

**ACERINOX, S.A. AND SUBSIDIARIES**  
**Condensed Consolidated interim Financial Statements**  
**(Condensed Annual Accounts) and condensed interim**  
**management report for the first half 2011**

**30th June 2011**

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(Figures in thousand euros as of 30th June 2011 and 31st December 2010)

|   | Note | 30 - June - 2011 | 31 - Dec - 2010  |
|---|------|------------------|------------------|
| <b>ASSETS</b>                                     |      |                  |                  |
| <b>Non-current assets</b>                         |      |                  |                  |
| Goodwill  | 7    | 69.124           | 69.124           |
| Other intangible assets                           | 7    | 11.143           | 9.547            |
| Property, plant and equipment                     | 8    | 1.863.424        | 1.979.304        |
| Investments accounted for using the equity method |      | 62               | 102              |
| Available-for-sale financial assets               | 10   | 13.857           | 17.544           |
| Deferred tax assets                               |      | 147.624          | 148.620          |
| Other non-current financial assets                | 10   | 13.484           | 11.326           |
| <b>TOTAL NON-CURRENT ASSETS</b>                   |      | <b>2.118.718</b> | <b>2.235.567</b> |
| <b>Current assets</b>                             |      |                  |                  |
| Inventories                                       | 9    | 1.341.671        | 1.336.658        |
| Trade and other receivables                       | 10   | 583.235          | 529.239          |
| Other current financial assets                    | 10   | 4.375            | 11.061           |
| Income tax receivable                             |      | 6.330            | 14.266           |
| Cash and cash equivalents                         |      | 60.755           | 113.569          |
| <b>TOTAL CURRENT ASSETS</b>                       |      | <b>1.996.366</b> | <b>2.004.793</b> |
| <b>TOTAL ASSETS</b>                               |      | <b>4.115.084</b> | <b>4.240.360</b> |

The condensed notes from 1 to 19 are part of these condensed consolidated interim financial statements.

(Figures in thousand of euros as of 30th June 2011 and 31st December 2010)

|  | Note   | 30 - June - 2011 | 31 - Dec - 2010  |
|--|--------|------------------|------------------|
| <b>LIABILITIES</b>   |        |                  |                  |
| <b>Equity</b>  |        |                  |                  |
| Share capital  |        | 62.326           | 62.326           |
| Share premium  |        | 106.334          | 131.264          |
| Reserves   |        | 1.584.963        | 1.543.896        |
| Profit/(loss) for the year                                 |        | 101.795          | 122.739          |
| Translation differences                                    |        | -198.385         | -57.258          |
| Interim dividend   |        | 0                | -24.930          |
| Parent company shares                                      |        | 0                | 0                |
| <b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b> |        | <b>1.657.033</b> | <b>1.778.037</b> |
| Minority interests   |        | 143.478          | 145.701          |
| <b>TOTAL EQUITY</b>  |        | <b>1.800.511</b> | <b>1.923.738</b> |
| <b>Non-current liabilities</b>                             |        |                  |                  |
| Deferred income  |        | 10.034           | 7.295            |
| Loans and borrowings                                       | 10, 11 | 789.859          | 724.744          |
| Non-current provisions                                     |        | 12.919           | 14.591           |
| Deferred tax liabilities                                   |        | 224.307          | 236.783          |
| Other non-current financial liabilities                    | 10     | 5.825            | 8.781            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                       |        | <b>1.042.944</b> | <b>992.194</b>   |
| <b>Current liabilities</b>                                 |        |                  |                  |
| Loans and borrowings                                       | 10     | 557.039          | 472.393          |
| Trade and other payables                                   | 10     | 687.643          | 828.453          |
| Income tax payable   |        | 10.818           | 10.893           |
| Other current financial liabilities                        | 10     | 16.129           | 12.689           |
| <b>TOTAL CURRENT LIABILITIES</b>                           |        | <b>1.271.629</b> | <b>1.324.428</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        |        | <b>4.115.084</b> | <b>4.240.360</b> |

The condensed notes 1 to 19 are part of these condensed consolidated interim financial statements.

## 2. CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT

(Figures in thousands of euros as of 30th June 2011 and 2010)

|   | Note | 30-jun-11      | 30-jun-10      |
|---|------|----------------|----------------|
| <b>Net sales</b>  | 17   | 2.560.475      | 2.172.184      |
| Other operating income  | 17   | 28.242         | 14.873         |
| Self-constructed assets                                       | 17   | 8.368          | 3.316          |
| Changes in inventories of finished goods and work in progress |      | 23.869         | 218.677        |
| Supplies  |      | -1.901.562     | -1.763.716     |
| Personnel expenses  |      | -182.927       | -170.346       |
| Amortisation and depreciation                                 | 7, 8 | -73.282        | -73.281        |
| Other operating expenses                                      |      | -279.277       | -263.606       |
| <b>OPERATING PROFIT</b>                                       |      | <b>183.906</b> | <b>138.101</b> |
| Financial income  |      | 2.035          | 671            |
| Financial expense   |      | -30.775        | -20.121        |
| Exchange gains/(losses)                                       |      | 5.390          | -16.512        |
| Measurement of financial instruments at fair value            |      | -3.892         | 17.405         |
| Share in profits of associates                                |      | -29            | -26            |
| <b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>                   |      | <b>156.635</b> | <b>119.518</b> |
| Income tax  | 14   | -56.390        | -38.153        |
| Other taxes   |      | -12            | -7             |
| <b>PROFIT/(LOSS) FOR THE YEAR</b>                             |      | <b>100.233</b> | <b>81.358</b>  |
| <u>Attributable to:</u>                                       |      |                |                |
| <b>MINORITY INTERESTS</b>                                     |      | <b>-1.562</b>  | <b>247</b>     |
| <b>PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP</b>                |      | <b>101.795</b> | <b>81.111</b>  |
| <i>Basic and diluted earnings per share (In Euros)</i>        |      | 0,41           | 0,33           |

The condensed notes 1 to 19 are part of these condensed consolidated interim financial statements.

### 3. CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(Thousands of euros)

|   | 30-jun-11       | 30-jun-10      |
|---|-----------------|----------------|
| <b>A) PROFIT/(LOSS) FOR THE YEAR</b>                        | <b>100.233</b>  | <b>81.358</b>  |
| <b>REVENUE AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY</b>   |                 |                |
| I. Revaluation of financial instruments                     |                 |                |
| 1. Available-for-sale financial assets                      | -3.686          | 839            |
| 2. Other Income/Expenses                                    |                 |                |
| II. Cash Flow hedges  | -3.818          | -6.397         |
| III. Exchange differences on translating foreign operations | -153.846        | 281.727        |
| IV. Actuarial gains/(losses) and other adjustments          |                 |                |
| V. Tax effect   | 2.475           | 1.633          |
| <b>B) TOTAL INCOME AND EXPENSES BOOK DIRECTLY IN EQUITY</b> | <b>-158.875</b> | <b>277.802</b> |
| <b>TRANSFERS TO THE INCOME STATEMENT</b>                    |                 |                |
| I. Revaluation of assets and liabilities                    |                 |                |
| 1. Revaluation of financial instruments                     |                 |                |
| 2. Other Income/Expenses                                    |                 |                |
| II. Cash Flow hedges  | 9.939           | 518            |
| III. Exchange differences on translating foreign operations |                 |                |
| IV. Actuarial gains/(losses) and other adjustments          |                 |                |
| V. Tax effect   | -2.765          | -155           |
| <b>C) TOTAL TRANSFERS TO THE INCOME STATEMENT</b>           | <b>7.174</b>    | <b>363</b>     |
| <b>TOTAL COMPREHENSIVE INCOME</b>                           | <b>-51.468</b>  | <b>359.523</b> |
| a) Attributable to the parent company                       | -37.690         | 339.548        |
| b) Attributable to minority interest                        | -13.778         | 19.975         |

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#### 4. CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

The movements for this period are the following:

(Thousand of euros)

|                                   | Equity attributable to the shareholders of the Parent |               |   |                         |                  |                 | TOTAL     | Minority interests | TOTAL EQUITY |
|-----------------------------------|---|---------------|---|-------------------------|------------------|-----------------|-----------|--------------------|--------------|
|                                   | Share capital   | Share premium | Reserves (Including profit/(loss) for the year) | Translation differences | Interim dividend | Treasury shares |           |                    |              |
| <b>Total Equity 31/12/2010</b>    | 62.326  | 131.264       | 1.666.635                                       | -57.258                 | -24.930          | 0               | 1.778.037 | 145.701            | 1.923.738    |
| <b>Total comprehensive income</b> | 0   | 0             | 103.437   | -141.127                | 0                | 0               | -37.690   | -13.778            | -51.468      |
| Dividend from 2010                |   |               | -87.257   |                         | 24.930           |                 | -62.327   |                    | -62.327      |
| Share Premium distribution        |   | -24.930       |   |                         |                  |                 | -24.930   |                    | -24.930      |
| Acquisition of minority interests |   |               |   |                         |                  |                 | 0         | -52                | -52          |
| Minority interests contribution   |   |               |   |                         |                  |                 | 0         | 11.607             | 11.607       |
| Other movements                   |   |               | 3.943   |                         |                  |                 | 3.943     |                    | 3.943        |
| <b>Total Equity 30/06/11</b>      | 62.326  | 106.334       | 1.686.758                                       | -198.385                | 0                | 0               | 1.657.033 | 143.478            | 1.800.511    |

The movements for the same period of the previous year are the following:

(Thousands of euros)

|                                   | Equity attributable to the shareholders of the Parent |               |   |                         |                  |                 | TOTAL     | Minority interests | TOTAL EQUITY |
|-----------------------------------|---|---------------|---|-------------------------|------------------|-----------------|-----------|--------------------|--------------|
|                                   | Share capital   | Share premium | Reserves (Including profit/(loss) for the year) | Translation differences | Interim dividend | Treasury shares |           |                    |              |
| <b>Total Equity at 31/12/2009</b> | 62.326  | 156.195       | 1.642.256                                       | -225.744                | 0                | 0               | 1.635.033 | 117.489            | 1.752.522    |
| <b>Total comprehensive income</b> | 0   | 0             | 77.595  | 261.953                 | 0                | 0               | 339.548   | 19.975             | 359.523      |
| Dividend from 2009                |   |               | -87.257   |                         |                  |                 | -87.257   |                    | -87.257      |
| Acquisition of minority interests |   |               |   |                         |                  |                 | 0         | -12                | -12          |
| Other movements                   |   |               | -6.824  |                         |                  |                 | -6.824    |                    | -6.824       |
| <b>Total Equity 30/06/10</b>      | 62.326  | 156.195       | 1.625.770                                       | 36.209                  | 0                | 0               | 1.880.500 | 137.452            | 2.017.952    |

The condensed notes from 1 to 19 are part of these condensed consolidated interim financial statements.

## 5. INTERIM STATEMENT OF THE CONDENSED CONSOLIDATED CASH- FLOW

(Figures in thousands of euros as of 30th June 2011 and 2010)

|  | 30-jun-11      | 30-jun-10       |
|--|----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>          |                |                 |
| Net profit/(loss) for the year                       | 156.635        | 119.518         |
| <i>Adjustments for:</i>                              |                |                 |
| Amortisation and depreciation                        | 73.282         | 73.281          |
| Impairment losses                                    | 24.037         | 20.809          |
| Changes in provisions                                | -2.286         | -7.121          |
| Capital grants taken to income                       | -1.410         | -106            |
| Gains or losses on disposal of fixed assets          | -44            | 87              |
| Changes in fair value of financial instruments       | 14.269         | -17.719         |
| Financial income                                     | -2.035         | -671            |
| Financial expense                                    | 30.890         | 20.193          |
| Share in profits/(losses) of associates              | 29             | 26              |
| Other income and expenses                            | -17.657        | 27.169          |
| <i>Changes in working capital:</i>                   |                |                 |
| (Increase) / decrease in trade and other receivables | -92.217        | -130.880        |
| (Increase) / decrease in inventories                 | -108.500       | -398.642        |
| Increase / (decrease) in trade and other payables    | -108.279       | 381.273         |
| <i>Other cash flows from operating activities</i>    |                |                 |
| Interest paid  | -29.152        | -19.671         |
| Interest received                                    | 1.821          | 575             |
| Income tax expenses                                  | -34.855        | 29.229          |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>            | <b>-95.472</b> | <b>97.350</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>          |                |                 |
| Acquisition of property, plant and equipment         | -91.657        | -112.001        |
| Acquisition of intangible assets                     | -901           | -423            |
| Acquisition of subsidiary, net cash acquired         | -64            | -17             |
| Acquisition of other financial assets                | -601           | -5.971          |
| Proceeds from sale of property, plant and equipment  | 421            | 215             |
| Proceeds from sale of other financial assets         | 142            | 61              |
| Dividends received                                   | 179            | 96              |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>            | <b>-92.481</b> | <b>-118.040</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>          |                |                 |
| External financing received                          | 184.240        | 126.412         |
| Repayment of external financing                      | -4.680         | -117.651        |
| Dividends paid                                       | -49.861        |                 |
| Contribution from minority interest                  | 11.607         |                 |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>            | <b>141.306</b> | <b>8.761</b>    |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>     | <b>-46.647</b> | <b>-11.929</b>  |
| Cash and cash equivalents at beginning of the year   | 113.569        | 73.298          |
| Effect of exchange rate fluctuations on cash held    | -6.167         | 11.558          |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>    | <b>60.755</b>  | <b>72.927</b>   |

The condensed notes from 1 to 19 are part of these condensed consolidated interim financial statements.

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## **6. EXPLAINING NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 1 - GENERAL INFORMATION**

Acerinox, S.A. (further below the Company) was incorporated as limited liability company on the 30th September 1970 for an indefinite period, with registered offices in No. 100 Santiago de Compostela Street, Madrid - SPAIN.

The condensed consolidated interim financial statements which are presented include the company and all the dependent and subsidiary companies.

The last annual accounts approved for year 2010 are available to everybody in the company registered office and in the Group web page [www.acerinox.es](http://www.acerinox.es).

The condensed consolidated interim financial statements have been approved by the Board of Directors in its meeting held on the 29<sup>th</sup> July 2011.

### **NOTE 2 - STATEMENT OF COMPLIANCE**

The condensed consolidated interim financial statements have been issued according to the International rule for Financial Information IAS 34 -Interim Financial Statements. Such financial statements do and interpreted as a whole together with the Group annual accounts published for the year finished on the 31st December 2010.

### **NOTE 3 - ACCOUNTING PRINCIPLES**

The condensed consolidated interim Financial Statements for the first half of 2011 have been issued according to the same accounting principles (IFRS- UE) that those for 2010, excepting the rules and modifications made by the European Union and compulsory from the 1st January 2011, which have not have a significant impact in the Group.

When the consolidated Interim Financial Statements were issued, new rules and interpretations have been published, which will be compulsory in the next years and have not have been applied in advance. The directors of the company think that, considering that the activities carried out by the Group companies, the application of the new rules will not have significant effects on the consolidated annual accounts.

### **NOTE 4 - ACCOUNTING ESTIMATIONS AND JUDGEMENTS**

The accounting estimations and judgments used by the group in this interim period have been applied evenly with those used in the last annual accounts approved for year 2010.

### **NOTE 5 - SEASONALITY AND CYCLICAL NATURE OF OPERATIONS**

Acerinox Group activities are not subject to seasonal fluctuation and do not have a cyclical nature.

## NOTE 6 - SIGNIFICANT EVENTS OCCURRED IN THE FIRST HALF 2011.

In the first quarter the Stainless steel market showed an improvement in the general economic situation with a demand recovery in all areas. The macro-economic uncertainties from April have affected the stainless steel demand mainly in the European market during the second quarter.

The correction of demand occurred in May and June, which will be explained further below, has made us match the melting production to the market needs.

For this reason a Temporary Labour Adjustment Plan (ERTE) has been taken in Campo de Gibraltar Factory, which was approved on the 8th July 2011.

The melting production during the first half of the year, 1,064 Mt, is 2.8% higher than the output achieved in 2010 like period.

The Group net sales during this period, 2,560 million euros, increases by 17.9% with regard to the invoiced figure attained in the first half of the previous year.

Net results amount to 102 million euros, which is 25.5% higher than the figure registered in 2010 like period.

The hot rolling mill in Roldán Factory in Ponferrada has returned to operation after the fire occurred on the 20<sup>th</sup> November 2010. Among other things, the recovery project included the whole supply of the electric power part and control of the coil rolling line, civil works necessary to accommodate the new equipment and the construction of a new office. The assessing of damages and profit lost for this incident is currently being carried out. According to our insurance company, Roldán S.A. has got a compensation amounting to 13 million euros, which has involved an extraordinary income of 11.6 million euros.

## NOTE 7 - INTANGIBLE ASSETS

This chart shows the main intangible assets and movements

(Thousand of euros)

| COST                               | Emission rights | Industrial property | Software and others | SUBTOTAL      | Goodwill      |
|------------------------------------|-----------------|---------------------|---------------------|---------------|---------------|
| <b>Balance at 1 January 2010</b>   | <b>6.033</b>    | <b>24.312</b>       | <b>20.993</b>       | <b>51.338</b> | <b>69.124</b> |
| Acquisitions                       | 3.422           | 0                   | 852                 | 4.274         |               |
| Transfers                          | 0               | 0                   | 92                  | 92            |               |
| Disposals                          | -2.453          | 0                   | -53                 | -2.506        |               |
| Translation differences            | 0               | 0                   | 747                 | 747           |               |
| <b>Balance at 31 December 2010</b> | <b>7.002</b>    | <b>24.312</b>       | <b>22.631</b>       | <b>53.945</b> | <b>69.124</b> |
| Acquisitions                       | 3.874           | 0                   | 901                 | 4.775         |               |
| Transfers                          | 0               | 0                   | 0                   | 0             |               |
| Disposals                          | -2.330          | 0                   | 0                   | -2.330        |               |
| Translation differences            | 0               | 0                   | -463                | -463          |               |
| <b>Balance at 30 June 2011</b>     | <b>8.546</b>    | <b>24.312</b>       | <b>23.069</b>       | <b>55.927</b> | <b>69.124</b> |

| ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES | Emission rights | Industrial property | Software and others | SUBTOTAL      | Goodwill |
|--|-----------------|---------------------|---------------------|---------------|----------|
| <b>Balance at 1 January 2010</b>               | <b>1.029</b>    | <b>22.084</b>       | <b>19.059</b>       | <b>42.172</b> | <b>0</b> |
| Depreciation                                   | 0               | 1.448               | 1.113               | 2.561         |          |
| Impairment                                     | -889            | 0                   | 0                   | -889          |          |
| Reversal of impairment loss                    | 0               | 0                   | 0                   | 0             |          |
| Transfers                                      | 0               | 0                   | -8                  | -8            |          |
| Disposals                                      | 0               | 0                   | -55                 | -55           |          |
| Translation differences                        | 0               | 0                   | 617                 | 617           |          |
| <b>Balance at 31 December 2010</b>             | <b>140</b>      | <b>23.532</b>       | <b>20.726</b>       | <b>44.398</b> | <b>0</b> |
| Depreciation                                   | 0               | 371                 | 412                 | 783           |          |
| Impairment                                     | 0               | 0                   | 0                   | 0             |          |
| Reversal of impairment loss                    | 0               | 0                   | 0                   | 0             |          |
| Transfers                                      | 0               | 0                   | 0                   | 0             |          |
| Disposals                                      | 0               | 0                   | 0                   | 0             |          |
| Translation differences                        | 0               | 0                   | -397                | -397          |          |
| <b>Balance at 30 June 2011</b>                 | <b>140</b>      | <b>23.903</b>       | <b>20.741</b>       | <b>44.784</b> | <b>0</b> |

| NET BOOKED VALUE                               | Emission rights | Industrial property | Software and others | SUBTOTAL      | Goodwill      |
|--|-----------------|---------------------|---------------------|---------------|---------------|
| Cost at 1 January 2010                         | 6.033           | 24.312              | 20.993              | 51.338        | 69.124        |
| Accumulated amortisation and impairment losses | -1.029          | -22.084             | -19.059             | -42.172       |               |
| <b>Carrying amount at 1 January 2010</b>       | <b>5.004</b>    | <b>2.228</b>        | <b>1.934</b>        | <b>9.166</b>  | <b>69.124</b> |
| Cost at 31 December 2010                       | 7.002           | 24.312              | 22.631              | 53.945        | 69.124        |
| Accumulated amortisation and impairment losses | -140            | -23.532             | -20.726             | -44.398       |               |
| <b>Carrying amount at 31 December 2010</b>     | <b>6.862</b>    | <b>780</b>          | <b>1.905</b>        | <b>9.547</b>  | <b>69.124</b> |
| Cost at 30 June 2011                           | 8.546           | 24.312              | 23.069              | 55.927        | 69.124        |
| Accumulated amortisation and impairment losses | -140            | -23.903             | -20.741             | -44.784       |               |
| <b>Carrying amount at 30 June 2011</b>         | <b>8.406</b>    | <b>409</b>          | <b>2.328</b>        | <b>11.143</b> | <b>69.124</b> |

### Impairment

It has not been necessary to make an impairment of the intangible assets.

## NOTE 8 - TANGIBLE FIXED ASSETS

This chart shows the movements on tangible fixed assets:

(Thousand of euros)

| COST   | Land and buildings | Plant and machinery | Other property, plant and equipment | Assets under construction | TOTAL            |
|--|--------------------|---------------------|-------------------------------------|---------------------------|------------------|
| <b>Balance at 1 January 2010</b>               | 597.522            | 2.646.737           | 97.073                              | 117.988                   | 3.459.320        |
| Additions                                      | 1.819              | 20.441              | 4.931                               | 185.885                   | 213.076          |
| Transfers                                      | 14.725             | 33.460              | 2.172                               | -50.449                   | -92              |
| Disposals                                      | -294               | -12.075             | -3.812                              | 0                         | -16.181          |
| Translation differences                        | 30.655             | 177.698             | 3.061                               | 18.658                    | 230.072          |
| <b>Balance at 31 December 2010</b>             | <b>644.427</b>     | <b>2.866.261</b>    | <b>103.425</b>                      | <b>272.082</b>            | <b>3.886.195</b> |
| Additions                                      | 1.397              | 11.709              | 2.421                               | 67.176                    | 82.703           |
| Transfers                                      | 7.566              | 45.778              | 619                                 | -53.963                   | 0                |
| Disposals                                      | -167               | -1.443              | -1.482                              | -176                      | -3.268           |
| Translation differences                        | -24.645            | -148.162            | -2.302                              | -15.954                   | -191.063         |
| <b>Balance at 30 June 2011</b>                 | <b>628.578</b>     | <b>2.774.143</b>    | <b>102.681</b>                      | <b>269.165</b>            | <b>3.774.567</b> |
|  |                    |                     |                                     |                           |                  |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES | Land and buildings | Plant and machinery | Other property, plant and equipment | Assets under construction | TOTAL            |
| <b>Balance at 1 January 2010</b>               | 209.042            | 1.418.763           | 76.886                              | 0                         | 1.704.691        |
| Depreciation                                   | 14.524             | 124.324             | 6.382                               | 0                         | 145.230          |
| Transfers                                      | 288                | -300                | 20                                  | 0                         | 8                |
| Disposals                                      | -50                | -10.526             | -2.714                              | 0                         | -13.290          |
| Translation differences                        | 5.073              | 62.960              | 2.219                               | 0                         | 70.252           |
| <b>Balance at 31 December 2010</b>             | <b>228.877</b>     | <b>1.595.221</b>    | <b>82.793</b>                       | <b>0</b>                  | <b>1.906.891</b> |
| Depreciation                                   | 6.563              | 62.210              | 3.726                               | 0                         | 72.499           |
| Transfers                                      | 13                 | 475                 | -488                                | 0                         | 0                |
| Disposals                                      | -161               | -1.189              | -1.144                              | 0                         | -2.494           |
| Translation differences                        | -5.470             | -58.583             | -1.700                              | 0                         | -65.753          |
| <b>Balance at 30 June 2011</b>                 | <b>229.822</b>     | <b>1.598.134</b>    | <b>83.187</b>                       | <b>0</b>                  | <b>1.911.143</b> |
|  |                    |                     |                                     |                           |                  |
| NET BOOKED VALUE                               | Land and buildings | Plant and machinery | Other property, plant and equipment | Assets under construction | TOTAL            |
|  |                    |                     |                                     |                           |                  |
| Cost at 1 January 2010                         | 597.522            | 2.646.737           | 97.073                              | 117.988                   | 3.459.320        |
| Accumulated depreciation and impairment losses | -209.042           | -1.418.763          | -76.886                             | 0                         | -1.704.691       |
| <b>Carrying amount at 1 January 2010</b>       | <b>388.480</b>     | <b>1.227.974</b>    | <b>20.187</b>                       | <b>117.988</b>            | <b>1.754.629</b> |
|  |                    |                     |                                     |                           |                  |
| Cost at 31 December 2010                       | 644.427            | 2.866.261           | 103.425                             | 272.082                   | 3.886.195        |
| Accumulated depreciation and impairment losses | -228.877           | -1.595.221          | -82.793                             | 0                         | -1.906.891       |
| <b>Carrying amount at 31 December 2010</b>     | <b>415.550</b>     | <b>1.271.040</b>    | <b>20.632</b>                       | <b>272.082</b>            | <b>1.979.304</b> |
|  |                    |                     |                                     |                           |                  |
| Cost at 30 June 2011                           | 628.578            | 2.774.143           | 102.681                             | 269.165                   | 3.774.567        |
| Accumulated depreciation and impairment losses | -229.822           | -1.598.134          | -83.187                             | 0                         | -1.911.143       |
| <b>Carrying amount at 30 June 2011</b>         | <b>398.756</b>     | <b>1.176.009</b>    | <b>19.494</b>                       | <b>269.165</b>            | <b>1.863.424</b> |

### Commitments

As of 30th June 2011 the Group has signed contracts for the purchasing of new equipment and facilities for an amount of 141,168 thousand of euros (179,053 thousand of euros as of 30th December 2010), out of which 110,815 thousand euros come from contracted investments for the new factory in Malaysia. Bahru Stainless has invested 51,442 thousand of euros during the first half of the year.

## NOTA 9 - INVENTORIES

(Thousand of euros)

|   | 30 June 2011     | 31 December 2010 |
|---|------------------|------------------|
| Raw materials and other supplies            | 403.645          | 374.762          |
| Work in progress                            | 238.762          | 235.400          |
| Finished products                           | 674.229          | 709.874          |
| By-products, waste and recoverable products | 24.864           | 16.443           |
| Advances                                    | 171              | 179              |
| <b>TOTAL</b>                                | <b>1.341.671</b> | <b>1.336.658</b> |

The adjustment registered as of 30th June 2011 to assess inventories to its net realizable value, amounts to 31,938 thousand euros (8,432 thousand of euros as of 31st December 2010).

## NOTE 10 - FINANCIAL INSTRUMENTS

The Group financial assets, except for the investments in subsidiaries, as of 30th June 2011 and at the closing of year 2010 are the following:

(Thousand of euros)

| Category  | Type | Non-current financial instruments |               |                 |          |  |               | Current financial instruments |          |                 |          |  |                |
|---|------|-----------------------------------|---------------|-----------------|----------|--|---------------|-------------------------------|----------|-----------------|----------|--|----------------|
|   |      | Equity instruments                |               | Debt securities |          | Receivables, derivatives and other instruments |               | Equity instruments            |          | Debt securities |          | Receivables, derivatives and other instruments |                |
|   |      | 2.011                             | 2.010         | 2.011           | 2.010    | 2.011  | 2.010         | 2.011                         | 2.010    | 2.011           | 2.010    | 2.011  | 2.010          |
| Loans and receivables                                 |      |                                   |               |                 |          | 11.078   | 11.326        |                               |          |                 |          | 583.513  | 529.324        |
| Held-to-maturity investments                          |      |                                   |               |                 |          |  |               |                               |          |                 |          |  |                |
| Available-for-sale financial assets                   |      |                                   |               |                 |          |  |               |                               |          |                 |          |  |                |
| - at fair value                                       |      | 13.844                            | 17.530        |                 |          |  |               |                               |          |                 |          |  |                |
| - at cost   |      | 13                                | 14            |                 |          |  |               |                               |          |                 |          |  |                |
| Financial assets at fair value through profit or loss |      |                                   |               |                 |          |  |               |                               |          |                 |          |  |                |
| - Held for trading                                    |      |                                   |               |                 |          |  |               |                               |          |                 |          | 4.060  | 10.811         |
| - Other   |      |                                   |               |                 |          |  |               |                               |          |                 |          |  |                |
| Hedging derivatives                                   |      |                                   |               |                 |          | 2.406  |               |                               |          |                 |          | 37   | 165            |
| <b>TOTAL</b>  |      | <b>13.857</b>                     | <b>17.544</b> | <b>0</b>        | <b>0</b> | <b>13.484</b>                                  | <b>11.326</b> | <b>0</b>                      | <b>0</b> | <b>0</b>        | <b>0</b> | <b>587.610</b>                                 | <b>540.300</b> |

As of 30th June 2011 and as of 31st December 2010, the Group financial liabilities are the following:

(Thousand of euros)

| Category   | Type | Non-current financial instruments |                |  |          |   |              | Current financial instruments |                |  |          |   |                |
|--|------|-----------------------------------|----------------|--|----------|---|--------------|-------------------------------|----------------|--|----------|---|----------------|
|  |      | Loans and borrowings              |                | Issued bonds and other marketable securities |          | Payables, derivatives and other instruments |              | Loans and borrowings          |                | Issued bonds and other marketable securities |          | Payables, derivatives and other instruments |                |
|  |      | 2.011                             | 2.010          | 2.011  | 2.010    | 2.011                                       | 2.010        | 2.011                         | 2.010          | 2.011  | 2.010    | 2.011                                       | 2.010          |
| Debits and payables  |      | 789.859                           | 724.744        |  |          | 1.868                                       | 1.786        | 557.039                       | 472.393        |  |          | 687.643                                     | 828.453        |
| Financial liabilities at fair value through profit or loss |      |                                   |                |  |          |   |              |                               |                |  |          |   |                |
| - Held for trading   |      |                                   |                |  |          |   |              |                               |                |  |          | 6.586                                       | 9.614          |
| - Other  |      |                                   |                |  |          |   |              |                               |                |  |          |   |                |
| Hedging derivatives  |      |                                   |                |  |          | 3.957                                       | 6.995        |                               |                |  |          | 9.543                                       | 3.075          |
| <b>TOTAL</b>   |      | <b>789.859</b>                    | <b>724.744</b> | <b>0</b>                                     | <b>0</b> | <b>5.825</b>                                | <b>8.781</b> | <b>557.039</b>                | <b>472.393</b> | <b>0</b>                                     | <b>0</b> | <b>703.772</b>                              | <b>841.142</b> |

## NOTE 11 - LOANS AND BORROWINGS

Acerinox Group has financing facilities in force with financial institutions as of 30th June 2011 for an amount of 2,032 million euros, 2.4% higher than the figure as of 31st December 2010 (1,984 million euros).

During the first half of 2011 different companies of the Group have closed four new long term loans with Spanish and South African financial institutions for a total amount of 161.7 million euros. The interest rate risk of one of these loans has been hedged for an amount of 45 million euros with an interest rate swap.

Acerinox Group has successfully met with the amounts of its financial obligations.

### Debt conditioned to the fulfillment of ratios

Acerinox Group has six long term loans conditioned to the fulfillment of certain ratios:

1.- In February 2011 Acerinox S.A. signed a loan with Banco de Santander for an amount of 76.1 million euros, with final maturity during 2020. This loan is subject to half-yearly fulfillment of certain consolidated financial ratios: net financial debt/EBITDA, net financial debt/equity and EBITDA/net financial expenses. As of 30th June 2011 the company complies with the required ratios.

2.- Likewise, during 2010 the parent company closed a 2-year loan with Banco de Santander for 30 million euros, subject to the fulfillment of certain ratios based on net financial debt/EBITDA; EBITDA/net financial expenses and net financial debt/equity. As of 30th June 2011 the company complies with the required ratios.

3.-Two loans with ICO (Instituto de Crédito Oficial) in 2007 and 2008 for original amounts of 400 million euros and 160 million USD respectively, subject to an annual fulfillment, based on the consolidated audited annual accounts, of certain financial ratios: net financial debt/EBITDA and net financial debt/equity. The market evolution in the first half of year 2011, the half-yearly generated EBITDA, the forecasted debt levels and the evolution of equity make us expect a comfortable fulfillment of the ratios as of 31st December 2011.

4. In February 2011 Columbus Stainless signed a 3-year loan with Standard Bank for an amount of 300 million of rands. This loan is subject to half-yearly fulfillment of two ratios: the first one relates the current assets and current liabilities and the other ratio, net financial debt /equity. Columbus Stainless fulfills these two ratios on 30th June.

5.- During 2009, Columbus closed a 5-year loan with IFC for 397 million rands, subject to the fulfillment of a ratio which relates the current assets with the current liabilities. On the 30th June this ratio is fulfilled.

6.- In 2009 Columbus Stainless signed a 3-year loan with Nedbank for an amount of 500 million rands, expiring in January 2012 (at June, 30th the outstanding amount of this loan was 184 million rands). This loan was subject to half-yearly fulfillment of certain financial ratios. Nevertheless, in 2010 Nedbank gave Columbus a "waiver" to fulfill these ratios during rest of the life of the loan.

## NOTE 12 - DIVIDENDS

The General Shareholders Meeting held on the 9th June 2011 approved the following distribution of the parent company results:

(euros)

|                              | <b>2010</b> |
|------------------------------|-------------|
| <b>Basis of distribution</b> |             |
| Profit for the year          | 98.914.266  |
| Reserves                     | 0           |
| Share premium                | 24.930.455  |
|                              |             |
| <b>Distribution:</b>         |             |
| Dividends to shareholders    | 112.187.046 |
| Voluntary reserves           | 11.657.675  |
|                              |             |
| <i>Dividend per share</i>    | <i>0,45</i> |

In its meeting of the 16th December 2010, The Board of Directors approved a first interim dividend of 0.10 euros per share before taxes and in its meeting of the 24th February 2011, a second interim dividend of 0.10 euros per share before taxes, both of them on account of year 2010. Apart from these two dividends, the General Shareholders Meeting resolved to pay a complementary dividend on account of year 2010 of 0.15 euros per share before taxes to be effective on the 5<sup>th</sup> July 2011.

The General Shareholders Meeting also approved a return on account of the issue premium for an amount of 0.10 euros per share. This will be effective on the 5<sup>th</sup> October 2011.

### [NOTE 13 - CHANGES IN THE CONSOLIDATED GROUP](#)

As of 30th June 2011 there are no significant changes in the Consolidated Group.

### [NOTE 14 - TAX SITUATION](#)

The effective tax rate of the Group for the interim period has been 36.0%, four points higher than that of the previous year like period (31.9%) . The main reason for this increase is the higher contribution to the Group results of North American Stainless, which rate amounts to 37% and to the impact derived from the losses of certain European subsidiaries.

On regard of the tax inspection opened in 2009 to Acerinox and other subsidiaries forming part of the tax Consolidated Group, on the 6<sup>th</sup> of June 2011 Acerinox signed the assessment issued by the tax authorities finalizing the tax inspection of the years 2004 to 2007. The result of the assessment has had an impact on the Acerinox Group results of 340 thousand euros.

### [NOTE 15 - LITIGATIONS](#)

During the first half of 2011 the last liquidations pending by the Inland Revenue have been received and put an end to the litigation derived from the tax inspections on years 1988- 1992. Due to the partial estimations of the appeals lodged by the company, the final amount of the liquidations amounts to 7.3 million for Acerinox, S.A., This amount has been registered in the Profit and Loss account of the year. When finishing the law procedures derived from this tax inspection, the company has recovered the bank endorsements to guarantee the debt.

### [NOTE 16 - CONTINGENT ASSETS AND LIABILITIES](#)

At the end of the interim period there are no significant contingent assets or liabilities.



## NOTE 17 - SEGMENT REPORTING

The Group is organized under business segments, as it is described further below, which are the business strategic units. The business strategic units have different products and services and they are managed separately. The Group management reviews and checks the internal reports at least once a month.

The business segments of the Group linked to the type of sold products is as follows:

- Stainless steel flat products: slabs, coils, sheets, flats, circles and strips.
- Stainless steel long products: bars, angles, wire and wire rod.
- Others: comprising other Stainless steel products, not included in the previous segments.

Segment results, assets and liabilities include all items directly or indirectly attributable to a segment.

The transfers among segments are carried out in accordance with normal commercial terms and conditions governing non-related third parties.

### 17.1 Business Segments

The detail of the ordinary income by operative segment is the following:

(Thousand of euros)

|   | 30 - June - 2011          |                                |                        | 30 - June - 2010          |                                |                        |
|---|---------------------------|--------------------------------|------------------------|---------------------------|--------------------------------|------------------------|
|   | External operating income | Inter-segment operating income | Total operating income | External operating income | Inter-segment operating income | Total operating income |
| Flat product  | 2.164.167                 | 66.546                         | 2.230.713              | 1.895.306                 | 120.118                        | 2.015.424              |
| Long product  | 402.600                   | 11.004                         | 413.604                | 265.119                   | 12.184                         | 277.303                |
| Others  | 30.318                    |                                | 30.318                 | 29.948                    |                                | 29.948                 |
|   |                           |                                |                        |                           |                                |                        |
| (-) Inter-segment operating income adjustments and eliminations |                           | -77.550                        | -77.550                |                           | -132.302                       | -132.302               |
| <b>TOTAL</b>  | <b>2.597.085</b>          | <b>0</b>                       | <b>2.597.085</b>       | <b>2.190.373</b>          | <b>0</b>                       | <b>2.190.373</b>       |

Consolidated segment results are as follows:

(Thousand of euros)

|  | 30 june 2011   | 30 june 2010   |
|--|----------------|----------------|
| Flat Products  | 96.287         | 102.521        |
| Long products  | 56.392         | 14.029         |
| Others   | 1.564          | 1.120          |
| <b>Total reportable segments results</b>                 | <b>154.243</b> | <b>117.670</b> |
| (+/-) Results not assigned                               | 2.392          | 1.848          |
| (+/-) Elimination of gains and losses (between segments) |                |                |
| (+/-) Oher results                                       |                |                |
| <b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>              | <b>156.635</b> | <b>119.518</b> |

## 17.2 Geographical segments

To present the information about geographical segments, the segment income is determined by the customer geographical location:

The turnover breakdown by geographical area as on 30th June 2011 and 2010 are the following:

(Datos en miles de euros)

|                | 30 June 2011     | 30 June 2010     |
|----------------|------------------|------------------|
| Spain          | 250.454          | 218.761          |
| Rest of Europe | 765.702          | 661.876          |
| America        | 1.139.049        | 972.315          |
| Africa         | 156.798          | 113.768          |
| Asia           | 233.664          | 194.508          |
| Others         | 14.808           | 10.956           |
| <b>TOTAL</b>   | <b>2.560.475</b> | <b>2.172.184</b> |

## NOTE 18 - AVERAGE STAFF

The average number of employees in the Group as of 30<sup>th</sup> June 2011 is 7,438 (7,391 employees as of 30<sup>th</sup> June 2010)

## NOTE 19 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

### • Identity of related parties

The consolidated financial statements include transactions with the following related parties:

- associates accounted for using the equity method,
- key Group management personnel and members of the boards of directors of Group companies,
- significant shareholders of the Parent company.

Transactions between the Company and its subsidiaries, which are related parties, are carried out within the normal course of business of the Company and have been eliminated on consolidation. Therefore, they are not disclosed in this note.

All transactions between related parties are carried out under market conditions.

The detail of the transactions with related parties is as follows:

- [Transactions with Associates](#)

During this intermediate period and not either in 2010, the Group has not carried out transactions with the associates companies

- [Transactions with significant shareholders](#)

The Group has contracted the following operations with Banca March, part of the March Group (shareholder of Corporación Financiera Alba), all of which are under market conditions:

- Long-term loan for 30 million euros, fully drawn down
- Credit lines with a limit of 2.21 million euros, of which 0,009 million euros have been drawn down
- Guarantees up to a limit of 13 million euros, of which 9.98 million euros have been drawn down
- Exchange rate insurance with a limit of 15 million euros of witch 0 million euros have been drawn down
- Factoring of receivables for 4 million euros, of which 1.97 million euros have been drawn down
- Confirming (reverse factoring) facilities for 4 million euros, of which 1.12 million euros have been drawn down

The operation with this entity as of 30<sup>th</sup> June 2011 were the following:

- Credit lines up to a limit of 23.98 million euros, 7.94 million euros have been drawn down
- Exchange rate insurance up to 15 million euros, 0 million euros have been drawn down
- Guarantees up to a limit of 13 million euros , 12.91 million euros have been drawn down
- Factoring of receivables for 4 million euros, of which 1.63 million euros have been drawn down
- Confirming /reverse factoring) for 4 million euros. 1.80 million euros have been drawn down
- Long-term loan for 30 million euros, fully drawn down

The Acerinox Group has also carried out the following transactions with its shareholders Metal One, Nisshin or other companies belonging to its group:

(Datos en miles de euros)

|                      | 30 June 2011 | 30 June 2010 |
|----------------------|--------------|--------------|
| Technical Assistance | 36           | 44           |
| Services received    | 457          | 297          |
| Purchase of goods    | 0            | 78           |
| Sales of goods       | 6.525        | 4.194        |

- [Members of the board of directors and key management personnel](#)

Remuneration received by the senior management who do not hold positions on the board of directors of Acerinox, S.A. amounts to 1,673 thousand of euros as of 30<sup>th</sup> June 2011 (665 thousand euros as of 30<sup>th</sup> June 2010).

As of 30 June 2011, members of the board of directors of Acerinox, S.A., including those holding key management positions and board members of other Group companies, received 1432 thousand euros for fixed remuneration, allowances for attending board meetings and fixed and variable salaries (750 thousand as of 30 June 2010).

Long term commitments with members of the board have been accounted for correctly and are adequately hedged through insurance contracts. The Company has extended no loans or advances to members of the board of directors or key management personnel as of 30<sup>th</sup> June 2011.

During the first half of 2011 all transactions carried out between members of the board of directors and the Company or Group companies have been ordinary transactions under market conditions

## NOTE 20 – SUBSEQUENT EVENTS

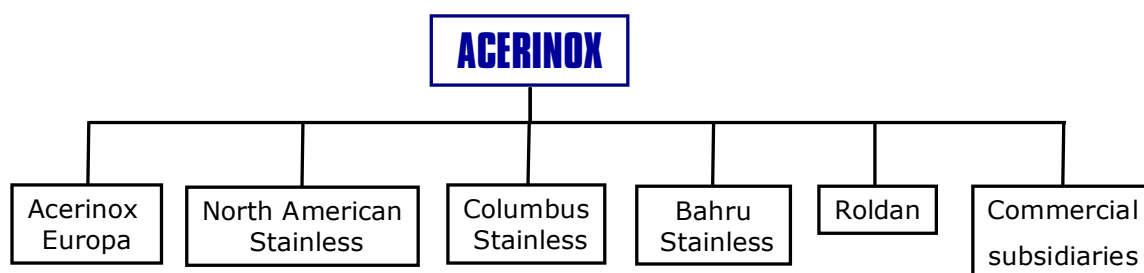
### **1. ACERINOX GROUP REORGANIZATION**

The Board of Directors of ACERINOX, S.A. in its meeting held on the 9th June 2011, has decided to reorganize the business activities of the parent company, ACERINOX, through a segregation of its industrial business, and its holding business as parent company.

This reorganization implies the creation of a new company owned 100% by ACERINOX, which will be called ACERINOX EUROPA. This company will hold all the industrial and productive assets of the Campo de Gibraltar Factory and all the services centres of ACERINOX in Spain. This project will be presented for its approval to an Extraordinary Shareholders Meeting of ACERINOX, S.A., to be held next month of September, 2011.

The purpose of this operation is to make more homogeneous and coherent the structure of the Group, developing all the industrial business through their subsidiaries (Acerinox Europa, NAS, Columbus, Bahru Stainless, Roldan and commercial subsidiaries). The parent company, ACERINOX, becomes a holding company, specialized in coordination and global management, providing services to rest of the Group companies.

#### New structure of ACERINOX



This operation enables the Acerinox Group to take all the advantages of the positive synergies and internal benchmarking possibilities that, with no doubt, it will be generated.

The structure of Acerinox Group will be comparable to other Ibex-35 companies, which is considered as appropriated given its present dimensions and characteristics.

This reorganization project was delivered in Madrid Business Registry on the 10<sup>th</sup> June. On the 20<sup>th</sup> June the Register appointed DELOITTE, S.LA as independent expert and today its work has already satisfactorily finished. The report from the independent expert will be sent to the Business Registry in the next days.

## 2. TEMPORARY LABOUR ADJUSTMENT PLAN

At the End of June, the company has requested the authorisation of a temporary labour adjustment plan for its Campo de Gibraltar Factory to the Labour Authorities (Junta de Andalucía), which has given it to be effective from the 1st July to the 31st December.

This decision, consequence of the decrease of orders in the European market, affects 1,663 employees of a total staff of 2,243 workers and the maximum reduction authorised is 50%. The company management will match the rates of work according to the demand recovery during this period.

Likewise, the Junta de Castilla y León has been requested the same adjustment for the long products Factory, Roldán, in Ponferrada. The initial request derives from the fire occurred in the facilities during November 2010 and the extended request derives from the current market circumstances.