INTERIM MANAGEMENT REPORT

FIRST HALF 2019

Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails

Telephone conference and live broadcast of the presentation of the results for the First Half of 2019

Acerinox will hold the presentation for the results of the first half of 2019, in English, today, 26 July, at 10.00 AM (CET) directed by Bernardo Velazquez, Group CEO, Miguel Ferrandis, Group CFO, and accompanied by the Investor Relations team.

To access the presentation via telephone conference, you can use one of the following numbers, 5-10 minutes before the start of the event:

Calls from the United Kingdom: +44 207 194 3759

Calls from Spain and other countries: +34 91 114 01 01

Followed by the PIN code: 72833198#

You can follow the presentation via the Shareholders and Investors section of the Acerinox website (www.acerinox.com).

Both the presentation and all the audiovisual material will be available on the Acerinox web.

Highlights

Second Quarter

- EBITDA totalled €97 million, a figure 7% higher than that of the first quarter of 2019 and 36% lower than that of the second quarter of 2018.
- A negative inventory adjustment to net realisable value was made, totalling €13 million.
- Profits after taxes and minority interests totalled €37 million, 13% more than in the previous quarter and 54% less than in the same period of 2018.
- Melting production (570,119 tonnes) fell by 9% with respect to the first quarter of 2019 and by 11% compared to the second quarter of 2018.
- Net financial debt as of 30 June 2019 stood at €642 million (€573 million as at 31 March 2019).
- Free cash flow (before dividends) reached €22 million.

First Half of the Year

- EBITDA totalled €186 million, a figure 30% higher than that of the first half of 2018 and 12% lower than that of the previous half.
- Profits after taxes and minority interests totalled €69 million, 50% less than in the first half of 2018 and 30% less than in the second half of 2018.
- Melting production (1,198,039 tonnes) was 8% lower than in the first half of 2018 and 6% lower than in the previous half.
- The General Shareholders’ Meeting approved an 11% increase in the dividend (from €0.45/share to €0.50/share) and the redemption of 2% of Acerinox’s shares.
- The first six months of the Excellence 360º Plan have materialised within the goals set, with improvements in the EBITDA totalling 24 million recurring euros.
- Free cash flow (before dividends) was €39 million.

Outlook

Market conditions in different regions are very competitive: in Europe, import pressure and macroeconomic uncertainties continue and visibility is reduced; on the other hand, in the Asian market the excess of supply persists and we estimate prices to remain low. On the positive side, we expect the strength of the American market, the main market of the Acerinox Group, to be maintained.

Raw material prices remain very volatile, which is a complication added to manage the business.

Despite these difficult market conditions and the seasonal slowdown in Europe, we expect EBITDA in the third quarter to be similar to that in the second quarter.

Main economic-financial figures

CONSOLIDATED GROUP	QUARTER			HALF YEAR		
	Q1 2019	Q2 2019	Variation	H1 2018	H1 2019	Variation
Melting shop (thousand Mt)	628	570	-9%	1,307	1,198	-8%
Net sales (million EUR)	1,202	1,240	3%	2,588	2,442	-6%
Gross operating result / EBITDA (million EUR)	**90**	**97**	**7%**	**268**	**186**	-30%
% over sales	*7%*	*8%*		*10%*	*8%*	
EBIT (million EUR)	45	54	19%	184	100	-46%
% over sales	*4%*	*4%*		*7%*	*4%*	
Result before taxes and minorities (million EUR)	45	53	17%	182	98	-46%
Result after taxes and minorities (million EUR)	**33**	**37**	**13%**	**138**	**69**	-50%
Depreciation (million EUR)	46	43	-6%	83	89	7%
Net cash flow (million EUR)	78	80	2%	221	158	-29%
Number of empoyees	6,768	6,836	1%	6,818	6,836	0%
Net financial debt (million EUR)	573	642	12%	537	642	20%
Debt to equity (%)	26.6%	31.8%	19%	26.6%	31.8%	19%
Number of shares (million)	276	271	-2%	276	271	-2%
Return to shareholders (per share)	0.18 (*)	0.30	---	---	0.48	---
Daily average shares traded (nº of shares, million)	1.09	0.99	-9%	1.19	1.04	-13%
Result after taxes and minorities per share	0.12	0.14	16%	0.50	0.26	-49%
Net cash flow per share	0.28	0.29	4%	0.80	0.58	-28%

(*) Indirect remuneration through the share repurchase program

Stainless Steel Market

The factors affecting the stainless steel market in the first half of the year included trade tensions, protectionist measures and the slowdown of global demand.

Activity in the first quarter improved in all markets, following a very weak fourth quarter, and stabilized in the second quarter.

Global production of stainless steel fell by 2.5% to 12.46 million tonnes in the first three months of 2019, although it rose by 5.4% with respect to the fourth quarter of 2018, according to the latest figures from the ISSF (International Stainless Steel Forum).

		Quarter			Variation	
		Q1 2018	Q4 2018	Q1 2019	Q1 '19 / Q4 '18	Q1 '19 / Q1 '18
Europe	thousand Mt	2,014	1,748	1,899	9%	-6%
United States		718	624	704	13%	-2%
China		6,533	6,161	6,434	4%	-2%
Rest of Asia (*)		2,079	1,983	1,961	-1%	-6%
Others		1,439	1,311	1,467	12%	2%
Total		**12,783**	**11,827**	**12,464**	**5%**	**-2%**

(*) Asia without China, South Korea and Indonesia
Others: Brazil, Russia, South Africa, South Korea and Indonesia
Source: International Stainless Steel Forum (ISSF)

All the markets reduced production except for "others", in which we should highlight the production of Chinese manufacturer Tsingshan in Indonesia, included in this group by the ISSF.

Europe

In the European market the definitive safeguard measures adopted on 1 February 2019 largely corrected the errors of the preliminary measures. Annual quotas have been imposed on the countries accounting for more than 5% of imports; 25% tariffs will be imposed once this amount has been exceeded. A global quota, reviewable on a quarterly basis, is being applied to the other countries. It is important to highlight the European Union's clear declarations regarding its undertaking to review the status of the developing countries which account for less than 3% once they exceed the above threshold.

Fall in imports
Stock levels increase

For the time being, according to our data until June, Europe's imports have fallen by 17% year on year in H1 and the market share of imports stands at 26%. South Africa will not be affected by the quotas, owing to the preferential trade agreement in force between the European Union and a group of countries in southern Africa.

Demand for stainless steel is falling, as indicated by macro-economic estimates. Thus, according to data provided by Eurofer for the second quarter, the car industry slowed by 4.1%, household electrical appliances remained stable and construction rose by 2.9%.

According to our estimates, flat product apparent consumption fell by 9.1% in the first six months of the year. All the large markets have shown negative demand tendencies.

Prices are low and the stock levels are rising.

America

The American market is not immune to the macro-economic uncertainties, but the strength of its economy, together with the protectionist measures in Section 232, are having a positive effect, and it remains the market with the best performance, although not all the indicators are positive.

According to our internal estimates, the construction sector rose by 0.2% to April while the car industry slowed by 0.7%. Household appliance consumption fell by 7.4%, although imports are being replaced by domestic production.

The service centres continue to reduce stocks, which stand at very low levels.

Stability in base prices
Low inventory levels

Flat product apparent consumption fell by 4%, according to the latest data available for April.

The base prices remained stable at good levels.

In April, the US Department of Trade rejected the Indonesian exemption from Section 232 requested by the joint venture between Allegheny and Tsingshan for imports of slabs.

Asia

The Asian markets are suffering from exports of surplus production in China and Indonesia, which have limited access to other markets, causing stainless steel prices to fall to levels that are not sustainable.

According to data for April provided by the CSSC (Stainless Steel Council of China), China's apparent consumption fell by 4.6%.

Low prices
Production surpluses

The rises in nickel prices in the latter weeks of June are having a positive impact on the prices of cold-rolled products.

In March the Chinese government announced that it was imposing anti-dumping measures on steel products from the European Union, Japan, South Korea and Indonesia. South Korea and India may be studying similar measures.

Prices

The average quarterly prices of stainless steel sheet, AISI 304 cold-rolled 2.0mm (source: CRU)

USD / Mt	2019		2018			
	Q1	Q2	Q1	Q2	Q3	Q4
UNITED STATES	2,643	2,786	2,725	3,053	3,121	2,858
EUROPE	2,361	2,483	2,974	2,908	2,772	2,438
TAIWAN	1,850	1,861	2,269	2,261	2,143	2,050

Prices headed downwards during the second quarter due to falls in the alloy surcharges

The base price in Europe was also weakened by the downturn in demand

Raw materials

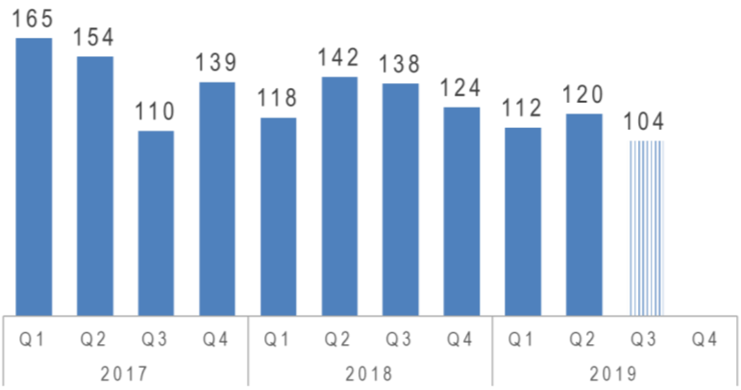
Nickel

The price of nickel was highly volatile in the first half of the year, with an upward trend during the first quarter and a subsequent fall until June.

Official nickel price in the LME

Ferrochrome

Average quarterly price US¢ / Lb. Cr



Acerinox Production

Thousand Mt	2019			2018		
	Q1	Q2	Jan - Jun	Q1	Q2	Jan - Jun
Melting shop	628	570	1,198	668	639	1,307
Hot rolling shop	531	514	1,045	577	561	1,138
Cold rolling shop	422	441	863	462	471	932
Long product (Hot rolling)	66	58	124	65	70	134

	Melting	Hot rolling	Cold rolling	Long product
H1 19 / H1 18:	-8%	-8%	-7%	-8%
Q2 19 / Q2 18:	-11%	-8%	-6%	-16%

Results

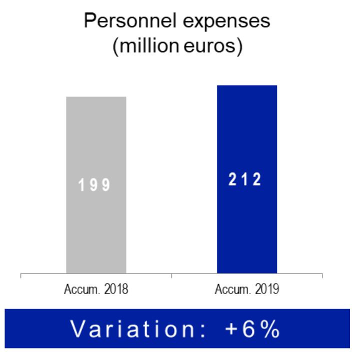
The revenue during the first half of the year (€2,442 million) fell by 6%, in keeping with the tonnes sold.

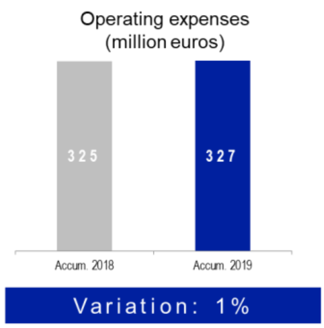
Million euros	QUARTER			HALF YEAR		
	Q1 19	Q2 19	Variation	H1 18	H1 19	Variation
Net sales	1,202	1,240	3%	2,588	2,442	-6%
EBITDA	90	97	7%	268	186	-30%
EBITDA margin	7%	8%		10%	8%	
Amortization and Depreciation	(46)	(43)	-6%	(83)	(89)	7%
EBIT	45	54	19%	184	100	-46%
EBIT margin	4%	4%		7%	4%	
Net Financial Result	(0)	(1)	1004%	(2)	(1)	-37%
Result before taxes and minorities	45	53	17%	182	98	-46%
Result after taxes and minorities	33	37	13%	138	69	-50%

H1 EBITDA totalled €186 million, 30% less than in 2018, chiefly due to the low prices in the European and Asian markets. The EBITDA margin was 8%. EBITDA was 7% higher in the second quarter than in the first.

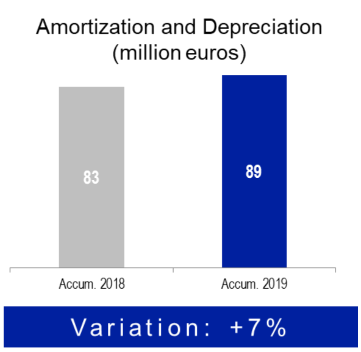
A net realizable value adjustment to inventory was made, amounting to €13 million, negatively affecting the EBITDA. Without this adjustment, the half-yearly EBITDA would have stood at €199 million and the second quarter EBITDA at €109 million.

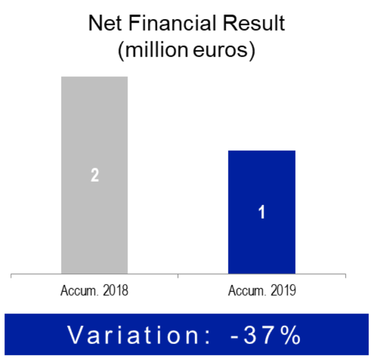
Labour costs increased by 6% while other operating costs were very similar to those incurred last year, undergoing a slight rise of 0.6%.





Amortization and depreciation increased by 7%, due to the repayments of the new investments in Acerinox Europa.





The net financial result was only €-1.1 million, a fall of 37% compared with the first half of 2018.

Pre-tax profits stood at €98 million, 46% higher than those for the same period the previous year. Profits stood at €53 million in the second quarter, 17% higher than in the previous quarter.

Profit after taxes and minority interests totalled €69 million, a figure 50% lower than that of the first half of last year. Profits totalled €37 million, 13% more than in the previous quarter.

The operating working capital increased by €39 million during the first half of the year.

Millones EUR	Jan - Mar 2019	Apr - Jun 2019	Jan - Jun 2019	Jan - Dec 2018	Jan - Jun 2018
EBITDA	90	97	186	480	268
Changes in working capital	4	8	11	-87	-86
Changes in operating working capital	-47	8	-39	-74	-97
- Inventories	-32	8	-24	-28	-59
- Trade debtors	-51	-42	-93	27	-116
- Trade creditors	36	42	78	-73	79
Others	51	-1	50	-14	11
Income tax	-26	-50	-76	-81	-49
Financial expenses	0	-5	-5	-15	-7
Others	-21	8	-13	30	5
OPERATING CASH FLOW	**47**	**57**	**104**	**326**	**131**
Payments for investments on fixed assets	-30	-35	-65	-155	-63
FREE CASH FLOW	**17**	**22**	**39**	**171**	**68**
Dividends and treasury shares	-49	-81	-130	-128	-1
CASH FLOW AFTER DIVIDENDS	**-32**	**-59**	**-91**	**43**	**67**
Conversion differences	11	-10	1	14	6
Variation in net financial debt	**-21** ↑	**-69** ↑	**-90** ↑	**57** ↓	**72** ↓

The operating cash flow during the first half of the year amounted to €104 million (€57 million in the second quarter). Payments for investments amounting to €65 million were made, compared with €35 million in the second quarter. The free cash flow generated was €39 million, compared with €22 million in the second quarter.

By means of the payment of dividends (€81 million) and the redemption of shares (€49 million), €130 million were allocated to shareholder remuneration during the half of the year. Despite the above, the net financial debt (€642 million) increased by only €90 million with respect to December.

ASSETS

	Jun-19	Jun-18	Dec-18	Variation
Non-current assets	**2,144**	**2,131**	**2,134**	**0%**
Current assets	**2,572**	**2,604**	**2,474**	**4%**
- Inventories	1,043	1,050	1,019	2%
- Debtors	678	742	590	15%
Trade debtors	*618*	*668*	*525*	*18%*
Other debtors	*61*	*74*	*65*	*-7%*
- Cash	827	789	850	-3%
- Other current assets	25	23	15	64%
TOTAL ASSETS	**4,717**	**4,735**	**4,608**	**2%**

LIABILITIES

	Jun-19	Jun-18	Dec-18	Variation
Equity	**2,020**	**2,015**	**2,119**	**-5%**
Non-current liabilities	**1,320**	**1,302**	**1,226**	**8%**
- Interest-bearing loans and borrowings	1,123	1,094	1,026	9%
- Other non-current liabilities	197	208	200	-1%
Current liabilities	**1,377**	**1,419**	*1,262*	**9%**
- Interest-bearing loans and borrowings	346	232	376	-8%
- Trade creditors	862	935	784	10%
- Other current liabilities	169	252	102	66%
TOTAL EQUITY AND LIABILITIES	**4,717**	**4,735**	**4,608**	**2%**

Excellence 360º Plan

Acerinox launched the implementation of the Planning 360º project within the framework of the Excellence 360º Plan.

The project is a planning model that covers the whole value chain. It aims to enhance customer service, increasing the accuracy of deliveries while optimizing the mix of raw material purchases and increasing the reliability of the production processes.

The Excellence 360º Plan seeks to promote and optimise the Acerinox Group's business upon the basis of four pillars to increase the efficiency of its processes: production, supply chain, commercial management, and purchases of raw materials.

The expectations with regard to development were met in the first six months of the Plan, supported particularly by better performance, a reduction in the level of customer complaints, greater efficiency in the use of consumables and time optimization in the production processes. Thus, annual EBITDA rises totalling €24 million were recorded.

General Shareholders' Meeting

The General Shareholders' Meeting of Acerinox S.A. held on 11 April in Madrid approved the proposed resolutions listed in the agenda, including an increase in the return to shareholder of €0.50 per share, as opposed to the €0.45 they had been receiving in the past few years, changes to the composition of the Board of Directors and a reduction of the number of its members.

The approved dividend represents an increase of 11% compared to the previous financial year, and will be distributed in a first payment charged to unrestricted reserves in the amount of €0.30 per share (paid on 5 June 2019) and a second payment charged to the Share Issuance Premium account in the amount of €0.20 per share (payable on 5 July 2019).

Moreover, the Shareholders' Meeting agreed to a capital reduction via redemption of treasury shares acquired by implementing the buyback programme, of up to 2%, approved by the Board of Directors in December. 5,521,350 Acerinox, S.A. shares, equivalent to 2% of the share capital, were redeemed on the Madrid and Barcelona Stock Markets on 13 June. The number of outstanding shares now totals 270,546,193.

Regarding new developments within the Board of Directors, the decisions made during the Meeting included the appointment of Mr Ignacio Martín and Mr Donald Johnston as Independent Directors, and Mr Pablo Gómez Garzón and Mr Mitsuo Ikeda as Proprietary Directors, with the former representing the Corporación Financiera Alba and replacing Mr Pedro Ballesteros, and the latter representing Nippon Steel Stainless Steel Corporation and replacing Mr Katsuhisa Miyakusu.

During the Meeting it was also agreed to eliminate a position in the Board of Directors, going from 15 to 14 members, to gradually bring its size into line with the boards of comparable European and Spanish companies.

The changes above resulted in Mr Ballesteros, Mr Miyakusu and Mr Conthe stepped down from the Board.

Financial risk management

In the first half of the year, Acerinox has faced the same risks as those described in the latest approved Annual Accounts. The policies focused on managing them, also described in the report, have not changed.

Management of financial risks such as the exchange rate, prices and credit risk reflects what was already described in the approved Annual Accounts for the 2018 financial year.

In terms of the liquidity risk, Acerinox keeps €2,090 million in effective funding lines, 30% of which are available. The net debt up to 30 June totals €642 million. The cash balances stand at €827 million.

The most significant financing operations during the first half of 2019 were the following:

- The refinancing of the Bankia loan for the amount of €160 million, of which €40 million were new debt. The loan was drawn down on 28 June 2019 and its final maturity date is 28 June 2024, with a three-year pre-amortization period.

- Two new loans were signed, a three-year one with Bankinter for €30 million bullet and the other, a five-year one, with Caixabank for €50 million, with a three-year grace period.

- The refinancing of two loans signed with Kutxabank for the amount of €65 million (of which €15 million were new debt) and Unicaja for the amount of €40 million (of which €15 million were also new debt); in both cases the maturity date was extended to 2024 and the financing conditions were improved.

The Acerinox Group satisfactorily met the amounts of its financial debts upon their maturity.

None of the loans signed during the first half of the year of 2019 are subject to compliance with annual financial ratios, except for those already listed in the Group's consolidated annual accounts as of 31 December 2018.

Subsequent events

Dividend

The payment of the share premium of €0.20 per share, amounting to a total of €54 million, was made effective on 5 July 2019.

Capital increase at Bahru Stainless Sdn. Bhd.

The Board of Directors, at its meeting held on 26 February 2019, decided to increase the share capital of Bahru Stainless, without contributing cash and by capitalizing €332.5 million of the loan granted by Acerinox, S.A. to its subsidiary. This solution was facilitated by the departure of Nisshin Steel from the Bahru Stainless capital when Acerinox, S.A. acquired the 30% stake it held last December. The stake of Acerinox, S.A. in Bahru Stainless before the capital increase was 97%. On July 22, the General Shareholders' Meeting of Bahru took place, which approved such capital increase. In turn, the minority partner participates in the capital increase with a cash contribution of 3 million dollars, which dilutes its stake to 1.85%.

As of the date of the formulation of these accounts, the Company has already recorded the capital increase, Acerinox, S.A. having acknowledged an increase in its investments in the Group's companies totalling €297 million, a figure equivalent to the fair value of the capitalized loan which does not differ significantly from its book value as of that date.

The North American Senate's approval of the amendment of the Dual Taxation Agreement between Spain and the United States

On 16 July the United States Senate ratified the new Protocol, signed by the two States in 2013, which amends the 1990 Dual Taxation Agreement between Spain and the United States.

The Protocol modifies aspects of the Dual Taxation Agreement signed by Spain and the United States which are of great significance for the Group, including the elimination of interest withholdings and withholdings on dividends when the parent company holds at least 80% of the shares with voting rights during the previous twelve months.

This will enable the Acerinox Group to repatriate dividends of North American Stainless, its American subsidiary, avoiding the current 10% withholdings payment.

The amendments of the new protocol will enter into force three months after the completion of the diplomatic procedures between the two States. The entry into force is expected to become effective before the end of this financial year.

Conversations for the reduction of workforce in Acerinox Europa

In parallel to the negotiation of the III Collective Agreement of Acerinox Europa, SA (Campo de Gibraltar factory), the legal representatives of the workers were informed of the opening of a non-formal negotiation period that could lead to the reduction of the workforce in up to 300 workers. Conversations with such representation are currently ongoing.

Alternative Performance Measures (definitions of terms used)

Excellence 360º Plan: estimated efficiency savings for a period of 2019-2023

Operating Working Capital: Inventories + Trade receivables – Trade payables

Net Cash Flow: Results after taxes and minority interest + depreciation and amortisation

Net Financial Debt: Debt with banks + bond issuance - cash

Net Financial Debt / EBITDA: Net Financial Debt / annualized EBITDA

EBIT: Operating income

EBITDA: Operating income + depreciation and amortisation + variation of current provisions

Debt Ratio: Net Financial Debt / Equity

Net financial result: Financial income – financial expenses ± exchange rate variations

ROCE: Operating income / (Equity + Net financial debt)

ROE: Results after taxes and minority interest / Equity

ICR (interest coverage ratio): EBIT/Net financial result

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