SPEECH
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GENERAL SHAREHOLDERS MEETING

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GENERAL MEETING OF SHAREHOLDERS 2012

REPORT BY THE CHIEF EXECUTIVE

Dear shareholders,

It is an honour for me to address you again at this General Meeting of Shareholders to explain the trajectory of Acerinox throughout 2011, a difficult year, and the beginning of the equally complicated year 2012. I will attempt to describe our approach as a purely industrial company, one of the few remaining in Spain.

Almost four years have passed since the economic crisis began, and in which we still find ourselves. Throughout this long period, the industrial sector in Spain and Europe has suffered significant damage, which has not left our industry untouched.

I would also like to give a global explanation of how we, as a Group, have factories on four different continents, and commercial companies in 32 countries on five continents. This, however, is not easy, as we are still a Spanish company and what happens in our country and European surroundings, affects our state of mind, however much we travel the world, or however little the domestic market is represented in our turnover.

We are one of the most international companies in the IBEX-35, with only 9.2% of our turnover in Spain, and only 28.6% in other European countries. We are world leaders in the manufacture of stainless steel, and this provides further proof that there are good companies in our country. Never before in history have there been so many Spanish companies at the top of their respective sectors internationally.

I am convinced that the beginning of recovery is close, but we cannot wait for time to solve our problems. We understood this from the very beginning, and we enthusiastically continue to develop all the plans we launched, in addition to new ones we have developed to increase our competitiveness.

Later, I will explain the main measures we have taken to overcome the current situation and continue our process of improvement and adaptation to new market conditions. We have an important challenge and an excellent opportunity that we are leveraging to review all our business parameters, with the sole objective of emerging stronger and maintaining our leadership in the sector.

Over recent years, alongside the crisis in the financial system and the decrease in consumption, production overcapacity and the rise of emerging countries has occurred, especially China. This is not exclusive to our sector and, to a great extent, it is the result of excesses committed over a long period of growth, in which the size of the business was prioritized over productivity.

These factors are crucial to explain the situation of the stainless steel industry, mainly in Europe, given that the crisis is beginning to be a uniquely European phenomenon. Added to the decrease in consumption in Europe, are the problems for companies to access credit and difficulties exporting outside the Eurozone. This is due to both costs and charges that have to be assumed, and because other countries, especially China, have invested significantly over the past decade in order to be self-sufficient in products essential for their development. Stainless steel is one of these products.

In our sector, as in many others, consumption has stagnated not only due to the current economic situation, but also because many products consumed in Europe, which require stainless steel for manufacturing, are now imported from other countries. At the same time, European exports of steel have decreased dramatically due to the growth of industry outside Europe that has undergone protectionist measures.

The result is the abrupt shift in production to the great “emerging” powers, especially towards Asia. As European manufacturers, we are prepared to compensate for greater labour costs through efficiency and productivity, but the factors affecting us have now changed.

We are competing, on a distinctly unequal footing, with the so-called emerging countries, developing economies that are, nonetheless, real industrial powers, such as China, India and Brazil. We all assume that their competitiveness is based on low labour costs, but their real advantage today lies in government aid received through funding, tariff protection, export subsidies, anti-dumping measures, lack of transparency and little concern for sustainability.

At this point, it is obligatory to reflect on the role that the industrial sector should play in Europe, which we should remember is one of the pillars of the economy and employment.

We strongly believe in free market competition, but respecting the principles of equality and reciprocity internationally. Without this, European industry and industrial employment would be seriously damaged, by allowing, but not taxing, manufactured imported products, and without taking into account our environmental principles and the need for these products to be transported to Europe with great energy inefficiency and significant CO_2 emissions.

Europe should remain vigilant over its industry and employment in industry, providing a framework in which new projects can be developed, and current projects maintained, and demanding compliance with environmental best practice, not only for the local production of steel, but also for steel imports and manufactured products. Otherwise, we are simply hiding our environmental awareness problems, sweeping them under the carpet, by promoting a Europe that is “clean”, without industry, while consuming products manufactured in other geographical areas that pollute more. Environmental protection and sustainability are global issues.

Another aspect to remain aware of is the production of efficient, competitive energy. In China, projects are in construction, and others have been approved, to increase nuclear power production from 11 gigawatts, installed at present, to 70 gigawatts in 2020. In Germany, as in Japan, the closure of all nuclear power stations is being considered, with the secondary effect of an increase in natural gas. In other countries, nuclear energy is not even discussed, and interest only focuses on alternative sources, which are extremely necessary, but involve excessively high costs for industrial production.

In Spain, we would face another problem if it is decided to charge tariff deficit costs to industry, and if the interruptibility system is removed, which would involve a 50% increase in electricity on a price that is already one of the highest in Europe, after the 12% increase being applied in 2012 on tolls.

In any case, we are obliged to improve our technology and the efficiency of our processes to compensate for the disadvantages brought about by the factors mentioned, and we are sure that we will continue to lead and set the industry benchmark worldwide for competitiveness. Consequently, our Plans for Excellence and cost reduction are being developed, and will be mentioned later, and this is why we began the international activity years ago, as it diversifies and reduces all our risk.

According to the ISSF, world production of stainless steel in 2011 was the highest in history: 32.1 million tons. Compared to the previous year, it increased 3.3%, which is more than a considerable amount considering that in 2010 saw 25% growth, strengthening our confidence in the future: stainless steel continues to be the only material of the industrial metals and alloys that has maintained an annual growth rate of nearly 6% over the past 62 years.

However, as we have already mentioned, this growth is not homogenous. We should highlight the 4.7% decrease in America (the sum of the North and South), stagnation in Europe and increases of 7.0% in India and 11.9% in

China. Japan also suffered the effect of emerging economies; production fell by 5.3%.

In 2012, the situation has improved in the United States, where consumption increased 7% in the first quarter, confirming the recovery we indicated months ago, while the European market has dipped again, decreasing by 3% in the same period, with increases in countries in the North and East, and highlighting the worst performance in Spain with a 12% decrease in consumption.

In 2000, 38% of the world's stainless steel was produced in Asia, and, after only 11 years, this has increased to 66%. China has already had a balance of exports in the past two years, and the Chinese manufacturer TISCO became the largest in the world in 2011 with the production of 3 million tons. The growth of production mainly in China and India, and the protection of their markets have altered traditional flows in international commerce for stainless steel, highlighting overcapacity in other markets such as Europe and Japan.

In this respect, we believe that the steps being taken towards the consolidation of manufacturers in these areas is extremely necessary. The merger promoted by our partner Nisshin Steel in Japan with Nippon Metal is on track and receives our full support, as does the merger that has been considered in Europe.

We consider the consolidation process very positive that has begun between Outokumpu and Inoxum, the steel subsidiary of Thyssen-Krupp. We are sure that it will contribute to the reorganization of the European market, guaranteeing the stability that both producers and distributors need. We expressed this in the consultation formulated by the DG-4 in Brussels. As we have indicated on numerous occasions, Acerinox should not be an active part of this process as it is the only manufacturer with a production capacity in Europe of the same level as its sales, and because our only flat product factory in this market is perfectly balanced, meaning that synergy with our competitors would be minimal.

Without doubt, 2011 has to be classed as a very difficult year, not only because of the complexity of management in such a volatile environment with very low predictability but also for the downturn in the European recovery and in Acerinox's turnover.

We are proud to be the only stainless steel manufacturer in the West to register profits in nine consecutive quarters since the third quarter of 2009. However, unfortunately, it has not been possible for us to reach double figures, which leaves a bitter taste in our mouths after having made such great efforts.

Against a backdrop of unclear forecasts and lack of confidence in the economic recovery, the lack of liquidity meant that industrial and distribution companies had to spend the second half of the year focusing on adjusting stocks in order to reduce debt and to be able to meet the challenges of the following year with some type of security. This process, which is happening worldwide but with greater intensity in Europe, has led to large decreases in consumption and business opportunities. This occurred at the end of 2010 and once again at the end of 2011.

We began the year 2011 with high hopes because of the improvement in the market and the start of the stock replenishment phase. In a situation of equilibrium between supply and demand, this purchasing cycle would have been extended for a longer period. However, the overcapacity that exists in the stainless steel industry meant that stocks could be rebuilt in a very short space of time that was not long enough for us to improve the margin on our products. Nevertheless, we managed to finish the quarter with a post-tax profit of €68 million, the second highest registered since the start of the crisis. This was achieved due to our swift reaction to the improvement in market conditions, thanks to our sales network and the flexibility attained in our factories.

With respect to fears for the European economy, issues with some countries' sovereign debt and uncertainty took centre stage once again in March. As a result, the stainless steel market was gripped by caution and purchases were delayed until the forecasts were more certain.

This situation was compounded by the catalyst effect of nickel, the price of which shifts in line with market expectations and stimulates or retracts demand from distributors who expect subsequent fluctuations in the price of stainless steel.

As you are all aware, nickel is quoted on the London Metal Exchange (LME) and it represents almost half of our manufacture costs. In the first quarter of the year, the average price quoted for nickel was 26,903 USD/mt, reaching a peak on the 21st February of 29,030 USD/mt. After this date, a long downward trend began that lasted until the 30th November, when the low point of the year was recorded at 16,935 USD/mt.

These nine consecutive months of price decrease impacted negatively on sales of stainless steel, leading to a deterioration in prices and a weakening market. The average price of nickel was 24,298 USD/mt in the second quarter, 22,069 USD/mt in the third and 18,307 USD/mt in the last quarter of the year. The downward trend has continued into 2012 and, this week, the year's lowest price has been recorded at around 16,000 USD/mt.

This situation is by no means unique to nickel and it also affects other metals quoted on the LME such as aluminium, copper and zinc. It is a reflection of the lack of investor confidence in the economic recovery in the short term.

The trading volume of nickel on the LME in 2011 was 32 times the worldwide consumption, which highlights the highly speculative nature of trading. This is emphasized even further when it is considered that 65% is used in the production of stainless steel, the manufacturers of which hardly ever physically buy nickel in this market.

Our momentum enabled us to achieve a net profit of €34 million in the second quarter but the lack of activity over the summer period meant that we only recorded a profit of €1 million in the third quarter.

Low stock levels gave us cause for hope that we would see a slight recovery from September onwards but this failed to materialize due to the lack of clear forecasts, the steady deterioration of prices and the need for all parties involved to finish the year with a certain minimum level of working capital. These factors, together with the continuous devaluation of our stocks due to the drop in the price of nickel, meant that we made a loss of €29 million in the last quarter.

In the year as a whole, we achieved a post-tax profit of €74 million, a drop of 40% from 2010, which we consider a success when we take the adverse conditions into account, as well as a capacity ratio of 76% for the year, significantly less than in 2010.
The EBITDA was €341 million, representing a decrease from the previous year of 11%, with a total turnover of €4.672 billion, a 4% rise compared to 2010. The reason for the growth in turnover was the larger volume registered in the first half of the year, especially in the first quarter, when the price of nickel was higher.

The net revenue for the fourth quarter suffered the impact of the 10% tax on the repatriation of dividends that is in place between Spain and the United States of America. It is hoped that the ratification of the new Double Tax Avoidance Treaty will review this section and eliminate this type of tax, which is generally being removed worldwide.

These results were not shared evenly among the Group's factories, as can be seen in the detailed analysis in the Annual Report that you have all received. North American Stainless (NAS) stands out as the real driving force behind the Group's performance. Since 1990, we have been investing a large proportion of Acerinox's profit into this project and we are extremely proud of its progress. Without doubt, North American Stainless is the world's most competitive stainless steel factory and it serves the American market with astounding flexibility, holding a 40% market share in the region.

There were signs of renewed dynamism in the economy of the United States and there were promising developments in our sector in 2011. This progress has been consolidated and even improved in the first quarter of 2012. NAS recorded a post-tax profit of $177 million, representing a 13% increase compared to 2010.

Elsewhere, the new Acerinox Europe and Columbus Stainless felt the impact of the difficult situation in the European market, including the challenges mentioned above and low priced competition in the Asian market. They also had to bear the burden of the devaluation of stocks throughout our distribution network, losing €26 million and €23 million, respectively. It should be highlighted that our performance in the South African market was positive, with a growth rate of 16.6% in 2011.

Roldán, our factory manufacturing long products in Ponferrada (Spain) achieved a post-tax profit of €6.7 million, aided by the greater strength of the markets for long products in the first half of the year.

The excellent management after the fire of November 2010 is worth a particular mention and the efficiency with which we supplied our clients and our own factories with NAS materials in the meantime. Special thanks must also go to our team and the company that supplies our equipment, as well as our insurance company, for carrying out the necessary repair work in record time. This enabled us to put the rolling train into action in May 2011. The safety measures in place prevented any serious injuries in the incident and further preventive measures have been implemented to ensure that such an event cannot happen again.

The low stock levels at the end of 2011, both within our Group and in the market in general, together with the increasing costs of raw materials at the start of 2012, led us to start the year with a certain level of optimism. In March, however, this hope was dampened by the new downturn in the market for raw materials and stainless steel. The stock replenishment process was so short this year that, while it may have prevented any price improvement, at least stocks have been kept low in all markets, which could trigger a potential recovery.

From November onwards, we see clear signs of recovery in key sectors of American industry such as transport and investment in energy. We hope that this progress will be replicated in Europe after the summer period, as long as the uncertainty in the euro zone is resolved.

As far as we are concerned, we have learnt to reduce the momentum of our process and to take full advantage of any opportunities that arise, however short these cycles may be. Our stocks are monitored closely, as is the stock situation in the market in general. As a result, we do not expect significant modifications this years, bearing in mind the low price of nickel as well.

Developments in production in the Group’s factories were in line with the market trends in 2011, adapting quickly to the new conditions and applying control measures to stocks in the distribution chain. Despite these measures, the recession in the second half of the year was much more severe than forecast. As a result, we finished the year with a slightly lower production total than in 2010.

Acería’s total production of 2,020,802 mt represented a drop of 1.9% compared to the previous year. Hot rolling production was 1,779,233 mt, a 0.2% drop from 2010, while cold rolling production fell by 1.6% to 1,270,336 mt. The Group’s total production of stainless steel represents 6.3% of international production.

But there truly were more positive things in 2011. The stock reduction program that has been developed over the past five years, shortening production cycles and improving logistics management, has made it possible to reduce debt to a minimum level of 887 million Euros as of 31st December, a challenge for a Group that has four factories on four continents, 22 service centers and 31 warehouses across five continents.

Also worth noting is the work done in managing the Group’s debt, especially in light of the 482 million dollar syndicated loan taken out in early 2012 from American banks, which will lengthen our debt maturity, reduce costs, and put us in the enviable position of being able to face any difficulties that might arise in the financial system. The backing of American banks, along with those of Spain and South Africa, underscores the world’s confidence in Acerinox’s global project and serves as an excellent “business card” for our exploration into Asian markets.

The entire Acerinox net debt is now covered by long-term loans. The achieved debt/EBITDA ratio was 2.6 times that which allowed us to easily meet the agreed upon "covenants" for long-term financing.

This financial strength leads us to propose to our Shareholders that we maintain, as per tradition, the return of 0.45 Euros per share. This is equivalent to a yield 5% above current share prices.

The Acerinox share price in 2011 was always below the IBEX-35 average, closing the year at 9.91 Euros per share with a cumulative decline of 24.5% compared to the 13.1% decline of the Spanish index. Even so, the balance of the four-year long crisis places us slightly better, or less worse off, with a 41.1% decline compared to the 43.6% stock market index decline.

The poor performance of Acerinox shares, as with the rest of the stock market, has continued in 2012 and as of the end of May we have accumulated a 19.0% decline, this time better than the IBEX-35 28.9% decline, perhaps because of our reduced exposure in Spain and Europe.

Our financial situation has also allowed us to continue moving forward with our Strategic Plan, which charts our course to success until 2020 and is mainly based on global expansion through Bahru Stainless, our new factory in Malaysia, as well as our sales network. The total investment in 2011 was 169 million Euros, slightly lower than last year due to the delay in the implementation of Bahru Stainless's annealing and pickling lines.

Over the course of 2011 we established new trading companies in Istanbul (Turkey), Jakarta (Indonesia), Guangzhou (China) and Ho Chi Minh City (Vietnam) and launched service centers in Monterrey (Mexico) and Warsaw (Poland). In this first half of 2012 we've been working on the opening of a new company in Saint Petersburg (Russia).

Our focus on international business is a strong as ever, and we were recognized by the *Círculo de Empresarios* in January, when Acerinox received their award for the internationalization trajectory of a Spanish company. Chairman Rafael Naranjo accepted the award from his Royal Highness the Prince of Asturias. Including our new additions we now have companies in 32 countries on five continents, which give us the unique ability to maintain business relationships with more than 80 countries, not to mention that Acerinox is the only manufacturer of stainless steel worldwide that has four factories on four continents.

We hope to play a role in Asia's economic growth, and our fourth factory – located in Malysia – has become a reality. Bahru Stainless opened in December 2011 with the launch of its AP1 annealing and pickling lines. With this milestone Phase 1 of the 370 million dollar investment is concluded, and the factory will boast a cold rolling mill, a combined hot/cold annealing and pickling line, a skin-pass roller and two cutting lines. Worth highlighting is the exemplary factory implementation, which is progressing with quality and productivity levels that exceeds our technician's expectations.

We are proud of our truly international project, which includes the participation of top technicians and engineers from our factories in Spain, the United States and South Africa, along with the local Malaysian staff and technicians from the companies that provide the main equipment: Andritz (Austria), Hitachi (Japan) y Fagor (Spain). The success of this project rests on their work and enthusiasm.

Our obligation is to now impart the technology, strategy and corporate culture at the foundation of Acerinox to this new team: continual improvement in terms of product quality and processes, competitiveness and service. We continue to develop our major international project while keeping a light organizational structure that promotes quick decision making, and we offer the opportunity to form part of a great team where an entire professional career can be developed.

The construction of Phase II is moving forward both in terms of timing and the 310 million dollar budget, which will essentially consist of a new cold laminator and a second cold annealing and pickling line, specialized in thin rolling and products with more added value. The launch date is scheduled for the first quarter of 2013. In the interim and until the end of the project this new factory will be powered by the semi-processed products from other Acerinox factories. This translates into an improvement on Acerinox factory's utilization rates and, as a result, reduced production costs.

Today, Acerinox is the indisputable leader in the stainless steel sector, not in size but in competitiveness. We will continue to progress with the implementation of the Malaysian factory and with ongoing cost improvement programs. Remember that we implemented a second Excellence Plan 2011-2012 on the heels of the success of the 2009-2010 plan, with the goal of reaching a recurrent annual savings of 90 million Euros by the end of 2012.

The execution of this new plan is progressing as scheduled and 35% of objectives will be reached by the end of the first year, which actually amounts to 49% of objectives if we consider the average of the period from January 2011 to April of 2012. The situation is much better since the average of the first four months of 2012 is already 89% and will set the recurrent savings for the coming years.

It is important to mention the deep roots that this system of continuous improvement has in the Group's culture and the success achieved not in the Excellence Plan but in many other "benchmarking" activities between different units and in the many smaller cost improvement programs, both fixed and variable, that guarantee the company's continual search for excellence.

We continue to achieve more ambitious goals and we are confident that we will be able to create a third Excellence Plan for 2013-2014. We are strongly convinced that this is the path to take to improve our efficieny and productivity. At the same time we should readjust our structure to the new international market, which is growing in Asia, and streamline our business in Europe and Spain, particularly in our sales network.

On the other hand, we have moved forward with the reorganization of our company, which was passed at our General Shareholders Meeting on 29th September. Acerinox Europa, a company that brings together the industrial and commercial assets of flat product in Spain, was launched on 1st December. This is in keeping with our proposed goal of providing our organization with a modern and flexible structure that promotes job specialization and the use of synergy between Group companies. Acerinox, S.A. has become the head and holder of all the Group company shares, focusing on corporate and strategic duties that require the most attention.

We also continue working to adapt to the recommendations set out in the Code of Good Governance and have added another series of actions to the already know separation of duties between the Chairman and the CEO, such as the publication of the Code of Conduct, adherence to the Code of Good Tax Practices, the creation of the Department of Risk Management and with the close collaboration of the Audit Committee the new direction of the Internal Audit Department.

Furthermore, the number of independent directors as increased by one with the addition of Manuel Conthe.

In other matters, I would like to show our appreciation for all our shareholders, for all those people and institutions that deal with Acerinox without whom it would be impossible to do our work. To be sustainable means being long-lasting and Acerinox is an example of long-lasting relationships with our shareholders, clients, suppliers, employees and friends. We want everyone we meet to stay by our side, and we believe that this positive relationship and the unity between us all always works to the benefit of the group as a whole.

Along these same lines we continue to work for the benefit and progress of our surrounding communities. We want to be the preferred employer in the countries and cities where we are based, especially for young people. Just as with our past and current employees, we want the next generation to see Acerinox as a place to develop a lifelong career. These days job retention is the biggest use that can be made of social responsibility.

We are aware of our responsibility towards society and the environment, and in addition to being on the largest recyclers of scrap metal worldwide we are the industry's biggest contributors to a countless number of waste reduction through reuse projects. We have made the efficient use of resources our reason for living. Our main competitive advantage comes from our obsession with improving on the efficient use of natural resources, both in terms of the rational use of energy and of the optimization of raw materials required for our work.

Lastly, I have to once again thank the generosity of our first generation of Acerinox managers and employees, who continue their exemplary transition, sharing the knowledge gained from over 40 years of experience with the new generation. They are our example of professionalism and dedication, and we are positive that they continue to feel proud of their contribution to Acerinox's success.

Thanks as well to the entire Acerinox team, especially the management team, for their efforts and support during these difficult times. We owe them the success of our company and we keep looking ahead with optimism. The world stage will improve – it is already improving – and we will soon have a new reason to show that we have taking advantage of the time we have and that we are and will remain the benchmark for the global stainless steel industry.

Thank you very much for your time.

Bernardo Velázquez