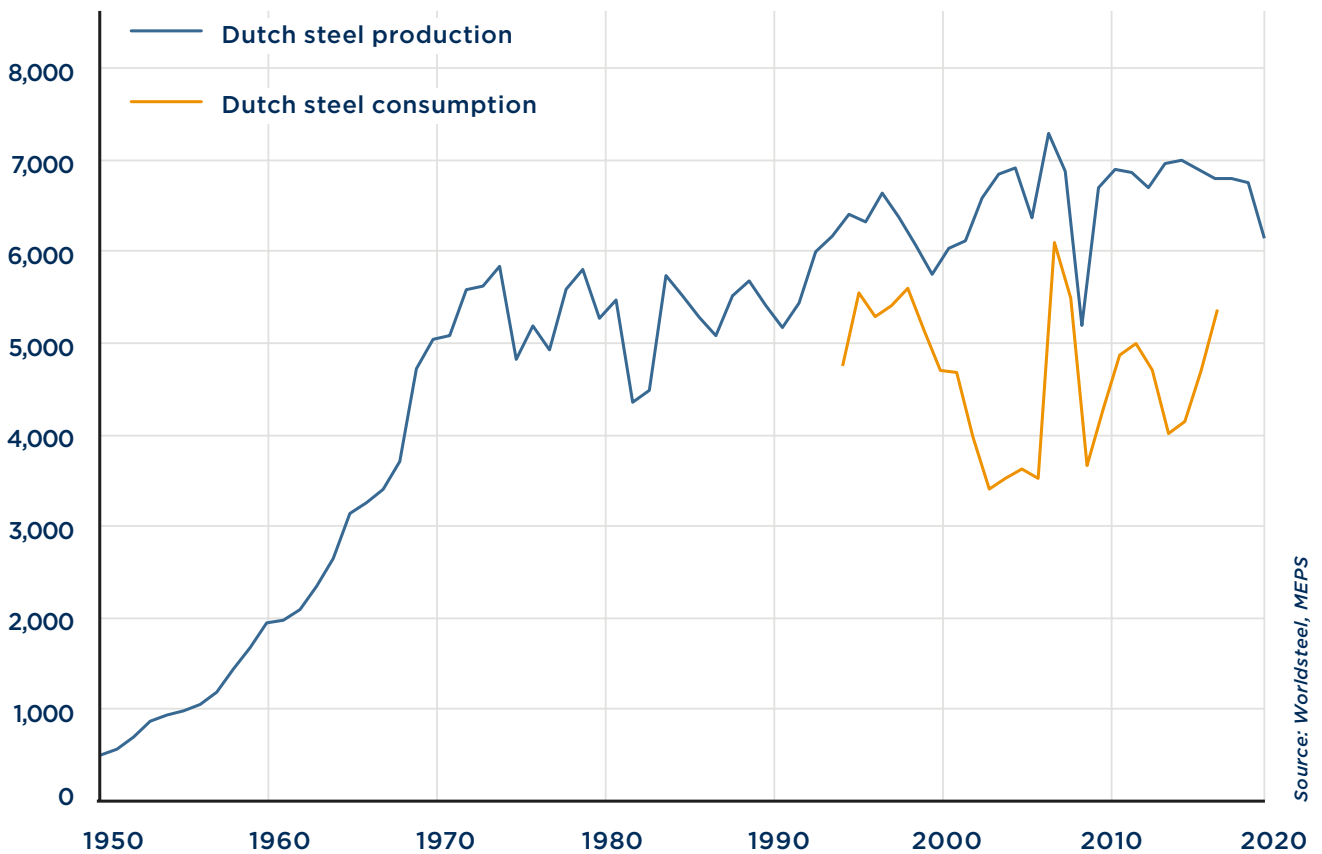
The stainless steel market also experienced an eventful 2020. After the first quarter the price of nickel began an upward trend which continued to the end of the year. The overall increase was almost 30 per cent. However, the COVID-19 pandemic and the resultant fall in demand meant that manufacturers of coils and sheets were not able to pass on the necessary price increases until quite late in the year. Another unusual situation emerged. Although the nickel price was rising, our purchase prices continued to fall for some time. Not until August were the first price increases imposed by European producers, emboldened by import restrictions and an upturn in market demand. It was only during the final months of 2020 that prices started to soar.

In Asia, various import restrictions (such as safeguard and anti-dumping measures) coupled with higher price levels caused the import route to become substantially less interesting. As a result, demand largely shifted to European producers.

On the sales market the uncertainty felt during the first few months of the COVID-19 crisis prompted many customers to pre-empt possible supply problems by placing additional orders with MCB. Factories in several countries had suspended production due to local lockdown measures.

In some segments, demand dwindled or dried up altogether. A case in point was the travel industry (coaches). Other sectors fared reasonably well, managing to weather the storm. Some, such as the food sector and the medical market, actually saw growth. A number of our customers showed their resilience by turning to alternative products made of stainless steel, such as soap dispensers.

Dutch steel production & consumption (x 1,000 tons) per year (1950-2020)



The Netherlands

As for the rest of the world, 2020 was an unusual year for the Netherlands. The year began well, with the national economy showing sound growth in January and February. In March, however, the COVID-19 pandemic began to take hold. Various sectors found themselves in a precarious situation, with uncertainty surrounding prices, demand and supply. All in all, COVID-19 was responsible for various disruptions in the Netherlands. The Dutch economy as a whole shrank by almost 6 per cent in 2020, largely due to a marked dip in the second and third quarters.

During the second quarter, economic growth in all sectors was more than 6 per cent below that of the first quarter. The construction and automotive sectors were particularly hard hit. In the second and third quarters, the overall economy contracted by over 4 per cent. The metal sector, by contrast, continued to show steady growth during that period.

The turnaround came in the fourth quarter, when the Dutch economy grew by almost 6 per cent. But figures issued by Statistics Netherlands (CBS) show that the metal industry saw a decline of nearly 6 per cent during this period.

Thanks to close cooperation throughout the chain, which enabled us to forecast demand and supply with reasonable accuracy, MCB was able to preclude the inconvenience that would have been caused by supply shortages. As a result, MCB even managed to outperform the market.

Belgium

In Belgium, COVID-19 had a very significant impact on the metal market in 2020. The Belgian government responded to the first wave of the pandemic by imposing a strict lockdown. The transport, hospitality, events and construction sectors suffered a severe blow. The metalworking sector did not escape unscathed, with many companies seeing their production plummet. Metalworking companies with a broad customer portfolio and a good spread across the various sectors were least affected. Towards the end of the year, the already volatile market situation became even more unstable as delivery times of producers lengthened and steel prices surged.

Germany

For Germany, 2020 was a year of contrasts. In January and February, the economy was buoyant and optimism was high. This changed abruptly with the emergence of COVID-19 in March. Germany went into lockdown and companies were required to ask their staff to work from home. This caused many problems. Not all companies were adequately equipped or prepared and the infrastructure was not up to the task.

At the same time, national borders were closed and travel was banned. The export trade, which is of essential importance to the German economy, ground to a halt. Orders dried up and many companies were forced to place their staff on restricted hours, or Kurzarbeit. The problems in Germany caused consumer confidence to plummet in 2020, which in turn caused further difficulties for sectors such as white goods, traditionally very strong in Germany. Overall, the measures imposed by the German government in response to the pandemic, combined with lower export volumes, resulted in economic shrinkage of 5 per cent.

Positioning and market approach

MCB works to create added value within the metal supply chain. We strive to offer differentiating solutions to our customers and suppliers. We once again succeeded in doing so in 2020. Despite the COVID-19 pandemic (or perhaps by virtue of this exceptional situation), contact with all links in the chain became even closer and cooperation more productive. Neither the measures imposed by government nor the marked fluctuations in supply and demand could prevent MCB from assuring continuity of supply. In other words, MCB once again proved itself to be a stable and reliable partner in 2020. This is reflected by the results of the ongoing Net Promoter Score (NPS) survey conducted among our customers. At year end 2020, MCB achieved an average NPS rating of 39 (very good).

To make the further digitization of our processes an even greater success, we once again devoted close attention in 2020 to the ways in which digitization affects MCB's corporate culture and its people. Change management programmes were implemented to guide the organisation into the digital future. The human element is always the primary consideration. In addition, MCB made significant investments in digital technologies which further integrate its processes with those of suppliers and customers. As a leading partner within the Smart Connected Supplier Network (SCSN), MCB endorses a European standard for e-commerce.

In 2020 we also invested in online shops, new functionalities, and the expansion of the online catalogue. Customers have expressed a high level of satisfaction and the number of online orders increased by some 10 per cent in 2020.

The MCB Campus and its 'Materials Application Centre' were once again brought to the attention of customers in 2020. The online e-learning course 'From ore to finished product', developed by MCB, was made available free of charge to both customers and metalworking companies that did not yet place orders with MCB. This is in keeping with MCB's desire to create added value by sharing and expanding knowledge, especially during the COVID-19 pandemic.

Activities

Proactive, expert and with a focus on total solutions. As in previous years, the operational activities of MCB were firmly based on these three core values in 2020. MCB regards them as the key to success, emphasizing the quality and expertise of MCB and supporting the organization in the further development of (products made of) high grade carbon steel, stainless steel, aluminium and high performance alloys.

From its centre of operations in Valkenswaard, MCB offers a full logistics service to customers in the Netherlands, Belgium, northern France and large parts of Germany.

Financial developments

2020 was a challenging year for MCB, a year in which we had to adapt to the challenges posed by the COVID-19 crisis. In addition, we continued the implementation of our strategy. The strategy pursued over the past years translates into a further increase in the return on invested capital. Raw material prices showed a further decline during the first half of 2020, but staged a strong recovery in the final months of the year. The prices of stainless steel fell slightly over the whole of 2020. Aluminium prices were flat and steel prices rose sharply by over 20 per cent from the start of the year. The scaled-down capacity of producers, the import protection measures and the recovery of demand from the automotive sector led to sharp increases in raw material prices and scarcity in the European metal market. This pushed up demand for metals at the end of 2020.

MCB's net sales decreased from 718.2 million euros in 2019 to 648.9 million euros in 2020. The sales volume in tons decreased slightly compared to 2019. MCB closed the year 2020 with a pre-tax profit of 25.2 million euros (2019: 21.8 million euros).

The underlying operating result fell slightly compared to 2019. Because of the strong recovery of prices, the impact of inventory losses on the result was limited. The effect of falling prices was much stronger in 2019. Net cash flow for the year was very strong at over 35.6 million euros in 2020 versus just over 13 million euros in 2019. The operating capital declined by some 21 million euros. This was mainly due to the lower stock levels as a result of the increased demand and the tightness in the metal market. The solvency ratio improved, climbing from 48.2 per cent at year end 2019 to 54.6 per cent at year end 2020.

The balance sheet total fell from 291.0 million euros in 2019 to 267.9 million euros in 2020. The quality of the operating capital improved compared to 2019. The level of capital expenditure was lower than planned, mainly because of the delays in acquiring the permits for the investments in our logistics infrastructure in Valkenswaard, but also because of the temporary slowdown of capital expenditure as a result of the uncertainty surrounding the COVID-19 crisis. MCB again pursued a balanced investment policy in 2020. MCB's balance sheet and profitability are a solid basis for the implementation of the strategic plan.

Risk management

For several years MCB has operated a system of risk management and internal control designed to mitigate the effects of any uncertainties as far as possible. Within the organization, responsibility for identifying and managing business risks is devolved to various management levels.

At MCB the business risks fall into three main categories: strategic risks, operational risks and financial risks. The main strategic risks with which MCB had to contend in 2020 were caused, on the one hand, by the continuing overcapacity among metal producers and, on the other hand, by fluctuating raw material prices. MCB hedges part of the price risks of aluminium and stainless steel with financial instruments. The purchasing and sales policy already takes account of fluctuations and provides for measures to hedge part of the risk. This also applies to the main financial risks, i.e. the interest rate and exchange rate risks, which are hedged by means of appropriately tailored financial instruments.

Credit risks are controlled through strict compliance with the credit limit guidelines, coupled with appropriate use of trade credit insurance. Further details can be found in the accounting policies in the financial statements.

Although the COVID-19 outbreak brought additional risks in 2020, the consequences remained limited in the reporting year. As a result of our proactive approach to the crisis, and the fact that the impact on our customer groups was limited in 2020, the consequences are manageable. This approach will therefore be continued in 2021. Further information can be found in this report under the heading "Prospects for 2021".

Communication

For many years, MCB has opted to interact with the market through a strategy of knowledge-sharing. Various market research surveys conclude that this strategy is much appreciated by our customers. Many companies focus entirely on their own core business and have little understanding of developments within the wider sector or market. By sharing sector and market information, and by 'keeping an open door', MCB creates transparency and confidence in the market, not only among existing customers, staff and stakeholders but also among potential customers and other companies in the metalworking sector. For many companies, the COVID-19 pandemic has created new challenges (and in some cases, opportunities). Sales processes have changed and direct personal contact is less frequent. Orders are increasingly placed online or through direct digital channels. MCB has done much to maintain continuity throughout the chain by intensifying contact with its customers and other partners and by sharing valuable knowledge, especially in the current challenging times.

In 2020 MCB was also active on various social media channels. Our knowledge-sharing attracted more followers on platforms such as LinkedIn, Facebook and Instagram. Articles written by MCB professionals were a source of inspiration for journalists, who made grateful use of relevant information. The MCB Group is, of course, equally grateful for the free PR exposure this creates.

'Putting a face to the customer' proved a success again in 2020. As part of the ongoing 'Klant in Beeld' project, we interviewed various customers about their company, products and services. In those interviews we also asked about their relationship with MCB. In addition to the publicity generated by such interviews, MCB staff find it very informative to learn how and where 'their' products are being used in the field.



In 2020 MCB again devoted considerable attention to 'employer branding'. In a cross-departmental project, the Human Resources and Marketing departments joined forces to make the various group companies even more attractive to potential employees, and to ensure that those companies continue to provide a satisfying working environment for our existing staff. Various MCB professionals were invited to take part in interviews and promotional videos which highlight the appeal of a career with MCB.

Despite – or perhaps because of – the ongoing digitization of processes, MCB is a firm believer in the importance of personal contact. In early 2020, staff were still able to make the necessary personal visits to our customers. Once the COVID-19 pandemic had taken hold, contact relied on online channels such as Teams. Although at a distance, our staff remained fully accessible and available to our customers.

Events

In the early weeks of 2020 we conducted some guided tours and held a number of customer days. But after COVID-19 struck, personal visits were of course no longer possible. Timely and effective measures enabled us to switch seamlessly to online webinars as a means of sharing knowledge about a range of topical themes such as business continuity, digitization and future prospects. In 2020 MCB was frequently invited to take part in online events organized by customers and other partners, such as ERP software providers. Many such events were devoted to the topic of conducting business online.

Market research

In addition to the biannual customer satisfaction survey, MCB continually monitors its 'Net Promoter Score' (NPS). At regular intervals, customers are asked how likely they are to recommend MCB to others. The results give a good indication of our performance level over time and provide valuable input for the optimization of business processes. MCB is extremely proud that its customers rate its performance so highly.

In 2020 the NPS survey was conducted at two-monthly intervals. The method used was improved, whereby the Sales department now actively contacts customers to invite feedback and discuss the survey results. MCB has a clear vision: we seek ongoing improvement, not because it is necessary but because that is what we want. Smarter business means improving yourself (and helping others to do likewise).

To raise the service level onto an even higher plane, MCB conducted a number of surveys among various customer groups in 2020. Based on the analyses of the findings, and by virtue of excellent cooperation between the relevant departments, we were able to implement various measures which provide extra added value to both MCB and our customers.

When the COVID-19 pandemic began, MCB joined forces with Link Magazine and Trumpf to launch a new sector monitor entitled 'Samen slimmer ondernemen' (Smarter business together). Its purpose is clear: to navigate this particularly difficult period together by identifying market opportunities and ensuring continuity for our customers. This initiative has strengthened ties between MCB and its customers. MCB is proud to have been involved in such a worthwhile undertaking.

Human Resources

The customer is the focus of all MCB's activities. This calls for an appropriate corporate culture and for engaged employees. After all, they are our link with the customer. To reinforce this link, a transition project was launched some years ago with the aim of introducing even greater customer-focus to the MCB culture with even more motivated and engaged employees. The essence of MCB's Human Resources policy therefore is "to recruit, retain and reward a high-quality workforce in all categories and at all levels, to maintain and foster motivation among our staff, to enhance their active engagement with MCB, and to promote their professional development".

The corporate culture remained a dominant theme of the HRM strategy throughout 2020. MCB's key values are: **M**utual cooperation, **C**ontinuous improvement, **B**eing dependable and **S**mart.

With a view to enhancing MCB's culture and performance, the Human Resources department devoted particular attention to the following three themes in 2020:

Future Workforce (personnel planning)

MCB's new strategy plan has an ambitious agenda. MCB strives to achieve and maintain market leadership in selected key sectors, with a clear focus on growth and digitization. This means that all support services must be of high quality, as must the staff responsible. In 2020, HR therefore took several steps to translate the strategy into practice in the form of a 'Future Workforce' plan. The first step was to identify the knowledge and skills we will need, and the degree to which they are already represented within the organization. We also examined likely developments in terms of staffing and capacity requirements. The outcome is clear: MCB will face the challenges of both an ageing workforce and the arrival of a new generation of employees.

Change Management

The successful implementation of the MCB strategy 2019-2023 will depend on the ability to adapt. We will all be expected to work in a different way. Change Management helps to involve staff at all levels in the various planned changes, whereupon the objectives can be achieved. In 2019, MCB therefore began to coach staff in Mindset and Behaviour with a view to bringing about the required changes. MCB continued this programme in 2020.

Line managers play a key role in this change process. They must not only possess excellent professional knowledge, but must be able to translate the MCB strategy into concrete objectives for their own unit or department and communicate these effectively to their team members. Line managers lead by example, encouraging staff to adopt appropriate standards of conduct. They play a key role in instructing, motivating, coaching and inspiring their team. These are some of the reasons why line managers were actively involved in defining the future workforce in 2020. In addition, various leadership initiatives were undertaken that focused on the various aspects of change management.

Long-term employability

The average age of MCB's staff continues to rise. At the same time, technological progress (digitization and robotization) has changed the nature of the work and the demands placed upon our employees. In 2020 MCB therefore devoted close attention to development, at both the individual and team level, to ensure that the entire organization is fully equipped for the future.

The MCB Strategy Plan 2019-2023 will have significant consequences for the MCB organization and for its employees. In 2019 MCB began work on a 'People Plan' for each department, examining the future situation and longer-term requirements. In 2020, this plan gave rise to various initiatives, including a new leadership programme for back office staff. Preparations for the roll-out of a new training and coaching programme ('Leermeesterschap') began, and plans were produced as part of the Future Workforce project. In short, MCB once again made significant investments in the long-term employability of all staff, both junior and senior, in 2020. In the years ahead, MCB will provide active guidance to employees in implementing the new strategy to ensure that everyone can make a full contribution.

Health, vitality and job satisfaction

MCB attaches great importance to the health, vitality and job satisfaction of its employees. In 2020, the COVID-19 pandemic raised additional challenges in this regard. Throughout the year, MCB staged various interventions to ensure that staff could continue to work in a safe, healthy and pleasant environment. MCB did its utmost to keep all staff informed of the (ever changing) rules and requirements surrounding COVID-19. Extra attention was devoted to the theme of 'remote management' in order to maintain the usual high level of engagement and teamwork within the various departments.





Corporate Social Responsibility (CSR)

MCB is ever mindful of its role and function within society and therefore paid close attention to Corporate Social Responsibility (CSR) again in 2020. Focus areas included the improvement of safety and the reduction of our environmental footprint. CSR is all about the 3 Ps: People, Planet and Profit.

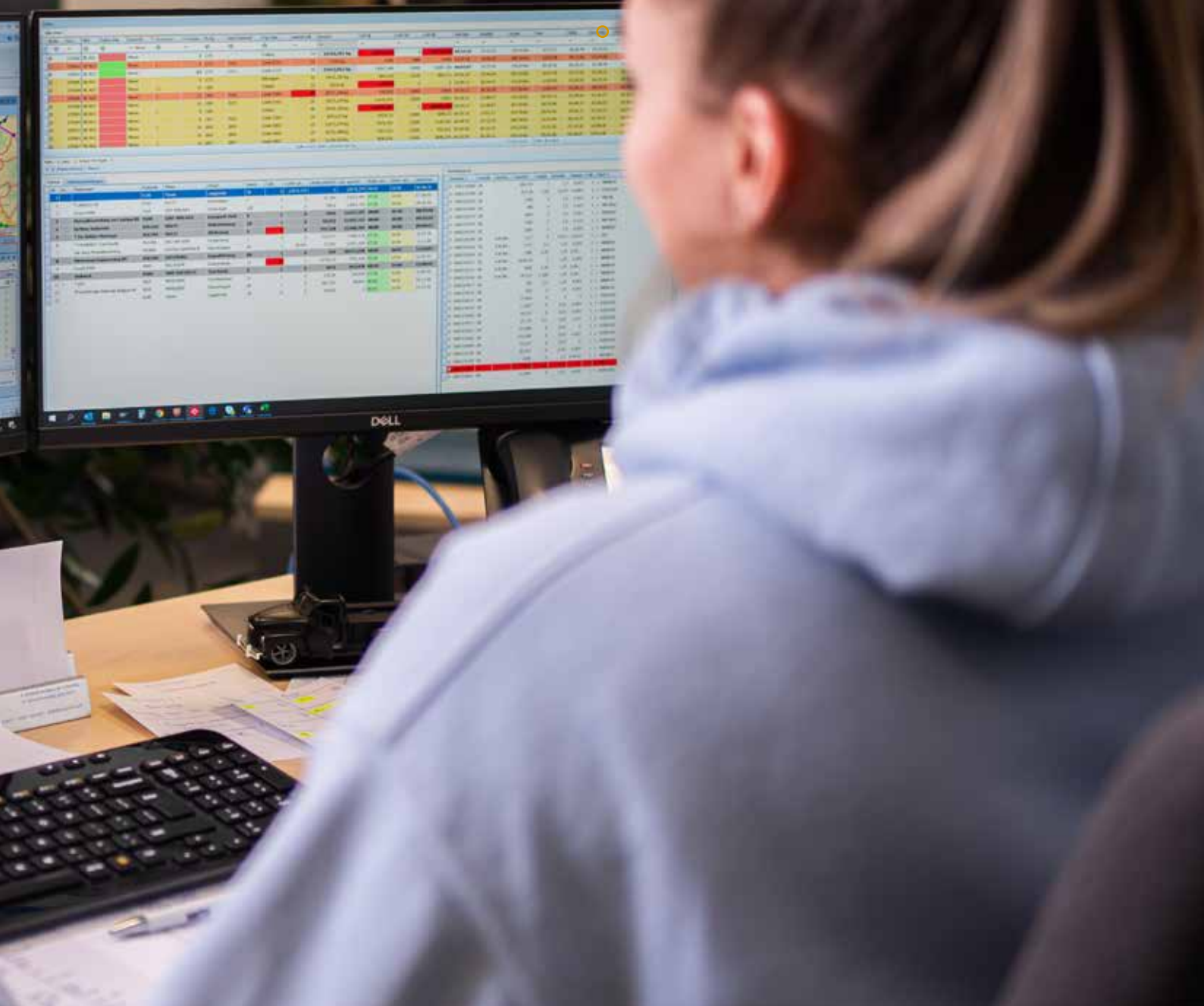
People

Safety in the workplace

As in previous years, safety was the key priority for MCB in 2020. In other words, safety is 'a way of life' at MCB, and everyone, at all levels of the organization – from the board room to the shop floor – is thoroughly aware of the importance of safe working practices. Employees are aware of their roles and responsibilities with regard to safety.

In 2020 MCB again used the SAFE registration system, a tool which allows an even more effective monitoring of safety performance. Staff can use this system to report incidents and hazardous situations in a low-threshold manner. The reports are then coordinated and processed using the same system. The SAFE system was further developed in 2020 with a view to optimizing the opportunities for investigation, supervision and control.

In 2019 MCB introduced a new Safety Policy Plan covering the period until the end of 2021. It sets out fifteen key principles which form the basis of the MCB Health & Safety System.



In 2019, several line managers attended a 'Felt Leadership' course designed to promote safety awareness. To put theory into practice, they conducted a number of 'Stop&Go' training sessions for operational staff throughout 2019 and 2020. During the third quarter of 2020, MCB introduced 'Followed Leadership' courses to build upon the 'Felt Leadership' courses held in 2019.

Long-term employability

MCB attaches great importance to the health, vitality and job satisfaction of its employees. This applies equally to young and older employees. In 2020, MCB therefore again established several spearheads intended to promote long-term employability, as described in the Human Resources section of this report.

Planet

Environmental management is a permanent and integral component of MCB's policy. MCB's environmental management system is certified to ISO 14001 standard. Ongoing efforts are devoted to improving the environmental quality of all products and processes. Since 2019 MCB has devoted much attention to reducing its carbon footprint through more efficient use of energy and fuel. Efforts in this area are prompted in part by legislation which requires companies to account for their carbon emissions by means of an EED audit. At the same time, MCB Nederland has set its sights on winning a 'Lean & Green Star'. This will not be possible without careful emissions monitoring.

Lean & Green

MCB Nederland has made the formal decision to take part in 'Lean & Green', a carbon emissions reduction programme which encourages organizations to improve their sustainability. The programme includes various measures intended to reduce environmental impact while also improving cost-efficiency. MCB hopes to have earned a Lean & Green Star during the first half of 2021. The target is a reduction in carbon emissions of at least 20 per cent by the end of 2022.

To identify ways in which to reduce our energy consumption, we rely on the list of recognized energy efficiency measures for the metal and electrical engineering industry, published in 2020. This list includes various interventions in areas such as buildings, installations, utilities and logistics. In principle, it is confined to measures with a payback period of less than five years. One of the focus areas in 2020 was the further expansion of LED lighting. Several additional facilities were 'converted' and some 70 per cent of MCB's premises is now lit entirely by low-energy LEDs. We also generate our own renewable energy. Over 3000 solar panels were installed in 2020, providing approximately 15 per cent of MCB's total energy requirement. Gas and diesel-powered forklift trucks were replaced by electric models. As in previous years, several vehicles with Euro 5 engines were upgraded to the more efficient Euro 6 standard in 2020, and further attention was devoted to promoting an economical driving style ('Eco Driving'). Last but not least, the open plan office at our head office was refurbished and refitted in 2020, with due regard for sustainability.

Sustainability Steering Group

In early 2020, MCB decided to form a Sustainability Steering Group. It includes representatives of various disciplines within MCB. The Sustainability Steering Group will pursue further optimization of the current environmental policy and will explore potential sustainability initiatives for the future, doing so with a view to both the constantly evolving legislative requirements and the projects and action plans necessary to achieve MCB's ambitions and objectives.

Profit

'Profit' is an important component of Corporate Social Responsibility. Business must be conducted in an ethical, transparent manner, in full compliance with laws and regulations and the requirements of good governance. MCB devotes much attention to these points. We also try to be as transparent as possible in terms of sharing our knowledge, as demonstrated by the materials knowledge courses we organize for the benefit of our customers.

MCB also regards sponsorship as an important aspect of 'Profit'. In addition to donations to local community groups and organizations, MCB supports 'metal projects' by providing free materials to artists and students. In 2020, projects in which materials provided by the MCB Group were used included the construction of an electric Formula 1 car by the Formula Student Team Delft and Eindhoven and the construction of several robots for student competitions. This is also in keeping with MCB's desire to enthuse young people for the metal industry, to increase the knowledge of metals and to prepare students for the transition from school to work.

In the field of innovation, MCB devotes its full energies to the further digitization of the supply chain from supplier to customer and aims to pursue ongoing development by devising and developing innovative concepts for its customers.





Prospects for 2021

Market situation

The Dutch central bank (DNB) expects the Dutch economy to show growth of almost 3 per cent in 2021. However, this forecast is subject to even greater uncertainty than usual as a result of the ongoing challenges presented by the COVID-19 pandemic. In addition to the regular forecast, DNB has therefore published a best case scenario, in which Dutch economic growth will be in the order of 4.9 per cent, and a worst case scenario, in which growth is restricted to around 0.2 per cent in 2021.

According to DNB, employment opportunity in the Netherlands is likely to suffer the heaviest blow in 2021 as the current government support programmes expire in mid-2021. Some companies will then have no choice other than to reduce staffing levels. DNB notes that many companies were reluctant to announce redundancies in 2020, even in the face of falling sales volumes. This was certainly also due in part to the tight labour market in recent years.

Many companies introduced alternative measures such as reducing working hours for permanent staff and terminating flexible contracts. DNB believes that unemployment in the Netherlands is likely to rise from 4.0 per cent in 2020 to approximately 6.5 per cent in 2021, followed by a slight fall to 6.0 per cent in 2022.

Total exports of goods and services will increase by 5.2 per cent in 2021, according to DNB. This represents a strong recovery following the decline seen in 2020. These figures assume that a trade agreement will be reached between the United Kingdom (UK) and the European Union (EU) as part of the Brexit negotiations, with trade between the EU and the UK then falling under the 'most favoured nation' rules of the World Trade Organisation (WTO). DNB forecasts a 4.8 per cent increase in consumer spending in 2021, followed by a further 4.5 per cent increase in 2022. These figures are based on the expected gradual relaxation of social distancing measures in 2021, and their complete withdrawal in 2022.



DNB forecasts that the recovery of consumer spending will be supported by a stable rise in households' disposable income, which DNB expects to increase by an average of 1.4 per cent between 2020 and 2022. Although lower than the average increase of 1.8 per cent per year seen between 2014 and 2019, this is nevertheless higher than noted during the financial crisis of 2009 to 2013.

Metal production and consumption

According to Eurofer (the European Steel Association) demand for metals within the European Union will be 13.3 per cent higher in 2021 than in 2020. In 2020 demand for metals in the European Union had fallen by 13 per cent compared to 2019. Consumption is expected to increase yet further in 2022, by an estimated 3.4 per cent. Eurofer expects sales within the construction sector to increase by 4.3 per cent in 2021, following the 5.7 per cent decline recorded in 2020.

In the automotive sector, growth of 15.9 per cent is projected for 2021, followed by an increase of 4.8 per cent in 2022. Production in the European automotive sector fell by 19.5 per cent in 2020.

In 2020, the consumer goods sector saw a 3.6 per cent fall in output. The analysts at Eurofer expect this decrease to be made up in 2021, when the sector will see a 4.8 per cent increase in output. This will be followed by a further 3.5 per cent rise in 2022. According to figures published by the World Steel Association, metal production was as much as 4.8 per cent higher in January 2021 than in January 2020. This increase was largely attributable to South America (+11.4 per cent), the non-EU European countries (Bosnia and Herzegovina, Macedonia, Norway, Serbia, Turkey and the United Kingdom: +11.3 per cent), and Asia and Oceania (+6.3 per cent).

Prices

The prices of many metals are expected to rise in 2021 until availability returns to normal levels. There are several factors at play, the most significant being recovery of market demand, higher input costs and supply restrictions.

Steel:

Demand for steel-intensive consumer goods (including cars and white goods) remains strong in several markets. Economic activity is picking up more quickly than expected and many end-users are now actively replenishing their inventories. Supply is therefore barely keeping up with demand, which results in price rises. The rising cost of steel production (due to increases in the prices of iron ore and scrap metal) is another factor.

Aluminium:

China is usually a net exporter of aluminium, accounting for very limited imports. In 2020, however, the situation was reversed. Due to the huge domestic demand for aluminium (bolstered by Chinese government stimulus spending), Chinese exports fell while imports rose. Europe, the USA and Japan also saw demand recover. As a result, the price of aluminium is likely to rise in 2021. A risk looms when the Chinese government ceases its stimulus spending. China will then resume its position as an exporter of aluminium, as a result of which the supply level will increase and prices will fall.

Copper:

The copper price continues to break all records. Casper Burgering, senior economist at ABN AMRO Bank, cites several reasons: the weaker dollar, a shortage of copper, the global economic recovery, and ongoing growth of industrial activity in China. The price of copper is expected to rise further in 2021, albeit at a slower rate than in 2020.

Nickel:

The price of nickel will remain relatively high in 2021. This is due to ongoing strong demand from the batteries sector, bolstered by the increasing market share of electric vehicles. Several governments worldwide have implemented incentive programmes to accelerate the transition to electric mobility, thus stimulating economic growth following the COVID-19 pandemic and reducing carbon emissions.

Zinc:

The price of zinc will increase in 2021, although to a lesser degree than in 2020. Demand for zinc fell in 2020 due to factors such as the (temporary) closure of car factories and reduced activity in the construction sector. Both sectors will see activities increase worldwide in 2021, which will drive up demand for zinc.

MCB Group

The implementation of the strategic plan adopted in 2018 continued in 2020. To retain and build upon the strong market position now enjoyed by MCB, we will focus specifically on the markets with growth potential. MCB will also work hard towards the further digitization of the supply chain from supplier to customer and aims to pursue ongoing development by devising and developing innovative concepts for its customers.

As in 2020, the uncertainty caused by the COVID-19 crisis will remain a key challenge in 2021. The measures taken will remain in full force in 2021. Accordingly, 2021 will be a balancing act between security in the short term and a sound, future-proof course in the long term. We will continue to pay particular attention to the well-being of our staff during the COVID-19 crisis, but also to the new reality after the crisis. MCB's financial position proved to be sufficiently robust in the challenging and uncertain year 2020. The fundamentals for 2021 are comparable to those we faced a year ago. We are therefore looking forward to 2021 with confidence. Our balance sheet, liquidity and solvency positions are strong and we further strengthened our financial position in the early part of 2021.

We will continue to pursue improvements and further optimization in 2021. The MCB Group will develop to become an organization where safety and ongoing improvement are high on the agenda. We endeavour to keep the costs as low as possible throughout the chain. This will help to further optimize the reliability of supply and the quality and efficiency of the service provision of all group companies. We believe that the strategy we have adopted will enable MCB to perfect its role within the supply chain and to achieve profitable growth. A clear concern is the current situation in the raw materials and metal markets. The main challenges are ensuring and maintaining an adequate supply of metals and contending with a potential fall in raw material prices.

Each MCB Group company has its own clear objectives, the attainment of which will help the MCB Group as a whole to reaffirm its position as a partner offering clear added value to all parties, customers and suppliers alike, within the metals and specials supply chain.

Sales and profit projections

We expect the sales volume in tons to increase by 6 per cent in 2021. This forecast is based on the many conversations we have had with customers about their order portfolios and on the general outlook of the industries in which we operate rather than on general market expectations. We are fully aware of the uncertainties unleashed by the global pandemic and of the impact they may have on our supply chain and the economy in general.

For 2021, the MCB Group expects a positive profit performance compared to 2020. This will be due in part to the increase in our sales volume, but also to the recent optimization of our organization. We will continue to invest in specific service concepts for customers and intend to further improve the already high standard of our customer service. We have an excellent delivery performance record and enjoy a high level of customer satisfaction. Nevertheless, there remains some room for further improvement in both areas and we will continue to pursue that improvement in 2021. We will also continue to invest in the optimization of our processes and operations with a view to cementing our ability to work in an inventive, innovative and effective manner.

Investments

MCB invests in its staff, customers, products and business setting. The market demands a high level of service and new concepts to increase efficiency at all levels of the chain. MCB adapts to this market demand and will invest accordingly. In 2021 we will invest in the purchase of new machines, trailers and further improvements to our logistics infrastructure. Investments will also be made to improve our IT systems in order to further optimize processes and to support our digitization efforts. The strategic plan has given rise to a number of larger replacement and expansion investments, which started in 2020 and will be further implemented in 2021.

Balance sheet and cash flow

As a result of the projected growth, the increase in prices and the substantial investment programme, the balance sheet total is expected to grow to over 300 million euros in 2021. The cash flows from operating activities will be slightly positive and the net cash flow will be slightly negative. Additional funding will be raised for a number of expansion investments. The total amount of funding is amply sufficient to finance the projected growth and to absorb the price increases in 2021.

Word of thanks

Despite the many difficulties imposed by the COVID-19 crisis, the results achieved in 2020 contributed to the further improvement of the financial position of the MCB Group. Once again, we made important steps in cementing a sound and secure future for the company. Although certain changes are necessary to contribute to enhancing the sustainable competitiveness of the manufacturing industry, we will remain mindful of the potential effect on our customers and staff. We would like to take this opportunity of thanking all customers, suppliers and other business partners for their continued confidence in MCB. The Board of Management also wishes to express its sincere gratitude to all employees of the MCB Group, whose commitment and loyalty are the key to our success. We acknowledge that 2020 was a particularly challenging year for our staff. COVID-19 had an enormous impact in many areas. We can therefore look back with great pride on the flexibility and resilience shown by all employees in these uncertain times.

Board of Management

B. Schildkamp (Chairman)

E.J.G. van Bortel

Valkenswaard, 15 April 2021

Operating companies

MCB Nederland BV

MCB Nederland BV is based in Valkenswaard, the Netherlands. It has been a wholesale distributor of metals for nearly 80 years, dealing in a wide and deep range of steel, stainless steel, aluminium and non-ferrous products. MCB Nederland also acts as the back office for the entire MCB Group, providing internal services in purchasing and procurement, storage, machining and logistics. It has a fully equipped Steel Service Centre and a Production Machining Centre at which various metal processing machines have been brought together under one roof. These operational departments enable MCB Nederland to help its partners in terms of improvement, innovation, ambition and growth. MCB offers specific market and product knowledge at both national and international level. This engenders a sense of connection and confidence and enables MCB Nederland to get to the core of its partners' business.

MCB Specials BV

For over 80 years, MCB Specials has demonstrated its professionalism and detailed knowledge of high-grade metals, alloys, synthetics and non-ferrous metals. Within the MCB Group, MCB Specials has become the 'one stop shop' for both standard products and specials: a unique combination. MCB Specials has a broad customer base which includes companies in the machining, interior construction, installation, yacht and shipbuilding, and offshore industries, to which it supplies not only customized materials but also advice and information. Customers acknowledge MCB Specials' standing as a specialist and a proactive partner able to help them achieve growth and ongoing success.

MCB Direct BV

MCB Direct is a supplier of metals, mainly to the manufacturing industry. MCB Direct operates as a flexible, close-at-hand metals partner which sets out to simplify processes so that customers are able to focus on their core business. The company therefore offers just-in-time logistics, smart machining options and innovative services. MCB Direct also injects considerable knowledge, energy and creativity into all its partnerships. The company's customers are found in very varied segments of industry, business services and the public sector. Through close collaboration with other operating companies of the MCB Group, MCB Direct is able to provide the added value that customers increasingly expect and demand.

MCB Business & Information Services BV

MCB Business & Information Services in Valkenswaard is responsible for creating and maintaining an effective ICT infrastructure to serve all MCB Group companies. This operating company is the central referral point for all matters relating to ICT policy within the Group. MCB Business & Information Services procures, develops and manages all systems and software, thus creating a stable and reliable operational environment.

MCB België NV/MCB Belgique SA

MCB Belgique SA/MCB België NV in Awans ('MCB Belgium') is a wholesale supplier of steel, stainless steel and aluminium. MCB Belgium supplies these materials in the form of tubes, sheets, profiles, bars and strips, and sheet metal cut to size. The products can be supplied straight from stock. MCB Belgium serves Belgium, Luxembourg and France. MétalSERVICE, based on the successful MCB Direct concept applied in the Netherlands, is a regional stockholding wholesale centre for metal products, synthetics and plastics and focuses on meeting the requirements of customers within a defined geographic region. Excellent service and personal attention are the key ingredients of this formula. MétalSERVICE currently operates from one facility, which is located in Awans.

Testas NV

Testas, based in Wommelgem, Belgium, and its French sister company TS Métaux have been members of the MCB Group since 2008. Testas is a stockholding wholesale distributor of semi-manufactured aluminium, stainless steel, copper, brass and bronze products. The company has its own modern processing facilities. Testas strives to provide the most comprehensive and highest level of service achievable with respect to the distribution of these semi-manufactures. Continuity of supply and service, combined with a good price-quality ratio, are therefore a high priority.

MCB Deutschland GmbH

MCB Deutschland GmbH in Neuss, Germany, is a wholesaler of aluminium, non-ferrous metals, stainless steel and steel. MCB Deutschland offers a wide range of products which represent significant added value to the customer. In addition to the 'standard' products, a number of special products for specific customer applications are kept in stock and machined. The company profiles itself as a major supplier of all product groups, able to supply sheets, tubes, profiles and bars from stock. The company's activities are not confined to the immediate area of Neuss: it serves customers throughout Germany and in several other countries, who all benefit from a consistent one-stop shopping concept.

SM StrukturMetall GmbH & Co. KG

SM StrukturMetall GmbH & Co. KG in Bretzfeld-Schwabbach, Germany, is a specialist wholesaler of various types of stainless steel sheets (embossed sheets, design sheets, mirror sheets and checker plates). The company's products are used in construction (interior and exterior cladding), lift building, mechanical engineering and the production of retail checkouts. The company has its own rolling facility to produce part of the embossed steel plate range in-house. In addition, StrukturMetall carries a specialist range of stainless steel handrail systems, which are widely used in lift cabins, for example. The company exports a substantial portion of its products to foreign markets, including Asia.

