pwc

ACERINOX, S.A.
AND SUBSIDIARIES

Report on limited review,
Condensed interim consolidated financial statements and
Interim consolidated directors' Report
at 30 June 2019

Free translation of the report on limited review of condensed interim consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Acerinox, S.A.:

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Acerinox, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the Group"), which comprise the statement of financial position as at June 30, 2019, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2019 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

pwc

Emphasis of Matter

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the Group for the year ended December 31, 2018. Our conclusion is not modified in respect of this matter.

Other Matters

Interim consolidated directors´ Report

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2019 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2019. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Acerinox, S.A. and its subsidiaries´ accounting records.

Preparation of this review report

This report has been prepared at the request of the Board of Director in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Originally in Spanish signed by
Mar Gallardo

25 July 2019

INF REV LIM EEFF CONSOL 30-06-19 INGLES - Nº PROTOCOLO **146562**

ACERINOX, S.A.

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019

DISTRIBUCION

CLIENTE	2
PwC - Madrid	1
	3

ACERINOX, S.A. AND SUBSIDIARIES

Condensed consolidated interim financial statements for the first half of 2019

30 June 2019

(Free translation from the original in Spanish. In the event of

discrepancy,

the Spanish-language version prevails.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(Figures in thousands of euros at 30 June 2019 and 31 December 2018)

	Note	30-jun-19	31-dic-18
ASSETS			
Non-current assets			
Goodwill	7	69.124	69.124
Other intangible assets	7	2.684	2.249
Property, plant and equipment	8	1.889.979	1.890.907
Investment property	8	16.366	16.535
Right-of-use assets	9	7.098	
Financial assets at fair value with changes through other comprehensive income	11	11.558	11.514
Deferred tax assets		146.031	141.946
Other non-current financial assets	11, 13	1.414	1.498
TOTAL NON-CURRENT ASSETS		2.144.254	2.133.773
Current assets			
Inventories	10	1.042.638	1.018.738
Trade and other receivables	11, 13	669.780	578.126
Other current financial assets	11, 13	13.111	7.747
Current tax assets		20.332	19.093
Cash and cash equivalents		826.563	850.113
TOTAL CURRENT ASSETS		2.572.424	2.473.817
TOTAL ASSETS		4.716.678	4.607.590

The condensed notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

(Figures in thousands of euros at 30 June 2019 and 31 December 2018)

	Note	30-jun-19	31-dic-18
LIABILITIES			
Equity			
Subscribed capital	15	67.637	69.017
Share premium		27.313	81.403
Reserves		1.681.113	1.563.921
Profit for the year		69.342	237.086
Translation differences		119.569	113.991
Other equity instruments	22	1.083	601
Shares of the Parent		-1.062	-3.417
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		**1.964.995**	**2.062.602**
Non-controlling interests		54.701	56.697
TOTAL EQUITY		**2.019.696**	**2.119.299**
Non-current liabilities			
Deferred income		11.601	6.876
Issue of bonds and other marketable securities	11, 13	74.500	74.450
Bank borrowings	11, 13	1.048.235	951.842
Non-current provisions		12.049	19.805
Deferred tax liabilities		152.425	164.877
Other non-current financial liabilities	11, 13	21.267	8.373
TOTAL NON-CURRENT LIABILITIES		**1.320.077**	**1.226.223**
Current liabilities			
Bonds and other marketable securities	11, 12	3.493	1.635
Bank borrowings	11, 12	342.130	374.254
Trade and other payables	11	969.711	860.370
Current tax liabilities		5.121	23.576
Other current financial liabilities	11, 13	56.450	2.233
TOTAL CURRENT LIABILITIES		**1.376.905**	**1.262.068**
TOTAL LIABILITIES		**4.716.678**	**4.607.590**

The condensed notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

2. CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(Figures in thousands of euros at 30 June 2019 and 2018)

	Note	30-Jun-19	30-Jun-18
Revenue	**20**	**2,441,543**	**2,587,940**
Other operating income	20	7,345	5,012
Self-constructed non-current assets	20	1,428	3,925
Changes in inventories of finished goods and work in progress		25,819	24,790
Supplies		-1,746,950	-1,827,577
Personnel expenses		-211,888	-199,175
Amortisation and depreciation	7, 8, 9	-88,675	-83,097
Other operating expenses		-329,067	-328,108
RESULTS FROM OPERATING ACTIVITIES		**99,555**	**183,710**
Finance income		9,691	8,212
Finance costs		-17,386	-16,240
Translation differences		-3,032	13,299
Fair value measurement of financial instruments		9,624	-7,035
PROFIT FROM ORDINARY ACTIVITIES		**98,452**	**181,946**
Income tax	17	-30,109	-48,515
Other taxes		-2,224	-1,827
PROFIT FOR THE YEAR		**66,119**	**131,604**
Attributable to:			
NON-CONTROLLING INTERESTS		**-3,223**	**-6,416**
NET PROFIT ATTRIBUTABLE TO THE GROUP		**69,342**	**138,020**
Basic and diluted earnings per share (in Euros)		0.25	0.50

The condensed notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

3. CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(Figures in thousands of euros at 30 June 2019 and 2018)

	30-Jun-19	30-Jun-18
A) PROFIT FOR THE YEAR	**66,119**	**131,604**
B) OTHER COMPREHENSIVE INCOME - ITEMS NOT RECYCLED TO PROFIT OR LOSS FOR THE PERIOD	**33**	**-1,502**
1. From recognition of equity instruments at fair value through other comprehensive income	44	-2,003
2. Actuarial gains and losses and other adjustments		
3. Tax effect	-11	501
C) OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECYCLED TO PROFIT OR LOSS FOR THE PERIOD	**2,680**	**39,203**
1. Cash flow hedges		
- Valuation gains/(losses)	-6,616	-3,809
- Amounts transferred to the income statement	1,154	697
2. Translation differences		
- Valuation gains/(losses)	6,796	41,556
- Amounts transferred to the income statement		
3. Tax effect	1,346	759
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**68,832**	**169,305**
a) Attributable to the Parent	70,837	180,494
b) Attributable to non-controlling interests	-2,005	-11,189

The condensed notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

4. CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Movement for the reported period is as follows:

(Figures in thousands of euros)

	Equity attributable to shareholders of the parent									
	Subscribed capital	**Share premium**	**Reserves (includes profit for the year)**	**Other equity instruments**	**Translation differences**	**Valuation adjustments**	**Treasury shares**	**TOTAL**	**Non-controlling interests**	**TOTAL EQUITY**
Total equity at 31/12/2018	69,017	81,403	1,809,310	601	113,991	-8,303	-3,417	2,062,602	56,697	2,119,299
Year-to-date result at June 2019			69,342					69,342	-3,223	66,119
Cash flow hedges (net of tax)						-4,116		-4,116		-4,116
Valuation of equity instruments (net of tax)						33		33		33
Translation differences					5,578			5,578	1,218	6,796
Net profit directly recognised in equity					5,578	-4,083		1,495	1,218	2,713
Total comprehensive income	0	0	69,342	0	5,578	-4,083	0	70,837	-2,005	68,832
Distribution of dividend			-81,136					-81,136		-81,136
Distribution of share premium		-54,090						-54,090		-54,090
Acquisition of shares from non-controlling interests								0		0
Transactions with shareholders	0	-54,090	-81,136	0	0	0	0	-135,226	0	-135,226
Acquisition of own shares							-48,693	-48,693		-48,693
Redemption of own shares	-1,380		-49,668				51,048	0		0
Long-term incentive plan for senior managers				482				482	9	491
Transfers			-5,021			5,021		0		0
Other changes			14,993					14,993		14,993
Total equity at 30/06/19	67,637	27,313	1,757,820	1,083	119,569	-7,365	-1,062	1,964,995	54,701	2,019,696

The condensed notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

Movement for the same interim period of the prior year is as follows:

(Figures in thousands of euros)

	Equity attributable to shareholders of the parent									
	Subscribed capital	Share premium	Reserves (includes profit for the year)	Other equity instruments	Translation differences	Valuation adjustments	Treasury shares	TOTAL	Non-controlling interests	TOTAL EQUITY
Total equity at 31/12/2017	69,017	81,403	1,736,265	0	13,073	-2,622	-1	1,897,135	73,161	1,970,296
Year-to-date result at June 2018			138,020					138,020	-6,416	131,604
Cash flow hedges (net of tax)						-2,353		-2,353		-2,353
Valuation of equity instruments (net of tax)						-1,502		-1,502		-1,502
Translation differences					46,329			46,329	-4,773	41,556
Net profit directly recognised in equity					46,329	-3,855		42,474	-4,773	37,701
Total comprehensive income	0	0	138,020	0	46,329	-3,855	0	180,494	-11,189	169,305
Distribution of dividend			-124,230					-124,230		-124,230
Acquisition of shares from non-controlling interests								0		0
Transactions with shareholders	0	0	-124,230	0	0	0	0	-124,230	0	-124,230
Acquisition of own shares							-1,061	-1,061		-1,061
Long-term incentive plan for senior managers				291				291	15	306
Other changes			106		-106			0		0
Total equity at 30/06/18	69,017	81,403	1,750,161	291	59,296	-6,477	-1,062	1,952,629	61,987	2,014,616

The condensed notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

5. CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(Figures in thousands of euros at 30 June 2019 and 2018)

	30-Jun-19	30-Jun-18
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	98,452	**181,946**
Adjustments for:		
Depreciation	88,675	83,097
Impairment losses	-9,194	-524
Change in provisions	-560	-226
Grants recognised in the income statement	-1,444	1,015
Gains/(losses) on disposal of fixed assets	1,463	746
Proceeds from sale of financial instruments	0	
Change in fair value of financial instruments	-14,893	9,165
Finance income	-9,691	-8,212
Finance costs	17,386	16,240
Other income and expense	3,219	-9,889
Changes in working capital:		
(Increase)/decrease in trade and other receivables	-79,940	-113,398
(Increase)/decrease in inventories	-5,250	-62,446
(Increase)/decrease in trade and other payables	96,645	89,580
Other cash flows from operating activities		
Interest paid	-14,845	-13,805
Interest received	9,691	6,929
Income tax paid	-76,135	-49,093
NET CASH FROM OPERATING ACTIVITIES	**103,579**	**131,125**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-68,405	-63,402
Acquisition of intangible assets	-759	-257
Dependent acquisition, net of cash proceeds	0	
Acquisition of other financial assets	-166	-119
Proceeds from sale of property, plant and equipment	4,636	619
Proceeds from sale of intangible assets	0	
Proceeds from sale of other financial assets	3	1
Dividends received	1	
NET CASH FROM INVESTING ACTIVITIES	**-64,690**	**-63,158**
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of own shares	-48,693	-1,061
External financing received	442,708	306,177
Repayment of interest-bearing liabilities	-380,671	-214,116
Dividends paid	-81,136	
NET CASH FROM FINANCING ACTIVITIES	**-67,792**	**91,000**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**-28,903**	**158,967**
Cash and cash equivalents at the beginning of the period	850,114	620,536
Effect of exchange rate fluctuations	5,352	9,117
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**826,563**	**788,620**

The condensed notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

CONTENTS: NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

Acerinox, S.A. (hereinafter the Company) was incorporated with limited liability and for an indefinite term under the laws of Spain on 30 September 1970. Its registered office is located at Calle Santiago de Compostela, 100, Madrid, Spain.

The accompanying condensed consolidated interim financial statements include the Company and all its subsidiaries.

The latest approved annual financial statements, which were for 2018, are publicly available at the Company's headquarters, on the Group's website (www.acerinox.es) and on the website of the Spanish National Securities Market Commission (CNMV).

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 25 July 2019.

NOTE 2 – STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting. These financial statements do not include all the information required of complete financial statements and should be read and interpreted in conjunction with the Group's published annual financial statements for the year ended 31 December 2018.

NOTE 3 – ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the first half of 2019 have been prepared using the same accounting principles (IFRS-EU) as for 2018, except for the standards and amendments adopted by the European Union which are obligatory as of 1 January 2019. The Group has started applying this year IFRS 16 on leases, which replaces the old IFRS 17. The Group has decided to apply the new rule on a retroactive basis, that is, by recognising the cumulative effect of the initial application of the standard on the date of initial application and without restating comparative information. In **note 3.1** there is a description of the new standard, and the Group's analysis of its initial application.

These condensed consolidated interim financial statements of the Acerinox Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and related interpretations (IFRIC), as adopted by the European Union (hereinafter IFRS-EU) and other provisions of the applicable financial reporting framework.

3.1 New standards adopted by the Group in 2019

Of the standards and amendments adopted by the European Union that are mandatory from 1 January 2019, those that have had an impact on the Group are detailed below:

IFRS 16 — Leases.

The Group has started applying the new IFRS 16 standard for leases on 1 January 2019.

As set out in the standard, the Group has recognised lease assets and liabilities in the statement of financial position (except for short-term leases and leases of low-value assets).

The Group is applying the exemption in the standard for short-term leases and leases with a low-value underlying asset under which the lessee can continue to record lease payments for such leases as expenses on a straight-line basis over the term of the lease.

With respect to transition, the Group, as permitted by the standard, has decided to apply it retroactively, recognising the cumulative effect of the initial application of the standard on the date of initial application. Therefore, it has not restated the comparative information. The Group has applied the following principles of initial application:

- Where it acts as a lessee, the Group recognises a lease liability on the initial date of application for all leases previously classified as operating leases in accordance with IAS 17 (except in the aforementioned cases). The lease liability has been measured at the current value of remaining lease payments, discounted using either the interest rate implied in the lease – if that rate can be easily determined – or the incremental interest rate of the lessees' debt for cases in which the rate is not established in leases.

- At the same time, the Group has recognised an asset by right measured for an amount equal to the amount of the lease liability.

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application is the carrying amount of the asset and lease liability.

In addition, the Acerinox Group has decided to avail itself of the practical solution that allows the rule in transition whereby it has not re-evaluated whether a contract is, or contains, a lease on the date of initial application. Instead, it has applied this standard to contracts that had previously been identified as leases in accordance with IAS 17 and IFRIC 4 - Determining whether an arrangement contains a lease. Consequently, the Group applies requirements with respect to the identification of a lease to contracts entered into (or modified) from the initial application date, 1 January 2019.

It also has not recognised the lease liability and the right-of-use asset for leases whose term expires within twelve months of the date of initial application, rather it has accounted for such leases as short-term leases, i.e. as an expense on a straight-line basis over the lease term.

From 1 January 2019, the Group identifies the existence of a lease in new contracts, determines the lease term and measures it in accordance with IFRS 16.

In determining the lease term, the Group considers the non-revocable term of the lease, to which the following is added:

- the periods covered by the option to extend the lease, if reasonably certain that it will exercise that option; and

- the periods covered by the option to terminate the lease, if is reasonably certain that it will not exercise that option.

A tenancy ceases to be enforceable when both the lessee and the lessor have the right to terminate the tenancy without the permission of the other party, subjecting themselves only to a negligible penalty.

For the determination of lease payments, the Group takes into account:

a) fixed payments, less the lease incentives to be collected;
b) variable lease payments that are dependent on an index or rate, initially valued according to the index or rate on the starting date;
c) the amounts expected to be paid by the lessee as residual value guarantees;
d) the exercise price of a purchase option, if the lessee is reasonably certain that it will exercise that option;
e) lease termination penalty payments, if the term of the lease reflects the lessee's exercise of the option to terminate the lease.

Note 9 includes detailed information on right-of-use assets recognised by the Group and lease liabilities.

IFRIC Interpretation 23 — Uncertainty over income tax treatments.

The Group applies this standard from 1 January 2019. The standard provides the requirements on how to reflect the effects of uncertainty when accounting for income tax.

As explained in the 2018 financial statements, the Group has had ongoing tax litigation with the Italian authorities since the year 2011 and has provisioned amounts for potential outcomes arising from any final agreements reached in the proceedings. As these are uncertain tax liabilities, the Group, in accordance with the standard, has reclassified them from "non-current provisions" on the balance sheet to deferred tax liabilities, as it's an income tax payable, but it's not expected to be paid in the short term. The Group has reclassify the amount as non current income tax debt. The Group made this reclassification on 1 January 2019 without changing the comparative data of the previous year. The provision amounted to 7,815 thousand euros at 30 June 2019.

Amendment to IFRS 9 — Classification of certain prepayable assets.

The Group has applied this standard from 1 January 2019. This amendment proposes a narrow exception to IFRS 9 for particular financial assets which, despite having contractual cash flows that are solely payments of principal and interest, do not meet this condition as a result of a prepayment feature. No impact on the Group as it does not hold this type of instrument.

3.2 New mandatory standards and interpretations to take effect in future periods

A number of new standards and interpretations have also been published. These will be obligatory for forthcoming annual periods and have not been adopted early. The consolidated annual financial statements for 2018 include details of the standards or interpretations already adopted or pending adoption by the European Union and that will be obligatory in the coming years.

NOTE 4 – ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting estimates and judgements used by the Group during this interim period have been applied consistently with those used for the latest approved annual financial statements, which were for 2018.

With respect to the deferred taxes liabilities recognised by the Group arising from investments in subsidiaries, as the 2018 financial statements explain, certain companies in the Consolidated Group have reserves that could be subject to tax if distributed. The Group recognises the tax effect of this item whenever it considers that it will be probable that it will be distributed and, therefore, considers that the associated temporary difference will be reversed in the foreseeable future. For these purposes, at 31 December 2018, the Group had recognised liabilities of 25 million euros relating to the foreseeable distribution of reserves in the amount of 250 million euros. During this year, the Group has repatriated reserves amounting to 134 million euros, subject to taxation. Hence, it has reverted 13.4 million euros as it does not consider the repatriation of further amounts in excess of the expected 116 million euros to be probable. Any necessity in addition to these amounts could be covered by income generated in the future.

NOTE 5 - SEASONAL OR CYCLICAL NATURE OF TRANSACTIONS

The Acerinox Group's activities are not seasonal in nature.

NOTE 6 – SIGNIFICANT EVENTS TAKING PLACE IN THE FIRST HALF OF 2019

Market environment

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.

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.

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.

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.

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.

Results

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

H1 EBITDA[1] 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%.

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.

Pre-tax profits stood at €98 million, 46% higher than those for the same period the previous year.

Profit after taxes and minority interests totalled €69 million, a figure 50% lower than that of the first half of last year.

The free cash flow[2], after CAPEX, generated was €39 million.

The return to shareholder amounted to €130 million, 81 million through a dividend distribution and 40 million through a share buy-back.

The net financial debt[3] (€642 million) increased by €90 million with respect to December.

---

[1] EBITDA = Results from ordinary activities – Amortisations and depreciations – Changes in trade provisions for an amount of 1.747 thousand euros included under other operating expenses of the income statement (-1.385 thousand euros as of 30 June 2018)

[2] Free cash flow = net cash from operating activities + Net cash from investing activities

[3] Net financial debt = Issue of bonds and other marketable securities (current and non current) + Current and non current bank borrowings – Cash and cash equivalents.

NOTE 7 – INTANGIBLE ASSETS

Movement in intangible assets is as follows:

(Figures in thousands of euros)

COST	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Balance at 1 January 2018	**24,312**	**25,929**	**50,241**	**69,124**
Acquisitions		901	901	
Transfers		151	151	
Disposals		-748	-748	
Translation differences		-188	-188	
Balance at 31 December 2018	**24,312**	**26,045**	**50,357**	**69,124**
Additions		779	779	
Transfers		0	0	
Disposals		0	0	
Translation differences		44	44	
Balance at 30 June 2019	**24,312**	**26,868**	**51,180**	**69,124**

ACCUMULATED AMORTISATION AND IMPAIRMENT	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Balance at 1 January 2018	**24,312**	**23,419**	**47,731**	**0**
Charges		1,299	1,299	
Transfers		-36	-36	
Disposals		-745	-745	
Translation differences		-141	-141	
Balance at 31 December 2018	**24,312**	**23,796**	**48,108**	**0**
Charges		359	359	
Disposals			0	
Translation differences		29	29	
Balance at 30 June 2019	**24,312**	**24,184**	**48,496**	**0**

CARRYING AMOUNT	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Cost at 1 January 2018	24,312	25,929	50,241	69,124
Accumulated amortisation and impairment	-24,312	-23,419	-47,731	
Carrying amount at 1 January 2018	**0**	**2,510**	**2,510**	**69,124**
Cost at 31 December 2018	24,312	26,045	50,357	69,124
Accumulated amortisation and impairment	-24,312	-23,796	-48,108	
Carrying amount at 31 December 2018	**0**	**2,249**	**2,249**	**69,124**
Cost at 30 June 2019	24,312	26,868	51,180	69,124
Accumulated amortisation and impairment	-24,312	-24,184	-48,496	
Carrying amount at 30 June 2019	**0**	**2,684**	**2,684**	**69,124**

Impairment

The Group did not recognise any impairment on intangible assets at 30 June 2019 or 30 June 2018.

With respect to goodwill, the Group estimates the recoverable amount of goodwill on an annual basis, or more frequently where there are indications of possible impairment. As explained in the 2018 financial statements, goodwill totals 69 million euros and mainly relates to the acquisition of a controlling interest in Columbus Stainless, Ltd. in 2002.

The key assumptions used to calculate value in use were as follows:

	2018	2017
Budgeted EBIT margin (*)	4.5%	5.8%
Weighted average growth rate (**)	2.5%	2.5%
Discount rate applied (***)	13.1%	12.5%

(*) EBIT margin, considered equivalent to operating profit/loss (as a percentage of net revenue). Average value of the budgeted period.
(**) Used to extrapolate cash flows beyond the budgeted
(***) WACC Weighted Average Cost of Capital

The variables used in were a Euro-Rand exchange rate (16.459) and the price of raw materials (11,200 USD/MT).

The impairment test performed at 31 December 2018 showed that the recoverable amount exceeds the carrying amount by 76.1 million euros.

At 30 June 2019, the global situation of trade war and the uncertainties it generates, even for Columbus, which was not affected by the definitive safeguard measures taken by the European Commission, are slowing down the expected recovery in both sales volume and in margins. This has prevented the expected results from being achieved, due mainly to the smaller order backlog, both in the local market and in exports, and worse-than-expected margins due to low production. The Group has revised the expected budget for 2019. Nevertheless, the Group considers that estimates for the coming years do not change, as it retains confidence in the forward-looking assumptions set out in the budgets. However, the impairment test performed last year with the new 2019 budget has been revised, and the results obtained do not alter the conclusions reached at the close of 2018, so it is not necessary to record any impairment in goodwill.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Movement in property, plant and equipment and investment property is as follows:

(Figures in thousands of euros)

COST	Land and buildings	Technical installations and machinery	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL Property, plant and equipment	Investment property
Balance at 1 January 2018	**790,224**	**3,709,269**	**86,287**	**126,866**	**4,712,646**	**22,165**
Adjustment for hyperinflation	449	77	168		694	
Additions	1,017	33,263	3,500	105,215	142,995	
Transfers	6,289	31,449	1,984	-39,873	-151	
Disposals	-157	-22,817	-3,620		-26,594	-1,529
Translation differences	18,340	67,536	631	413	86,920	-25
Balance at 31 December 2018	**816,162**	**3,818,777**	**88,950**	**192,621**	**4,916,510**	**20,611**
Additions	510	34,056	2,020	40,895	77,481	
Transfers	38,638	155,167	1,194	-194,999	0	
Disposals	-3,273	-10,921	-356		-14,550	
Translation differences	6,250	20,839	273	138	27,500	-8
Balance at 30 June 2019	**858,287**	**4,017,918**	**92,081**	**38,655**	**5,006,941**	**20,603**

ACCUMULATED AMORTISATION AND IMPAIRMENT	Land and buildings	Technical installations and machinery	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL	Investment property
Balance at 1 January 2018	**327,962**	**2,434,274**	**82,002**	**0**	**2,844,238**	**4,445**
Charges	16,635	143,365	4,504		164,504	337
Adjustment for hyperinflation	226	63	157		446	
Transfers		33	3		36	
Disposals	-61	-19,070	-3,574		-22,705	-702
Translation differences	5,776	32,452	856		39,084	-4
Balance at 31 December 2018	**350,538**	**2,591,117**	**83,948**	**0**	**3,025,603**	**4,076**
Charges	8,538	75,184	2,928		86,650	162
Disposals	-445	-8,115	-345		-8,905	
Translation differences	1,311	12,057	246		13,614	-1
Balance at 30 June 2019	**359,942**	**2,670,243**	**86,777**	**0**	**3,116,962**	**4,237**

CARRYING AMOUNT	Land and buildings	Technical installations and machinery	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL Property, plant and equipment	Investment property
Cost at 1 January 2018	790,224	3,709,269	86,287	126,866	4,712,646	22,165
Accumulated amortisation and impairment	-327,962	-2,434,274	-82,002		-2,844,238	-4,445
Carrying amount at 1 January 2018	**462,262**	**1,274,995**	**4,285**	**126,866**	**1,868,408**	**17,720**
Cost at 31 December 2018	816,162	3,818,777	88,950	192,621	4,916,510	20,611
Accumulated amortisation and impairment	-350,538	-2,591,117	-83,948		-3,025,603	-4,076
Carrying amount at 31 December 2018	**465,624**	**1,227,660**	**5,002**	**192,621**	**1,890,907**	**16,535**
Cost at 30 June 2019	858,287	4,017,918	92,081	38,655	5,006,941	20,603
Accumulated amortisation and impairment	-359,942	-2,670,243	-86,777		-3,116,962	-4,237
Carrying amount at 30 June 2019	**498,345**	**1,347,675**	**5,304**	**38,655**	**1,889,979**	**16,366**

Investments made in property, plant and equipment and intangible assets, and in right-of-use assets under lease agreements amount to 78,970 thousand euros, of which 35,181 thousand relates to those made by Acerinox Europa 23,266 by NAS and 15,607 by Columbus. Investments in the first half of 2018 amounted to 65,255 thousand euros (of which 46,420 thousand was invested by Acerinox Europa in the new rolling mill and the fifth annealing and pickling line and 10,212 thousand euros were made by NAS).

In January 2019, the Acerinox Europa Group company reclassified the investments made in the new rolling mill and in the fifth annealing and pickling line from property, plant and equipment under construction to finished PPE, after having reached the optimum production volumes and quality determined by management. The reclassified amount amounts to 150,748 thousand euros and has entailed an increase in depreciation of 627 thousand euros/month. The amount of 19,471 thousand was also reclassified from property, plant and equipment under construction owing to the improvements made to the AP3 annealing and pickling line.

Disposals of fixed assets

The gain on the sale of property, plant and equipment or the removal of assets from service totalled 247 thousand euros and has been recognised under Other operating income in the income statement at June 2019 (246 thousand at June 2018).

Losses on the sale of property, plant and equipment or the removal of assets from service totalled 1,709 thousand euros at June 2019 (991 thousand euros at June 2018) and are recognised under Other operating expenses on the income statement. Most these losses related to the derecognition of spares parts for property, plant and equipment.

Commitments

At 30 June 2019, the Group had entered into contracts to acquire new equipment and installations for 78,297 thousand euros, of which 37,231 thousand euros relate to investments being made by Acerinox Europa and 22,266 thousand in NAS. At 31 December 2018 the Group had signed contracts to purchase new equipment and facilities amounting to 64,346 thousand euros, of which 40,615 thousand was for new investments made by Acerinox Europa to complete its investments in the new rolling mill and the fifth annealing and pickling line.

Impairment losses

As stated in the annual financial statements of the Acerinox Group, the carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there are any indications of impairment. As explained in the Group's financial statements for 2018, there were indications of impairment at Bahru Stainless Sdn. Bhd. and Acerinox S.C. Malaysia Sdn. Bhd, based mainly on the existence of losses in both companies and the substantial deviation from the estimates made, especially in the case of Bahru Stainless.

In the case of Bahru, during the first half of the year, the Group monitored the 2019 budget and the assumptions on which it was based. The conclusions of this monitoring have been:

- The number of tonnes sold were slightly lower than those budgeted in the first quarter, but not in the second quarter, where the volumes budgeted were exceeded
- Operating income was 28% better than budgeted for the first half of 2019
- Sales prices were slightly lower than forecast, but the cost of sales was also lower, thus improving margins.

The capital increase planned for July will also reduce the company's financial charges.

For these reasons, the Group considers that it is not necessary to review in this interim period the 10-year budgets prepared by the Group, which reflected an excess of recoverable value of 75.3 million euros over the carrying amount at 2018 year-end.

NOTE 9 - RIGHT-OF-USE ASSETS (LEASES)

The detail and movement in the exercise right-of use assets measured in accordance with the present value of future lease payments is as follows:

(Figures in thousands of euros)

COST	Land and buildings	Technical installations and machinery	Other property, plant and equipment	TOTAL Right-of-use assets
Balance at 1 January 2019	2,311	4,590	974	7,875
Additions	18	0	692	710
Transfers	0	0	0	0
Disposals	0	0	0	0
Translation differences	6	6	2	14
Balance at 30 June 2019	2,335	4,596	1,668	8,599

ACCUMULATED AMORTISATION AND IMPAIRMENT	Land and buildings	Technical installations and machinery	Other property, plant and equipment	TOTAL
Balance at 1 January 2019	0	0	0	0
Charges	218	1,051	235	1,504
Transfers	0	0	0	0
Disposals	0	0	0	0
Translation differences	-1	-1	-1	-3
Balance at 30 June 2019	217	1,050	234	1,501

CARRYING AMOUNT	Land and buildings	Technical installations and machinery	Other property, plant and equipment	TOTAL Property, plant and equipment
Cost at 1 January 2019	2,311	4,590	974	7,875
Accumulated amortisation and impairment	0	0	0	0
Carrying amount at 1 January 2019	2,311	4,590	974	7,875
Cost at 30 June 2019	2,335	4,596	1,668	8,599
Accumulated amortisation and impairment	-217	-1,050	-234	-1,501
Carrying amount at 30 June 2019	2,118	3,546	1,434	7,098

The Group has recognised right-of-use assets measured for an amount equivalent to the amount of the lease liability. The balance of lease liabilities at 30 June 2019 amounted to 6,870 thousand euros, most of which is included under "Other non-current financial liabilities". Interest expense on lease liabilities recognised by the Group at 30 June amounted to 106 thousand euros.

The amount of lease expenses relating to low-value assets or short-term leases recognised under "operating expenses" in the income statement amounted to 4,579 thousand euros.

NOTE 10 – INVENTORIES

Details are as follows:

(Figures in thousands of euros)

	At 30 June 2019	At 31 December 2018
Raw materials and other supplies	351,561	359,574
Work in progress	183,716	194,410
Finished goods	468,678	428,560
By-products, waste and recoverable materials	37,053	35,899
Advances	1,630	295
TOTAL	1,042,638	1,018,738

Raw materials and other supplies includes 12,249 thousand euros relating to valuation of the emission allowance held by the Group at the end of the period. (7,951 thousand at 31 December 2018).

The adjustment recognised at 30 June 2019 to measure inventories at their net realisable value amounts to 12,749 thousand euros (21,981 thousand at 31 December 2018).

NOTE 11 – FINANCIAL INSTRUMENTS

Details of the Group's financial assets, except investments in associates, at 30 June 2019 and year-end 2018 are as follows:

(Figures in thousands of euros)

Classes / Categories	Non-current financial instruments						Current financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
	2,019	2,018	2,019	2,018	2,019	2,018	2,019	2,018	2,019	2,018	2,019	2,018
Loans and receivables					1,414	1,498					670,514	583,309
Held-to-maturity investments												
Equity instruments												
- At fair value through other comprehensive income	11,270	11,227										
- At cost	288	287										
Assets at fair value through profit or loss											12,377	2,564
Hedging derivatives												
TOTAL	**11,558**	**11,514**	**0**	**0**	**1,414**	**1,498**	**0**	**0**	**0**	**0**	**682,891**	**585,873**

At 30 June 2019 and year-end 2018 the Group had the following financial liabilities:

(Figures in thousands of euros)

Classes / Categories	Non-current financial instruments						Current financial instruments					
	Loans and borrowings		Bonds and other marketable securities		Payables, derivatives and other		Loans and borrowings		Bonds and other marketable securities		Payables, derivatives and other	
	2,019	2,018	2,019	2,018	2,019	2,018	2,019	2,018	2,019	2,018	2,019	2,018
Loans and payables	1,048,235	951,842	74,500	74,450	10,930	3,556	342,130	374,254	3,493	1,635	1,023,802	860,370
Liabilities at fair value through profit or loss											1,825	1,566
Hedging derivatives					10,337	4,817					534	667
TOTAL	**1,048,235**	**951,842**	**74,500**	**74,450**	**21,267**	**8,373**	**342,130**	**374,254**	**3,493**	**1,635**	**1,026,161**	**862,603**

11.1 Measurement of fair value

The Group measures financial assets at fair value through other comprehensive income and derivative financial instruments at fair value.

Financial instruments measured at fair value are classified based on valuation inputs into the following levels:

LEVEL 1: quoted prices in active markets
LEVEL 2: observable market variables other than quoted prices
LEVEL 3: variables not observable in the market

The Group measures derivative financial instruments and designated financial assets at fair value through other comprehensive income.

As at 30 June 2019 and 31 December 2018, the situation in the Group of financial instruments measured at fair value is as follows:

(Figures in thousands of euros)

	30-jun-19			31-dic-18		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets at fair value with changes through other comprehensive income	11.270			11227		
Financial derivatives (assets)		12.377			2.564	
TOTAL	11.270	12.377	0	11.227	2.564	0
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial derivatives (liabilities)		12.696			7.050	
TOTAL	0	12.696	0	0	7.050	0

No financial assets or financial liabilities at fair value have been transferred between levels.

In the case of Level 2 financial instruments, the Group uses generally accepted valuation techniques that take into account spot and future exchange rates at the valuation date, forward interest rates, interest rate spreads and credit risk of both the Group and its counterparty, i.e. the financial institutions with which it operates.

11.2 Financial assets at fair value through other comprehensive income

As explained in the consolidated financial statements for 2018, Acerinox classifies in this category the shares that the Group does not intend to sell and that it has designated in this category at the initial moment. Specifically, the Group has classified in this category the shares it holds in Nippon Steel & Sumitomo Metal Corporation (Nippon) (formerly Nisshin Steel Co. Ltd (Nisshin)).

In March 2017, Nippon acquired a significant stake in Nisshin. In May 2018, in order to finalise the synergies between the two Groups, the Board of Directors considered it necessary to acquire control of 100% of the shares of Nisshin in order to complete the consolidation process.

Thus, based on the agreements reached at the extraordinary General Meeting called by Nisshin Steel Co., Ltd., effective 1 January 2019, a swap of the shares of Nisshin Steel Co., Ltd. was carried out for shares of Nippon Steel Co., Ltd. (NIsshin) for shares of Nippon Steel & Sumitomo Metal Corporation (Nippon). Acerinox held 1,052,600 shares of Nisshin Steel, which represented a percentage ownership of 0.96%. As a result of these agreements Acerinox, S.A. has received 0.71 shares of Nippon for each share of Nisshin. In total it has received 747,346 shares of Nippon. Nisshin's shares ceased trading on 26 December 2018.

At 31 December 2018, the fair value of Nisshin shares was determined by multiplying the market value of Nippon shares by the number of shares that it would hold from 1 January 2019.

The Group has decided to maintain the classification of this portfolio of shares into financial assets at fair value with changes in other comprehensive income, since this is a strategic holding that is not held with the intention of selling it. Nisshin Steel has, in turn, a 15.49% interest in Acerinox.

During this year, the Group has derecognised the shares it held at 31 December 2018 at their fair value at that date (11,227 thousand euros) and recognised the new shares for the same amount, since this was the fair value on the effective date of the exchange. The amount of accumulated reserves in other comprehensive income (-5,022 thousand euros), as a result of the valuation at fair value through other comprehensive income has been reclassified to reserves from accumulated results.

At 30 June 2019, the Group recognised the change in fair value for the year in the amount of 44 thousand euros in other comprehensive income.

NOTE 12 – LOANS AND BORROWINGS

At 30 June 2019, the Acerinox Group's bank financing facilities and private placements amounted to 2,090 million euros, while approved non-recourse factoring facilities totalled 420 million euros (1,903 million at 31 December 2018 for both bank and factoring facilities). A total of 1,468 million euros had been drawn under the bank facilities at 30 June 2019, while 184 million euros had been utilised under the factoring facilities (1,402 million and 152 million at 31 December 2018, respectively).

The most significant financing operations in the first half of 2019 were as follows:

The renewal of the Syndicated Factoring agreement between the Acerinox Group entities and Abanca, BBVA, Banca March, Banco Sabadell, Bankia, Bankinter, BMCE International, Caixabank and Santander Factoring and Confirming for 370 million euros until 30 June 2021, with the possibility of a tacit renewal for another year.

During the first half of 2019, two new loans were signed, one with Bankinter of EUR 30 million *bullet* over three years and the other with Caixabank of EUR 50 million over five years with a three-year grace period. All these loans have been granted to Acerinox S.A.

The refinancing of the EUR 160 million Bankia loan, of which EUR 40 million was new debt. The loan was disbursed on June 28, 2019, and matures on 28 June 2024. This loan has a three-year grace period and will be repaid in five half-yearly instalments of EUR 32 million each, the first in June 2022 and the last on the due date. The loan was granted to Acerinox S.A.

In addition, two loans signed with Kutxabank amounting to EUR 65 million (of which EUR 15 million were new debt) and with Unicaja amounting to EUR 40 million (EUR 15 million also increased in this period) have been refinanced, in both cases extending the maturity until 2024 and improving the financing conditions.

In the case of debt renegotiations, the Group has assessed the significance of the modifications made to determine whether they are materially different and, therefore, it has recognised the effects of the new agreement as if it were a cancellation and, simultaneously, a new loan. During this fiscal year, the amount of the fees recorded as income for the renegotiated loans with Kutxabank, Unicaja and Bankia, which were deregistered from liability, is 266 thousand euros.

The Acerinox Group has satisfactorily met the repayment schedules for its financial debt.

The fair value of the Group's financial debt does not differ significantly from its amortised cost.

It should be noted that none of the loans signed during the first half of 2019 are conditional on compliance with annual financial ratios. The only loans conditional on compliance with covenants are those already detailed in the consolidated Group's financial statements at 31 December 2018.

NOTE 13 – DERIVATIVE FINANCIAL INSTRUMENTS

The Group classifies derivative financial instruments that do not qualify for hedge accounting as assets or liabilities at fair value through profit or loss. Those that qualify as hedging instruments are classified as hedging derivatives.

As explained in the Group's annual financial statements, the Group is essentially exposed to three types of market risk when carrying on its business activities: currency risk, interest rate risk and commodity price risk. The Group uses derivative financial instruments to hedge its exposure to certain risks.

Derivative financial instruments classified by category are as follows:

(Figures in thousands of euros)

	30-jun-19		31-dic-18	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives		10.872		5.484
Derivatives at fair value through profit or loss	12.377	1.825	2.564	1.566
TOTAL	12.377	12.697	2.564	7.050

A breakdown of the Group's financial derivatives at 30 June 2019 and 31 December 2018 by type of hedged risk is as follows:

(Figures in thousands of euros)

	30-jun-19		31-dic-18	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts	12.377	1.825	2.564	1.566
Interest rate swaps		10.872		5.484
TOTAL	12.377	12.697	2.564	7.050

During the first half of 2019, two swap transactions were closed in order to hedge the interest rate risk of debts contracted at a variable interest rate with Caixabank and Bankia in terms and amounts equivalent to the flows derived from the loans associated with each instrument. The notional amount of the loans hedged is 110 million euros. At 30 June 2019, both interest rate derivatives met the conditions to be classified as cash flow hedging instruments.

NOTE 14 – APPLICATION OF PROFIT AND DISTRIBUTION OF DIVIDENDS

At their general meeting held on 11 April 2019, the shareholders agreed that the Parent Company's profit for 2018 should be distributed as follows:

	2018
Basis of allocation:	
Profit for the year	-125.599.654
Application:	
Prior years' losses	-125.599.654

At the same meeting the shareholders also agreed a cash dividend, charged to unrestricted reserves, of 0.30 gross euros for each outstanding share. This dividend of 81,136 thousand euros was paid on 5 June 2019. In addition, a refund of contributions to shareholders was approved with a charge to the share premium of 0.20 euros per share which will be paid out on 5 July. The company recognised the share premium, in the amount of 54,090 thousand euros, in other current financial liabilities of the consolidated balance sheet.

In relation to the same period of 2018, shareholders agreed at the general meeting held on 10 May 2018 to distribute a cash dividend of 0.45 euros gross per share, charged to unrestricted reserves. The dividend was paid on 5 July 2018 and totalled 124,230 thousand euros.

NOTE 15 – SHARE CAPITAL AND TREASURY SHARES

The Board of Directors of Acerinox held on 19 December 2018, making use of the authorisation granted for a period of five years by the General Meeting of the Company held in June 2014, and pursuant to the provisions of article 17 of Regulation (EU) no. 596/2014 on Market Abuse, approved a First Share Repurchase Programme with the aim of reducing the share capital of Acerinox, S.A. through the redemption of its own shares in order to improve earnings per share. The maximum investment will be 66 million euros and the maximum number of shares to be acquired may not exceed 5,521,350, representing 2% of the Company's capital.

As of March 31, the 5,521,350 shares had been acquired for a total amount of 51 million euros.

The Annual General Meeting held on 11 April 2019 approved a reduction of the capital of Acerinox, S.A. 1,380,337.50 euros through the redemption of 5,521,350 treasury shares. On 9 May the Board of Directors resolved to execute this resolution. On 13 June, the redeemed shares were removed from trading on the Madrid and Barcelona Stock Exchanges.

The share capital at the closing date therefore consisted of 270,546,193 ordinary shares with a nominal value of 25 euro cents each, yielding capital of 67,637 thousand euros.

Treasury shares at period-end amount to 1,062 thousand euros.

NOTE 16 - CHANGES IN THE CONSOLIDATED GROUP

There were no changes in the scope of consolidation in the period.

NOTE 17 – TAXATION

The tax rate shown in the Group's consolidated income statement for the reported interim period was 32.8%, compared with 27.7% for the same period in the previous year. The Group maintains a policy of not capitalising the tax credits of certain companies, which has contributed negatively to the increase in this rate.

A slightly higher amount of tax credits were capitalised during the period compared to year end owing to some Group companies' poor results. The recoverability estimates made at the close of fiscal year 2018 used as key assumptions in budgets the recovery of the markets, especially the European, after having suffered an unprecedented fall in prices and an increase in imports in the last half of 2018 due to the announcement (18 July) by the European Commission of provisional safeguard measures and the consequent call effect and acceleration of imports, which reached 30%, the historical peak of market share.

Despite the entry into force on 2 February 2019 of the definitive safeguard measures enacted by the European Commission (tariffs of 25%, according to quotas for importing countries, until June 2021), the expected normalisation of the supply-demand balance is not taking place at the estimated pace. Even so, the Group continues to believe that the estimations made for further years remain valid. Hence, if considers that the recovery of all capitalised tax credits is still likely for all companies within a reasonable period of less than 10 years, and within the periods permitted by the corresponding local legislation in each country.

During this period there were no significant legislative changes affecting the income tax of Group companies, other than those mentioned in the Group's 2018 financial statements.

With respect to the tax inspections and lawsuits in progress discussed in the Acerinox Group's annual financial statements for 2018, the following changes have since occurred in the first half of the year:

Italy

The Group is awaiting the start of negotiations between the Italian and Spanish authorities, which will eventually enable the Group to eliminate the double taxation deriving from the transfer price proceedings for 2007 through to 2013.

In March 2019, we received confirmation of the acceptance of the amicable proceeding in Spain relating to 2013. Following acceptance of the proceeding, a request has been made to reduce the amounts of the bank or parent company guarantees to allow the debt to be suspended. All the guarantees requested by the authorities have been presented.

There were no changes in the amount of the provision recognised at 2018 year-end, which amounts to 7.8 million euros, as no progress has been made that would lead to a restatement of the provision. As explained in **Note 3.1** to these interim financial statements, the Group reclassified this amount from non-current provisions in the balance sheet to deferred tax liabilities, in accordance with the new IFRIC 23 standard, which will be mandatory from 1 January 2019.

Germany

The Group awaits execution of the latest agreements reached in a meeting with the German tax authorities on 10 December, in which it was agreed to transfer the agreements reached with Spain in the MAP to transactions with third countries, leading to an additional reduction in adjustments of 1.6 million euro in Germany. The Group estimates that it will recover an additional 2 million euros after these agreements. During the year contacts were held with the Authorities that allow the estimates made to be maintained.

Malaysia

The inspection of the company Acerinox SC Malaysia in relation to transfer prices in the period from 2010 to 2013 remains in progress. All the information requested has been submitted and, to date, no report on the findings has been received which would allow conclusions to be reached with regard to any adjustments. The Group has responded to all the questions raised so far.

With respect to the inspection of Bahru Stainless, Sdn. Bhd. Since February 2017, when notification was received of the resumption of the tax inspections for the years 2010-2014, there has been no request for further information from the authorities.

Spain

The inspection begun last year, covering the years 2013 to 2016, is still in progress. To date, all the information requested has been submitted and no certificate or official document has been issued by the authorities that could give rise to any adjustments.

On 22 March 2019, notification was received from the tax agency of the commencement of inspection proceedings relating to import duties, import VAT and antidumping for fiscal year 2017 in Acerinox Europa, S.A.U. (Acerinox Europa, S.A.U.). The inspection concluded with no adjustments made. The certificate will be signed on 18 July, bringing the procedure to an end.

NOTE 18 – LITIGATION

There were no significant cases of litigation during the period.

NOTE 19 – CONTINGENT ASSETS AND LIABILITIES

At the end of the half-year period, the Group had no new contingent assets or liabilities beyond those mentioned in the annual financial statements for 2018.

As explained in the 2018 financial statements, in 2016 Gas Natural Comercializadora, S.A requested declaratory proceedings be opened against the Group companies Acerinox Europa, S.A.U., Roldan, S.A. and Inoxfil, S.A. for an alleged breach of the natural gas supply contracts and requested the payment of the compensation due to unilateral termination, as agreed in these contracts, totalling 8.2 million euros. Gas Natural Comercializadora S.A. submitted a bid in the supply service tender held by Acerinox during 2016 and 2017, but a different company was selected. The claim was resolved in the first instance by means of a judgment dated 18 June of this year rejecting the claim filed by Gas Natural in its entirety, with costs being imposed on the claimant.

NOTE 20 - SEGMENT REPORTING

As described below, the Group is organised internally into operating segments, which are strategic business units. The strategic business units have different products and services and are managed separately. Group management reviews internal reports for each unit at least monthly.

The operating segments presented by the Group, associated with the types of products it sells, are as follows:

- Flat stainless steel products: slabs, flats, coils, plates, sheets, circles and flat bars.
- Long stainless steel products: bars, angles, wires and wire rods.
- Other: other stainless steel products not included in the previous segments.

The "unallocated" segment reflects the activities of the holding company and activities that cannot be allocated to specific operating segments. As described in **note 1**, the main activity of the holding company, parent company of the Acerinox Group, is the provision of legal, accounting and advisory services to all Group companies, as well as the performance of financing activities within the Group, as it is through Acerinox, S.A., where all the Group's financing is centralised.

Segment results, assets and liabilities include all items directly or indirectly attributable to a segment. No significant assets are shared between segments and, considering the importance of flat stainless steel products, any assets that could be attributed to both segments are assigned to the flat segment.

With regard to the so-called "unallocated" segment, which relates mainly to the holding company's own activities, the result reflects only the expenses corresponding to its activities, since revenues, since they are always with Group companies, have been eliminated in consolidation. The costs are mainly financial since the holding company centralises most of the Group's financing, as can be seen from the amount of the liabilities in the "unallocated" segment.

Revenue and all items reflected in the income statement by segments are presented on a consolidated basis, i.e. after eliminating income and expenses from Group companies, except for sales between segments, which are reflected separately.

Inter-segment sales prices are established in accordance with market commercial terms and conditions governing non-related third parties.

A segment's performance is measured by its gross operating profit and net profit before tax. The Group considers this information to be the most relevant in evaluating a segment against other comparable segments in the sector.

There have been no significant changes in the assets and liabilities attributed to each of the segments with respect to those presented in the Group's financial statements at 31 December 2018. The investments carried out in the six-month period correspond mostly to investments made by Acerinox Europe, a manufacturer of flat products, so that most of them would be allocated to the flat segment.

20.1 Operating segments

Details of revenues by operating segment are as follows:

(Figures in thousands of euros)

	30-jun-19			30-jun-18		
	Ordinary revenues from external customers	Ordinary revenues between segments	Total revenues	Ordinary revenues from external customers	Ordinary revenues between segments	Total revenues
Flat products	2.094.096	149.643	2.243.739	2.219.635	173.073	2.392.708
Long products	346.283	11.022	357.305	369.769	12.326	382.095
Other	8.331		8.331	5.873		5.873
Unallocated	1.606		1.606	1.600		1.600
(-) Inter-segment adjustments and eliminations of income		-160.665	-160.665		-185.399	-185.399
TOTAL	2.450.316	0	2.450.316	2.596.877	0	2.596.877

No single transaction with an external customer exceeded 10% of the Group's consolidated revenues at June 2019 or 2018.

Details of consolidated profit by operating segment are as follows:

(Figures in thousands of euros)

	At 30 June 2019	At 30 June 2018
Flat products	61.247	141.859
Long products	51.778	53.441
Other stainless steel products	1.313	1.763
Total profit of reported segments	114.338	197.063
(+/-) Unallocated profit	-15.886	-15.117
(+/-) Elimination of internal profit (between segments)		
(+/-) Other profit		
PROFIT/(LOSS) BEFORE TAX	98.452	181.946

20.2 Geographical segments

Revenue from geographical segments is presented on the basis of customer location. Details of revenue by geographical area at 30 June 2019 and 2018 are as follows:

(Figures in thousands of euros)

	At 30 June 2019	At 30 June 2018
Spain	225,978	254,937
Rest of Europe	663,130	701,755
Americas	1,142,622	1,158,107
Africa	107,522	127,324
Asia	292,384	333,505
Other	9,906	12,312
TOTAL	2,441,543	2,587,940

NOTE 21 – AVERAGE HEADCOUNT

The average headcount at the Group in the first half of 2019 was 6,937 employees (6,082 men and 855 women). The headcount at 30 June 2018 was 6,915 (6,089 men and 826 women).

The headcount at 30 June 2019 is 6,985 (7,005 at 30 June 2018).

NOTE 22 – RELATED PARTY TRANSACTIONS

- **Identity of related parties**

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

- Equity-accounted associates.
- Key management personnel of the Group and members of the boards of directors of Group companies, as well as their related parties.
- Significant shareholders of the parent.

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

All transactions between related parties are carried out on an arm's length basis.

- **Balances and transactions with associates**

The Group did not conduct any transactions with associates during this interim period or during the same period of 2018.

- **Balances and transactions with significant shareholders**

At 30 June 2019, the Group had entered into the following financing transactions with Banca March, part of the March Group (shareholder of Corporación Financiera Alba), all of which are on an arm's length basis:

- Non-current loan of 30 million euros, which had been drawn down in full.
- Reverse factoring facilities for 2.8 million euros, of which 0.02 million had been drawn down.
- Non-recourse factoring facilities for 70 million euros, of which 27.99 million euros had been drawn down.

Transactions with this same entity at 30 June 2018 were as follows:

- Non-current loan of 30 million euros, which had been drawn down in full.
- Guarantees totalling 0.06 million euros.
- Reverse factoring facilities for 3 million euros, of which 0 million euros had been drawn down.
- Non-recourse factoring facilities for 70 million euros, of which 27.56 million euros had been drawn down.

Insurance premiums brokered through March-JLT Correduría de Seguros amount to 7,763 thousand euros at 30 June 2019 (7,614 thousand euros at 30 June 2018).

The balance of transactions with Banca March is as follows:

(Figures in thousands of euros)

	At 30 June 2019	At 30 June 2018
Interest	965	935

The Acerinox Group has also carried out the following commercial transactions with its shareholder Nisshin Steel C, of which Nisshin is a part:

(Figures in thousands of euros)

	At 30 June 2019	At 30 June 2018
Services received	45	251
Sale of goods	877	1,331

In addition, at period end receivables from its shareholder Nisshin, or any of the companies in its Group, amount to 641 thousand euros (425 thousand at 30 June 2018).

- Directors and key management personnel

Remuneration received by the members of senior management who do not hold positions on the Board of Directors of Acerinox, S.A. amounted to 1,281 thousand euros at 30 June 2019 (1,445 thousand received in the same period of 2018). Of these, 482 thousand euros correspond to wages (482 thousand euros in 2018), 44 thousand euros to per diems (44 thousand euros in 2018), 729 thousand euros of variable remuneration corresponding to the results of the previous year and 26 thousand euros of remuneration in kind (913 thousand euros of variable remuneration and 6 thousand euros of remuneration in kind in 2018).

At 30 June 2018, the members of the Board of Directors of Acerinox, S.A., including those that hold key management positions and sit on the boards of other Group companies, have received 1,566 thousand euros in fixed remuneration, for attending board meetings and fixed and variable salaries (1,666 thousand euros in the same period of 2018), of which 627 thousand euros relates to salaries and fixed board member remuneration (634 thousand in 2018), 307 thousand comprises allowances (258 thousand in 2018) and 624 thousand euros in variable remuneration for the results of the previous year and 8 thousand euros for remuneration in kind (772 thousand euros in variable remuneration and 2 thousand euros in remuneration in kind in 2018.

Obligations under certain retirement covenants agreed with senior management, which amounted to 11.5 million euros at 31 December 2018 and, of which, 4 million are due to the Chief Executive Officer, are properly insured, with their estimated amount covered by flows from the policies arranged. As a result, no liability is recognised for this item. At 30 June 2019 and 2018 no advances or loans had been extended to the members of the Board of Directors or senior management personnel and the Company has no balances receivable from or payable to these executives.

In relation to the Multi-Year Compensation Plan or Long-Term Incentive Plan (ILP), on 1 January 2019, the second cycle of the three-year multiannual remuneration plan came into force, the details of which are explained in the Group's financial statements for 2018. The expense accrued this year by the Chief Executive Officer and Senior Management, the balancing entry of which is recorded as other equity instruments, amounts to 320 thousand euros, of which 138 thousand correspond to the Chief Executive Officer. (200 thousand euros accrued at June 2018, of which 86 thousand euros corresponded to the Chief Executive Officer). The total amount accrued up to 30 June is 719 thousand euros (310 thousand euros corresponding to the Chief Executive Officer).

All transactions carried out between members of the Board of Directors and the Company or Group companies in the first half of 2019 have been ordinary transactions on an arm's length basis.

The directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

The Group has a civil liability insurance policy in effect, with coverage extending to board members and members of the senior management, as well as Group employees. The premium is renewed in October 2019. The premium paid in 2018 amounted to 149 thousand euros.

NOTE 23 – EVENTS AFTER THE REPORTING PERIOD

Dividend

On 5 July 2019, the Company paid out a share premium of 0.20 euros per share, giving a total of 54,090 thousand euros.

Capital increase in Bahru Stainless, Sdn. Bhd.

At its meeting held on 26 February 2019, the Board of Directors resolved to participate in the capital increase of Bahru Stainless, with no cash contribution, through the capitalization of USD 332.5 million from the loan granted by Acerinox, S.A. to its subsidiary. This solution was facilitated by Nisshin Steel's exit from Bahru Stainless's capital when Acerinox, S.A. acquired its 30% stake last December. Acerinox, S.A.'s current stake in Bahru Stainless is 97%. On 22 June 2019, the Annual General Meeting was called, which will take place on 22 July and approve this capital increase. Minority shareholder will contribute to the capital increase with 3 million USD cash, which dilutes its shareholding to 1.85%.

At the date of authorisation for issue of these financial statements, the Company had recorded the capital increase, and Acerinox, S.A had recognised an increase in its investments in Group companies amounting to 296.663 thousand euros equivalent to the fair value of the capitalised loan and which does not differ significantly from its carrying amount at that date.

Approval by the U.S. Senate of the Double Taxation Agreement between Spain and the U.S.

On 16 July, the United States Senate ratified the new Protocol signed by both States in 2013, which modifies the 1990 double taxation agreement between Spain and the United States.

The Protocol amends aspects of the double taxation agreement between Spain and the United States that are very significant for the Group, such as the elimination of withholdings on interest, as well as withholdings on dividends when the parent company owns at least 80% of the shares with voting rights during the previous twelve months.

The amendments to 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 be effective before the close of this financial year.

These amendments will allow the Group to repatriate dividends from the North American Stainless Company and avoid the payment of the current 10% withholding tax. As explained in **note 4** to these interim financial statements and in the 2018 financial statements, the Group also has a deferred tax liability for the amount of the reserves it considers it will distribute in the form of dividends in the foreseeable future, amounting to 11.6 million euros. The Group will revert the aforementioned liability, with the consequent recognition of income, at the time when the proceedings between the two States are completed and the entry into force of the new Protocol becomes known.

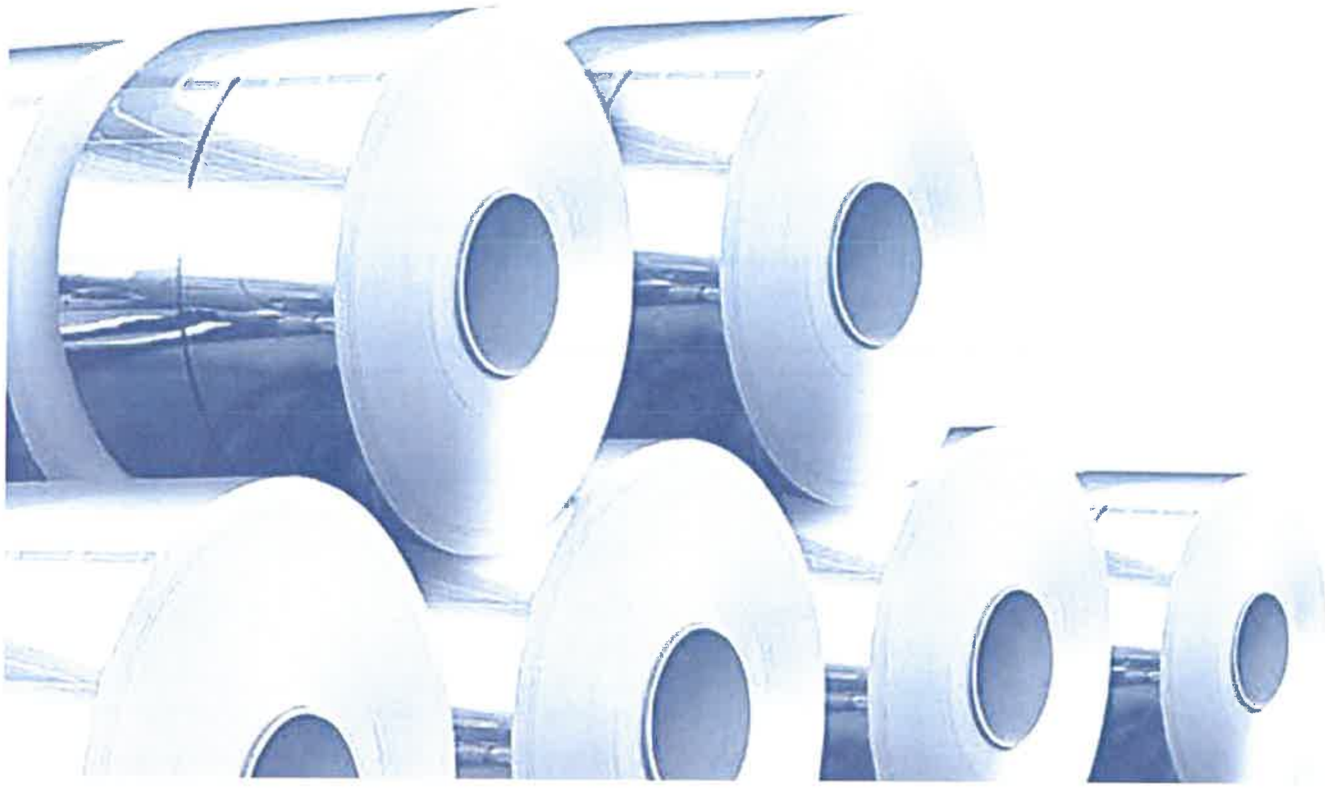
Conversations to reduce employee workforce in Acerinox Europa

While negotiating the III Acerinox Europa's Collective Agreement (Campo de Gibraltar), it's been communicated to the Labor Unions and workforce's legal representatives the opening of an informal negotiating process, which could lead to a reduction up to 300 workers. Conversations with representatives are currently in due course.

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 360° 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

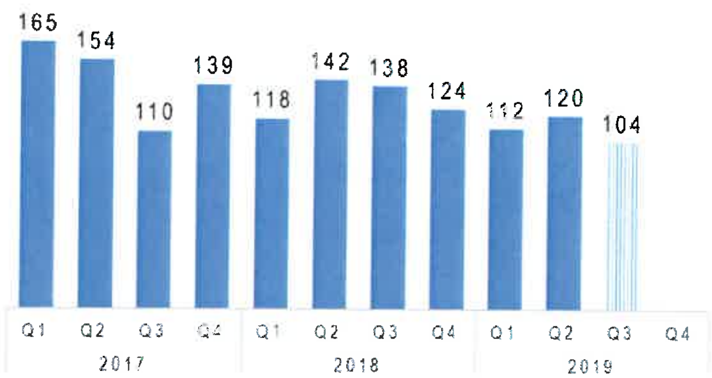
Nickel

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

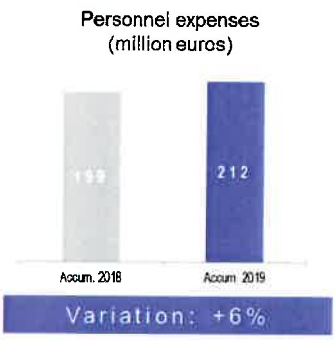
The revenue during the first half of the year (€2,442 million) fell by 6%, in keeping with the tonnes sold.

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%

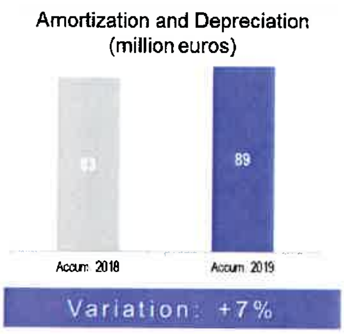
H1 EBITDA totalled €186 million, 30% less than in 2018, chiefly due to the low prices in the European and Asian markets. The EBITDA margin was 8%. EBITDA was 7% higher in the second quarter than in the first.

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	8
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 360° Plan

Acerinox launched the implementation of the Planning 360° project within the framework of the Excellence 360° 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 360° 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 360° 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

DISCLAIMER

This document has been drawn up in good faith upon the basis of the data and facts available on the day of its publication and should be read together with all the public information provided and/or published by ACERINOX, S.A.

This document may contain statements with regard to the future intentions, forecasts and estimates of ACERINOX, S.A. and its business. These types of statements and/or contents may include declarations or expectations with regard to the current plans, objectives and forecasts of the company and its group, including declarations concerning trends or circumstances which might affect its current financial situation and its ratios, results, strategies, production levels, expenditure, costs, exchange rates, investments and/or dividend policy. It may also contain references to the situation and trends of the market of raw materials, especially nickel and chrome.

These statements and contents have been issued in good faith, upon the basis of the knowledge and information available on the date of this announcement and, despite being reasonable, do not constitute a guarantee of future compliance. These statements and contents are subject to risks, uncertainties, changes and situations beyond the control of ACERINOX, S.A., meaning that they may not comply, in full or in part, with what is expected and/or declared.

Except to the extent required by the applicable law, ACERINOX, S.A. does not assume any obligation to publicly update its future declarations and statements, even when new data are published or further unforeseen events which might affect them arise.
ACERINOX, S.A. provides information on the above and other factors which may affect its future statements concerning its business, expectations and/or financial results in the documents it submits to the Spanish National Securities Market Commission. All interested parties are invited to view these documents.

Neither this document nor the information contained herein constitute an offer to sell, purchase or exchange or an invitation to make an offer to buy, purchase or exchange, or a recommendation or advice regarding any asset or financial instrument issued by the Acerinox Group. Any person who acquires assets should do so upon the basis of his or her own judgement after receiving the professional advice deemed appropriate. No kind of investment activity should be performed upon the basis of the information or forecasts contained in this documentation.

Neither ACERINOX, S.A. nor its subsidiaries assume liability of any kind for the damages which may arise from any use of this document or its contents.