ANNUAL REPORT 2011

ACERINOX

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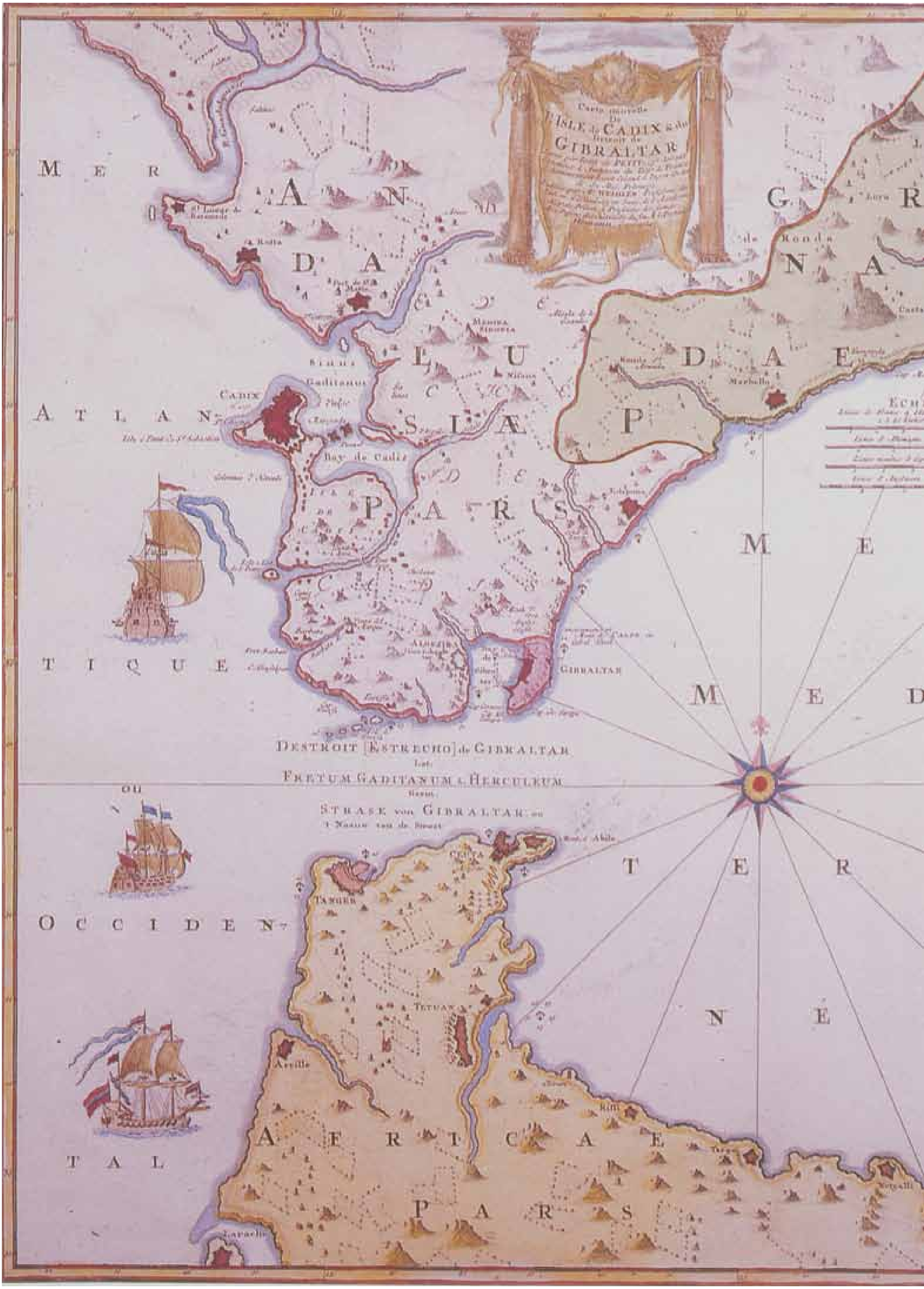

GIBRALTAR
MER
ATLAN
TIQUE
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Bay de Cadiz
Marbella
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DESTROIT [ESTRECHO] de GIBRALTAR
FRETUM GADITANUM & HERCULEUM
STRASE von GIBRALTAR
TANGER
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Arcilla
AFRICAE PARS
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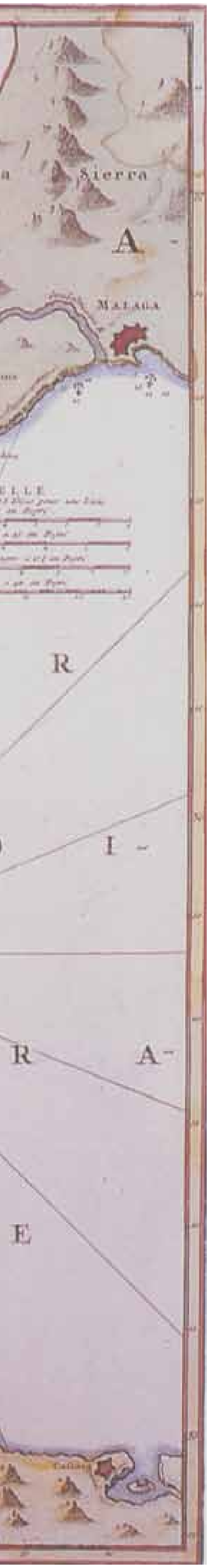

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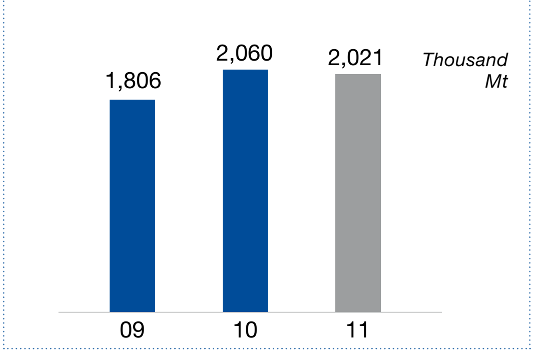
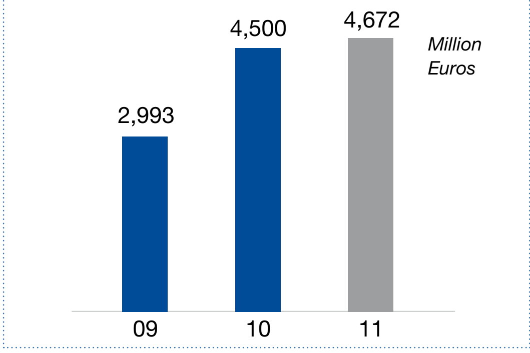
Most significant data of Acerinox

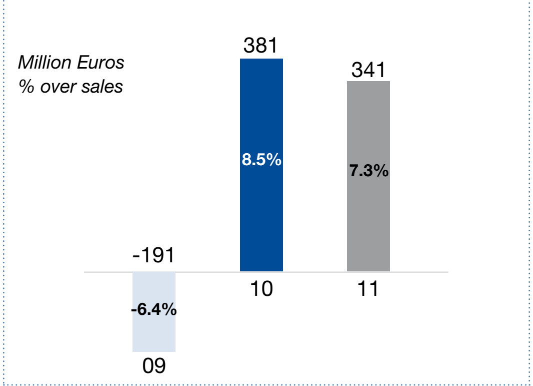
Melting Shop Production



Net Sales



E.B.I.T.D.A.



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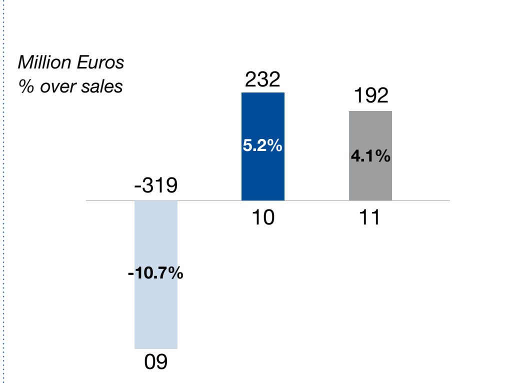
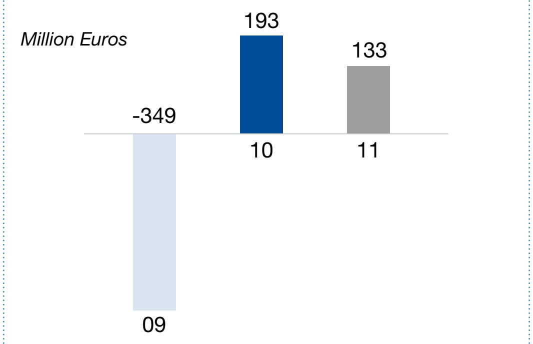
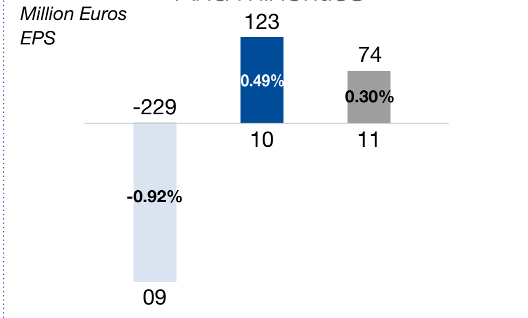


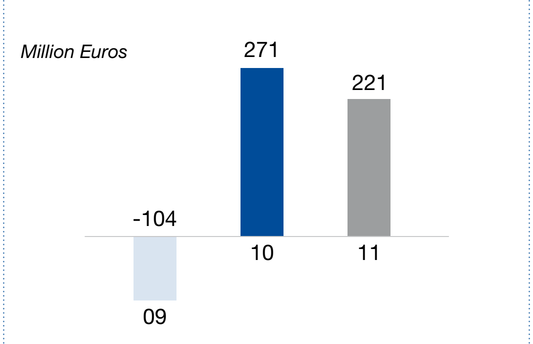
Result before taxes



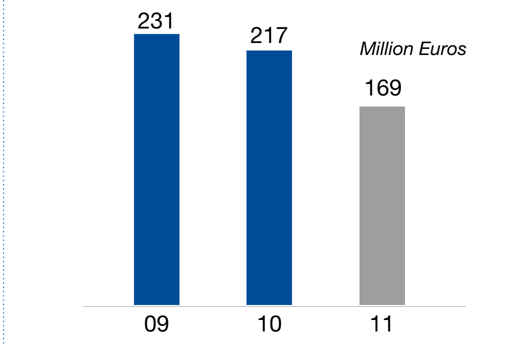
Result after taxes And minorities

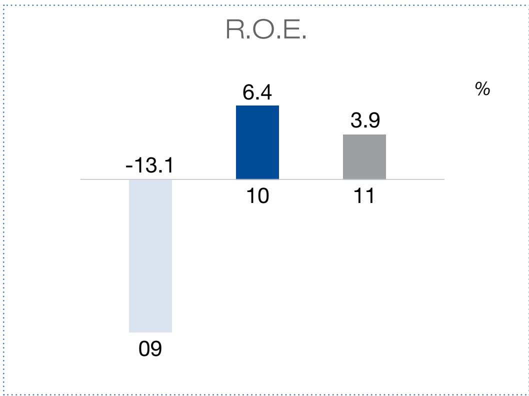


Net cash flow

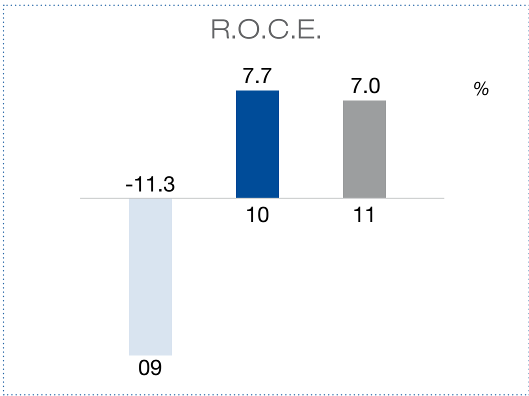


Investments

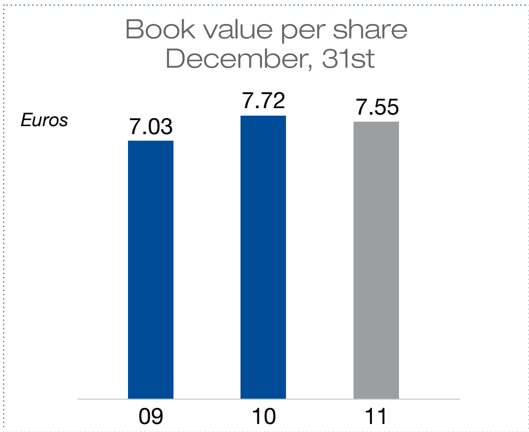




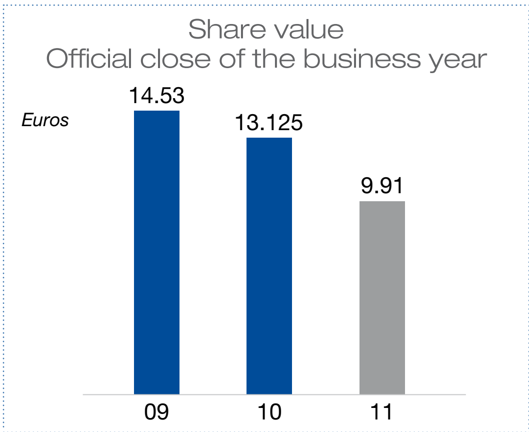
R.O.E.



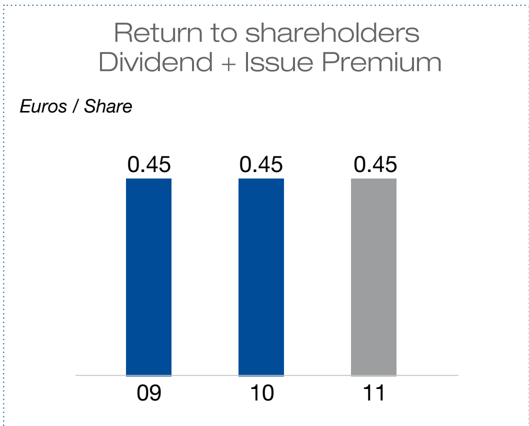
R.O.C.E.



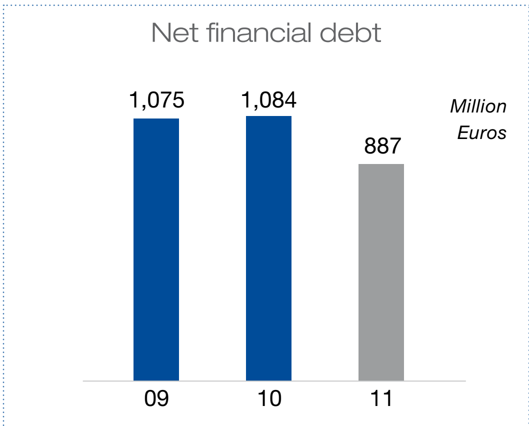
Book value per share
December, 31st



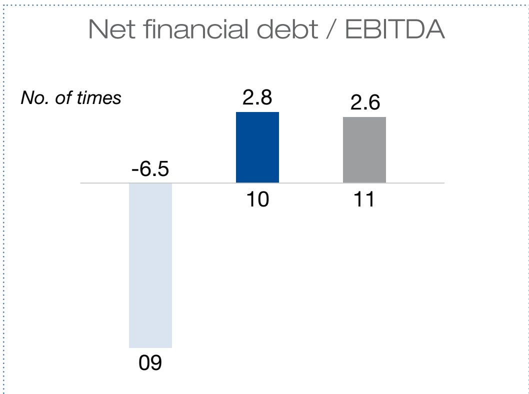
Share value
Official close of the business year



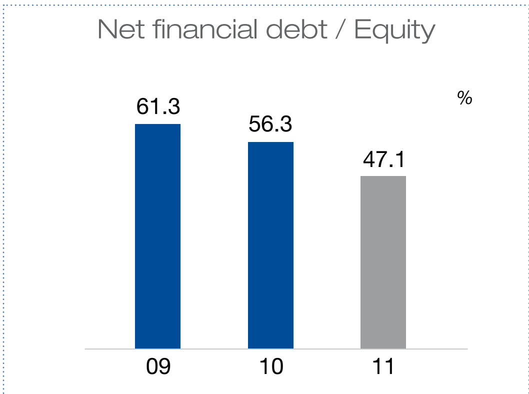
Return to shareholders
Dividend + Issue Premium



Net financial debt



Net financial debt / EBITDA



Net financial debt / Equity

Letter from the Chairman

Dear Shareholder, it is a privilege for me to once again have the opportunity to address you as Chairman of Acerinox in order to analyse the progress of the Group during the last Financial Year.

2011 has been another extremely difficult year in the economic sphere. The evolution of the economy has been much negative than originally forecast, especially in the second half of the year.

This has mainly affected the Spanish economy but repercussions have also been felt throughout Europe.

The stance adopted by the Group in the face of the negative circumstances of the market has been to prioritise a number of important aspects of our business activities.

- *We have placed particular emphasis on strengthening the balance sheet, paying special attention to debt, liquidity and stock control. We have maintained a comfortable liquidity position with a long-term maturity profile.*

- *We have prioritised the operation and improvement of our installations as well as improving the technical parameters that define our processes. This has been articulated through the development of the Excellence Plan 2011-2012.*

  Likewise we have continued to improve operational efficiency through the internal Benchmarking plan.

- *We have continued the development of our Strategic Plan which extends to 2020 in its two fundamental areas; investments and the development of the commercial network.*

Our main investment, the Bahru Stainless Factory in Johor (Malaysia) has concluded its first phase of investment and it is fully operational with the second investment phase currently in development.

We continue to demonstrate our confidence in the future of stainless steel. In spite of the economic difficulties indicated, its use continues to increase, which has allowed a new record level of world production which once again consolidates the exceptional annual accumulated growth rate of 6% in the last sixty years.

The imbalances between the different geographical areas, mainly in Europe, remain to be resolved.

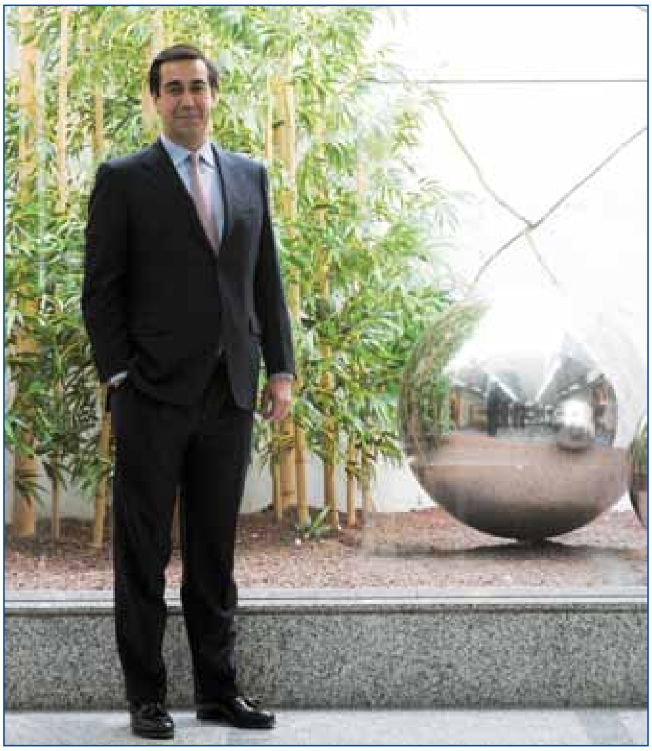
In this respect, in Europe the first step towards consolidation has been initiated between our competitors. We hope that this will come to fruition, as in the future it will allow market supply to adjust to its true equilibrium.

With regard to our Board of Directors, on the occasion of the next Annual General meeting we will propose, amongst other agreements, the re-election of three directors, Mr. Jose Ramon Guerediaga and Mr. Braulio Medel, both independent, and Mr. Oscar Fanjul, dominical director representing Omega Capital.

In closing I would like to thank the staff of our organisation whose support and dedication in such a difficult period have allowed the progress of our plan and have maintained Acerinox as a safe and profitable investment.

D. Rafael Naranjo Olmedo
Chairman

Letter from the Chief Executive Officer



Dear Shareholder:

It is both a great honour and a privilege for me to once again have the opportunity to inform you of the progress of Acerinox, comment on our journey through a turbulent 2011 and update you on the procedures that we are implementing at this moment in time. Almost four years have passed since the start of the economic crisis in which we are immersed. Too much time has been spent lamenting the global crisis, however, this challenging time is an opportunity for us to review and improve all of our business parameters with the single aim of emerging from this stronger in our leadership of the stainless steel sector.

The past Financial Year has been extremely difficult, not only due to the severity of the crisis – when compared to previous years – but also because of the retrograde steps that the market appeared to take, especially during the second half of the year. We pride ourselves on being the only stainless steel manufacturer in the western world to have made profits for nine consecutive quarters, although we have not been able to achieve the tenth. The drastic fall in demand during the second half of the year, and the continuous reduction in raw materials have caused a steady decline in our business margins, so much so that they have not been sufficient to cover our structural costs overheads during the last quarter of the year.

In order to explain the events of the 2011 financial year it is necessary to point out the four causes that have hindered our activities in recent times. Two of them are common to all businesses: the global economic crisis and liquidity problems, which are more pronounced in Southern Europe. The other two are specific to our sector however they could be applied to other sections of industrial activity. They are the current overcapacity and the shift of manufacturing towards Asia, especially China and India.

In 2011 world production of stainless steel grew 3.3%, a more than substantial figure when you take into account that it has built upon the 26% growth of 2010. This serves to strengthen our firm belief in the future of stainless steel, the only material amongst metals and industrial alloys that has maintained an average annual growth of 6% for the past 62 years. Nevertheless, the centre of gravity of world production is rapidly shifting towards the East, with 4.7% decreases in America, stagnation in Europe and increases of 7% and 11.9% in India and China respectively.

Naturally, this trend is not only explained by the continuing harshness of the crisis in First World countries, but also because the majority of products that are made from or contain stainless steel, such as household and kitchen utensils, white goods etc, are being manufactured in other countries. On the aforementioned point it is necessary to reflect on the supposed competitiveness of the so called emerging countries who theoretically have the benefits of low cost labour at their disposal but who also appear to hold all of the aces due to subsidies, tariff protection, trade incentives, a lack of transparency and scant concern for ecological sustainable development.

We firmly believe in free competition and in our economic model, but within a framework based on the principles of equality and a mutual exchange of commercial privileges. Without these, European industry and employment are being seriously damaged whilst simultaneously allowing, indeed encouraging, the importation of goods that have been manufactured without taking into consideration our concern for the environment and transporting them at a high cost and in a far from energy efficient manner. Europe must safeguard its industry and employment within industry, monitoring free competition and providing a framework in which new projects can be developed – which should include the efficient and competitive production of energy sources, and at the same time demanding compliance with the best practices to safeguard the environment, not only for the local manufacture of steel but also for its applications. If not, we will simply be suppressing our moral conscience regarding these issues and worsening the global situation. Taking care of the environment and ensuring sustainability are a matter of concern for all.

In any case, the challenge set before us is to use technology and efficiency to compensate for the drawbacks that the aforementioned factors give rise to; and we are convinced that we will maintain our position as leaders and as a global reference in terms of competitiveness. In order to achieve this, we developed our 'Excellence Plan' and cost reduction measures, which will be discussed later, and in order to share in the growth of the market we have set up Bahru Stainless, a new mill in Malaysia.

In a landscape lacking in visibility and no clear confidence in the recovery of the economy, lack of liquidity is causing industrial and distribution companies to work more than half of the year –the latter half-year period - to regulate stock throughout the supply chain and to make maximum reductions to working capital and debt in order to face a new year with confidence. This process naturally implies the loss of business opportunities.

This was the situation at the end of 2010 and this has been mirrored at the end of 2011. The 2011 financial year began with high expectations for market improvement and for the start of a phase of restocking. In conditions where there is a balance between supply and demand, this purchasing cycle would have lasted over a longer time period but existing overcapacity in the stainless steel industry meant that restocking was carried out quickly, and this was not sufficient to improve the margins on our products.

In regard to the overall doubts surrounding the issue of sovereign debt in several countries, a lack of confidence dominated the month of March, caution gripped the stainless steel market once more, and the stainless market held off on purchasing. The sparse activity during the summer months coinciding with the promise of a recovery that never materialized worsened the situation and provoked a new setback to recovery, at least in our sector.

Added to this phenomenon was the continuous decrease in raw materials from March onwards which kept whittling away at base prices until they reached historic lows in December.

The output of our Group factories followed the tendencies of the market, quickly adjusting to new conditions and exercising firm control over stock in the supply chain. However, the recession in the second half of the year was deeper than expected, overshadowing the boom in the first quarter, and so we ended the year slightly down on the figures for 2010, -1.9% in melting, -0.2% in hot rolling and -1.6% in cold rolling.

When seen in this context, we obtained good results in the first half-year period as we were able to capitalise on opportunities at the start of the financial year thanks to our extensive commercial network and the geographical diversification of our Production facilities. The profit after tax and minorities in this period was 102 million euros, 25.5% higher than the first six months of 2010 and the highest since the start of the crisis.

The stringent adjustments made in the second half of the year – which began in June and intensified throughout the summer, provoked a drop in both our activity and our prices, which led to losses in the second half of the year of 28 million euros, again after tax and minorities, concentrated in the last quarter of the year. For the whole of 2011 we obtained a result of 74 million euros after tax, an achievement which we consider to be particularly commendable since it was attained in adverse conditions and with an overall utilization rate of 76% in the year, lower than that of 2010. The EBIDTA (Earnings Before Interest, Taxes, Depreciation and Amortization) was 341 million euros, 11% lower than 2010 and turnover was 4,672 million euros, 4% higher.

These results have been very inconsistent among the Group factories, as analysed in detail in the report, where North American Stainless stands out as the real engine of Acerinox.

The net result of the fourth quarter was affected by a 10% tax on the repatriation of dividends which is in force between the USA and Spain. We hope that negotiations in this matter between both countries will bear fruit and abolish this rate, which appears to be disappearing in most double tax agreements undersigned by countries integrated in the Organization for Economic Co-operation and Development (OECD).

Not everything has been negative. Owing to our ability to shorten production cycles and improve logistics management, the stock reduction exercise that we have been undertaking for the last three years has made it possible to bring the extent of debt down to minimum levels, 887 million euros as at 31st December, which in itself is a difficult task for a Group which boasts 4 mills in four continents, 21 service centres and 32 warehouses located throughout five continents.

One must also bring to the fore the work undertaken to manage the Group debt, and even more so the foresight to arrange a syndicated loan for the amount of 482 million dollars in an agreement that was signed with the American bank at the beginning of 2012. This will lengthen the maturity date of our debt, reduce costs, and will also put us in the enviable position of being able to tackle any difficulties that may arise in the financial system or respond to a rapid recovery in our sector. The support of the American bank, like its predecessors the Spanish bank and the African bank, speaks volumes about the confidence that the financial world has in Acerinox's global strategy. The total net debt of Acerinox is covered with long term loans.

This financial strength has allowed us to maintain the 0.45 Euro per share dividend payment to shareholders for one more year and continue to make progress with our Strategic Plan which paves the way up until 2020 and is chiefly based on global expansion through the new Malaysian factory Bahru Stainless and the commercial network. During the 2011 financial year we have set up new commercial offices in Istanbul (Turkey) Jakarta, (Indonesia) Foshan (China) and Ho Chi Minh (Vietnam) and the service centres in Monterrey (Mexico) and Warsaw (Poland) have been inaugurated. Investments in 2011 amounted to 169 million Euro, which was somewhat lower than the previous year due to the delays experienced in the commissioning of the new annealing and pickling line in Bahru Stainless, with the consequent delays in their payments.

We continue to demonstrate our international vocation to establish a global presence and this was recently acknowledged by the "Circulo de Empresarios" a Business Forum who awarded us the prize for "the Spanish Company with the best internationalization path", an award which was presented to our Chairman, Mr Rafael Naranjo, by His Royal Highness the Prince of Asturias. With the new incorporations we now have a presence in 32 countries in five continents which allows us to maintain business relationships with more than 80 countries. We stand head and shoulders above our peers as being the only stainless steel manufacturer in the world to have four mills in four continents.

Our fourth mill, Bahru Stainless commenced operations in 2011 with the commissioning of the annealing and pickling line AP1. This landmark event concluded Phase I of the 370 million dollar investment in this project. The exemplary start-up of this phase should be emphasized. It is developing with a productivity and product quality that has surpassed the expectations of our technical engineers. We are proud of this truly international project in which the most talented engineers and technicians from our mills in Spain, USA and South Africa collaborated with local

Malaysian staff and technicians from the supplier companies of our main installation equipment: Andritz (Austria) Hitachi (Japan) and Fagor (Spain). It is thanks to their dedication, hard work and enthusiasm that this project has been such a success. Our duty now is to pass on to this team the culture and strategy of Acerinox: Technology, the quality of the products and processes, competitiveness and service; yet at the same time staying true to our main principles: a light structure, quick decision making, the sense of belonging to a great team and the opportunity to develop a professional career to its fullest potential.

Phase II of the construction project, with an investment of 310 million dollars which will basically consist of a new cold rolling mill and a second annealing and pickling line specializing in light gauges and products with greater added value, is progressing on time and on budget. The start-up date is planned for the first quarter of 2013. Until the melting shop is completed at the end of this project, this new mill will be supplied with semi-products produced in other Acerinox factories thus improving both their capacity utilization rates and their production costs.

Acerinox is now more than ever the leader of the stainless steel sector, not in size but in competitiveness. We will carry on in this vein with the start-up of the mill in Malaysia and the programs for the continuous improvement of costs. May I remind you that following the success of the Excellence Plan 2009-2010 we implemented the second Excellence Plan 2011-2012 with the aim of achieving a recurrent annual saving of 90 million euros at the end of 2012. The implementation of this new plan is progressing as forecasted and at the end of the first year it has achieved 35% of the targets.

The main drive is maintaining the strong influence that the system of continuous improvements has had on the culture of the group, the success obtained from benchmarking exercises carried out between different units and in many smaller cost improvement programs, both fixed and variable, which guarantees the continuous quest for excellence. We are strongly convinced that this is the path to follow in the stainless steel market and that we will always be positioned amongst our peers as one of the top players in the world rankings. Meanwhile we must readjust our structure in line with the new order of the international market, expanding our presence in Asia and rationalizing our activity in Europe, especially in the commercial network.

Our low stock levels and those of the market in general will allow us to face 2012 with certain optimism, tempered, however, by a lack of future visibility and by recent market conditions. We have learnt how to reduce inertia in our processes and we will make the most of any opportunities that may arise, however short the cycles. At the moment demand in the United States has remained strong since the end of 2011, although in Europe remains the uncertainty.

We welcome the news of the process of consolidation that has been initiated in Europe between Outokumpu and ThyssenKrupp. We are certain that it will bring greater order to the European market. As we have stated on several occasions, Acerinox should not play an active part in this process, having more than half of our market outside Europe and .because our only flat product mill in Europe is so perfectly well balanced that synergy with any one of our competitors would be minimal. Nevertheless, we think that the new situation will be beneficial for our Group, as well as for the entire European market.

For our part we have gone ahead with the reorganisation process of our Company since it was approved in the General Shareholders Meeting. On 1st December Acerinox Europa was born, a company that joins together all of the commercial and industrial flat product assets in Spain. In this way we are reaching the proposed objective to provide the organisation with a modern and agile structure which favours specialisation of functions and the optimal use of synergies between the Group companies. From now on Acerinox S.A. will head the Group by officially becoming the holding company dedicating itself to corporate and strategic functions which require undivided attention.

In other matters, on behalf of the Group, I would like to express our sincere gratitude to all of our Stakeholders, without whom it would not be possible to carry out our work. Being sustainable and superior to fleeting trends means standing the test of time, and Acerinox exemplifies long lasting relationships with you, our shareholders, our customers, suppliers, our employees and our friends.

It is our desire that all those who come to know us will be here to stay. This good relationship, harmony and the cohesion of all parties always brings benefits to all concerned. In this sense we are also working for the benefit and the advancement of the communities that surround us. We always want to be the preferred employer in the regions that we are located in, especially for young people. We hope that they will see in Acerinox an environment with opportunities for professional development, which has always been and will always be the case.

All of this would be impossible without the strict practise of exercising our responsibility towards society and the environment. Besides being one of the largest scrap recyclers on the planet, we contribute to countless projects to reduce waste by reusing it in the industry. We have made efficiency in the use of resources our raison d'être. Our greatest competitive advantage is driven by our obsession to improve efficiency in the use of natural resources by rationing the use of energy as well as the optimization of the raw materials necessary for our processes.

Finally, for another year I must thank the first generation of Executives and employees of Acerinox for their generosity. They are going through an exemplary process of transition and they are passing on the knowledge they have acquired over 40 years of service to a new generation. They are our model of professionalism and dedication and we are convinced that, when they see our renewed sense of enthusiasm, and our efforts, they will continue to be proud of their contribution to the success of Acerinox.

Thanks also to the entire Acerinox workforce, and in particular to the Senior Management team, for their vigour and their support during these difficult and testing times. We owe much of the success of the Company to them and we can continue to look to the future with optimism. The world stage will improve, indeed it is already doing so, and very soon we will have a new opportunity to demonstrate that we have made the most of the time and that we will continue to be a beacon in the metals industry.

D. Bernardo Velázquez Herreros
Chief Executive Officer

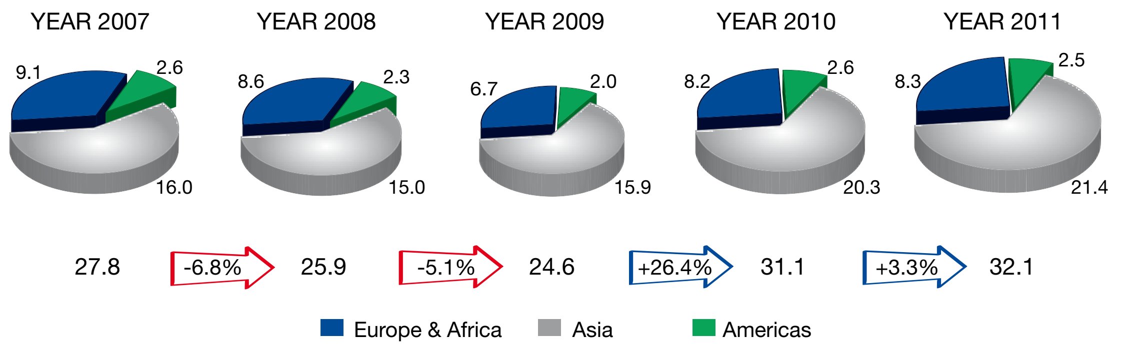
Melting shop


01 Directors' Report of Acerinox

1 World Production

In 2011 world production of stainless steel, a figure of 32.1 million tons, rose by 3.3%, thus consolidating the 26% increase obtained in 2010.

Evolution of the global Stainless Steel Production (Millions of Mt.)

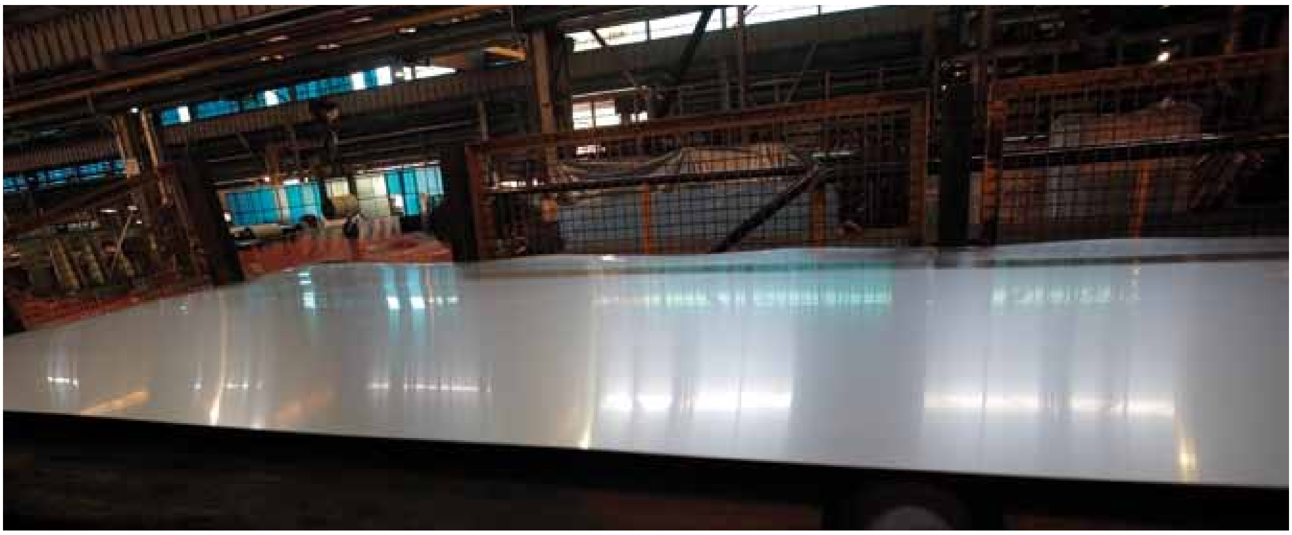


Statistical Source: International Stainless Steel Forum (ISSF)

The first quarter of the year was very positive, (record production for a first quarter), nevertheless the second half-year period has been below market expectations. The recovery that was expected after the summer, did not materialise and all of the producers adjusted production to suit the demands of the market, being particularly affected in the fourth quarter by destocking.

(Thousand Mt.)

	1º Quarter	2º Quarter	3º Quarter	4º Quarter	TOTAL
Year 2010	7,724	8,122	7,494	7,749	31,090
Year 2011	8,399	8,054	7,730	7,931	32,114



Cold rolling

The pace of growth in production is very different in each of the markets. Two rates can be clearly distinguished. On one hand the South American and Asian markets with India growing at a rate of 7% and China at 11.9% and on the other, the more developed markets such as Europe, the USA or Japan, with stagnation or even a decrease in production.

(Thousand Mt.)

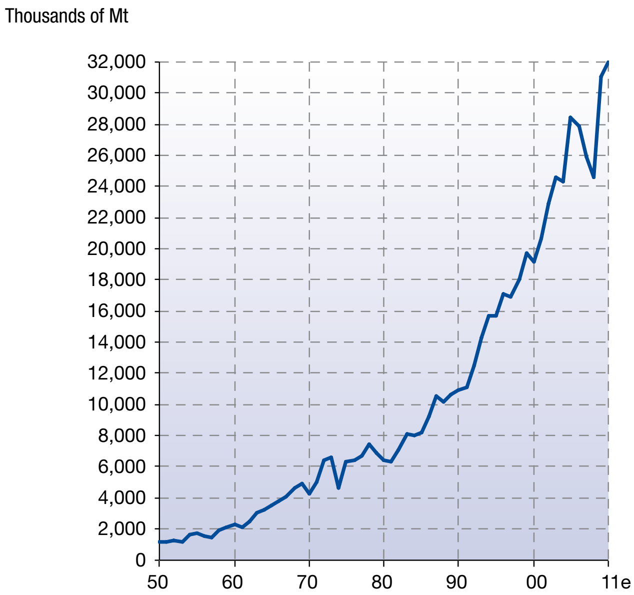
	2010	2011	Variation
Europe / Africa	8,214	8,267	0.6%
United States	2,610	2,486	-4.7%
Asia	20,266	21,361	5.4%
TOTAL	31,090	32,114	3.3%

The global scene of the stainless steel market has continued to change substantially. Traditional export markets (Europe, Japan Taiwan and Korea) are finding it more and more difficult each year to export their surpluses due to significant capacity increases implemented by traditionally importer markets (such as China and India). Production is shifting to Asia and this is creating problems with overcapacity particularly in the European market.

Stainless steel has not been exempt from the global financial and economic crisis either. In the second half-year period financial volatility became more acute fuelled by uncertainty in the Eurozone (which is still suffering from the repercussions of the sovereign debt crisis in peripheral countries) and doubts with respect to the recovery of global activity Credit restrictions and the subsequent lack of liquidity curbed investment and consumption particularly in Southern Europe

Nevertheless, in 2011 the global stainless steel market consolidate (3.3%) the strong growth recorded the previous year (+26%) hence reinforcing our confidence in the strength of the sector for the medium and long term. Stainless steel is the only material among metals and industrial alloys that has registered an annual growth rate close to 6% for the last 62 years.

Worldwide Production of Stainless Steel



Compound annual growth rate
Years 1950-2011e: +5.8%

Statistical data source: Vale Inco and International Stainless Steel Forum (ISSF)

2 Raw Materials

The price of raw materials quoted in the LME during 2011 has experienced a similar pattern of evolution, with two clearly distinct periods. The high demand at the start of the year facilitated a rise in prices but from March a downward trend began which lasted until the end of the year. This trend largely reflects global macroeconomic and financial factors, and the fear of a new recession which has marked short-term prospects of the global economy and the demand for raw materials.

NICKEL

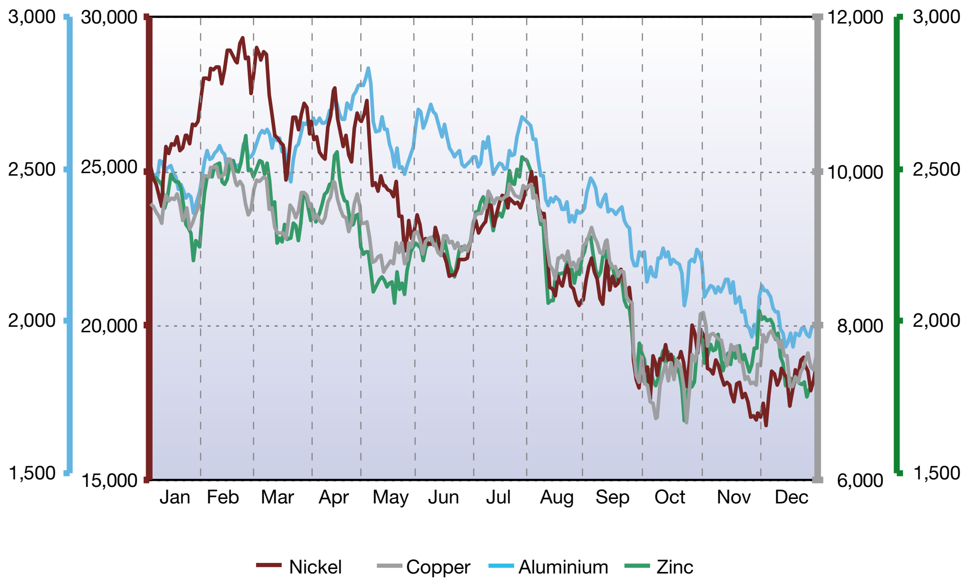
The nickel price began to rise from 25,175 USD/MT on 4th January until it reached its annual peak of 29,030 USD/MT on 21st February. In early March it began to decrease and this continued until the end of the year. It registered its lowest annual price of 16,935 USD/MT 30th November.

The nickel price has also been influenced by the macroeconomic and financial factors mentioned previously. When analyzing the evolution of the nickel price, it is difficult to distinguish the factors that are purely financial and speculative from those related to the fundamentals of the stainless steel market.

Official nickel prices in the LME 2010 y 2011

Of all the metals quoted on the London Metal Exchange (LME) it is nickel that has decreased the most in price, ending the year at 18,280 USD/MT, which signifies a decrease of 27.4% for the year. Zinc fell by 24.8%, copper by 20.8% and aluminium by 18.2%.

Raw material prices LME 2011

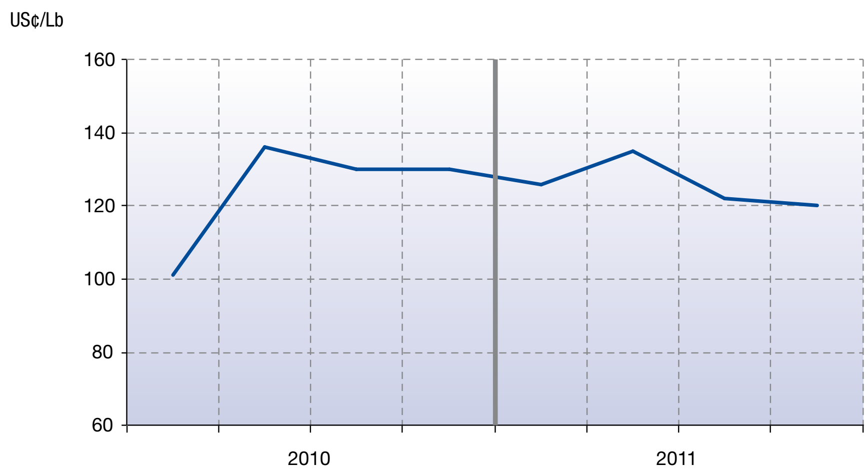


With regard to balance between suppy and demand, there was a slight deficit during the first half of the year and ending which corrected itself during the second, ending with estimated stock consumption levels of 12 weeks (LME and producers).

FERROCHROME

Ferrochrome was traded at 125 US¢/Lb during the first quarter. High demand allowed for an 8% increase to 135 US¢/Lb in the second. Like the other raw materials, the price followed a downward path, falling 11% in the third quarter to 120 US¢/Lb. This price remained steady in the fourth quarter, supported largely by a significant cut in the global production of ferrochrome in the third quarter, the greatest since 2009.

Quarterly average price of ferrochrome



Source: Metal Bulletin

MOLYBDENUM

With a pattern similar to other raw materials, the price of molybdenum started the year with a 9% increase reaching its annual peak price of 17.9 USD/Lb on 14th February. It began to fall reaching its annual lowest point of 12.7 USD/Lb on 31st October. Following a slight recovery, it ended the year at 13.4 USD/Lb which signifies an annual drop of 18.6%.

Price of Molybdenum

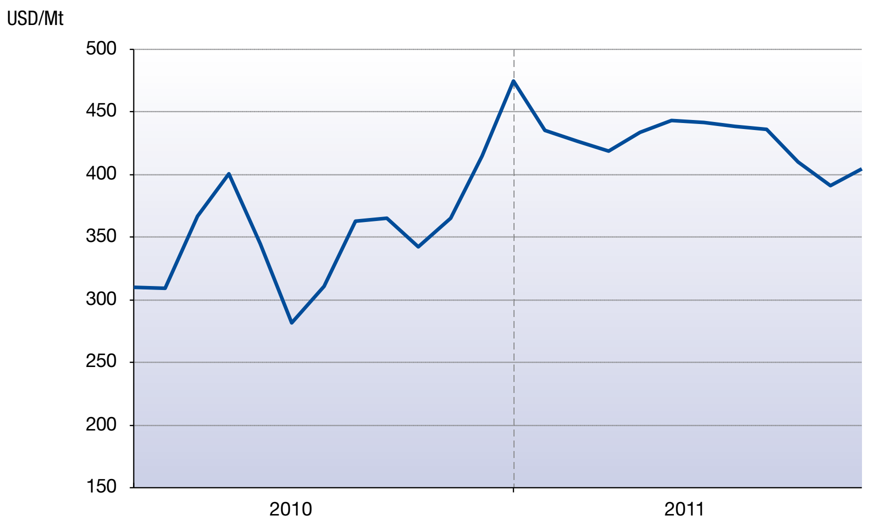
Source: Metals week

CARBON STEEL SCRAP

At the start of the year the ferrous scrap price was 470 USD/MT reaching its annual peak of 482 USD/MT in January. It did not follow a clear trend until September when it began a descent until it stood at 417/MT, an annual decrease of 11.3%.

The increased activity in the net importer countries such as Turkey and Korea, which secured them as the first and second largest importers of ferrous scrap respectively in 2011, partly helped to avoid a greater decrease in prices.

Ferrous scrap price HMS 1&2 FOB Rotterdam



Source: Metal Bulletin

Ferrous scrap

3 Markets

At the start of the year, expectations in the global economy were higher than those of the previous year; however, it found itself significantly weakened by circumstances beyond its control. It can be clearly understood why the strong recovery in production recorded in 2010 could not be sustained. Problems with sovereign debt and in the banking sector in the Euro zone were more persistent than initially expected by the International Monetary Fund (IMF). Similarly, the upheaval caused by the earthquake and tsunami in Japan, and the unrest in the Middle East and North Africa intensified the global economic crisis.

In spite of all this, in 2011 Gross Domestic Product (GDP) in advanced economies grew by 1.6% (USA 1.5%, Euro zone 1.6%, Japan -0.5%) which is in stark contrast to the more marked progress of Asian countries (China 9.5%, India 7.8%, ASEAN zone 5.3%) or South American countries (Brazil 3.8%, Argentina 8%).

In 2011 the stainless steel market once more had to deal with a situation of marked mini cycles: rapid recovery of stock levels in the first half of the year and in contrast rapid destocking in the second half-year period. The reasons for this situation were long-term global overcapacity, a lack of liquidity and market visibility which resulted in greater caution in the supply chain.

Demand in the stainless steel market has mirrored the global industrial and economic situation. Consumer goods have had a more satisfactory performance throughout the year, whilst investment assets, necessary in a stable macroeconomic and financial situation have had an irregular evolution.

During the second quarter of the year, both market activity and perceived demand began to contract. These factors, together with the lowering raw material prices, forced stainless steel manufacturers to adjust production and stock levels in line with the new market conditions. As a consequence stock inventories at the end of the year ended at historically low levels.

Melting shop

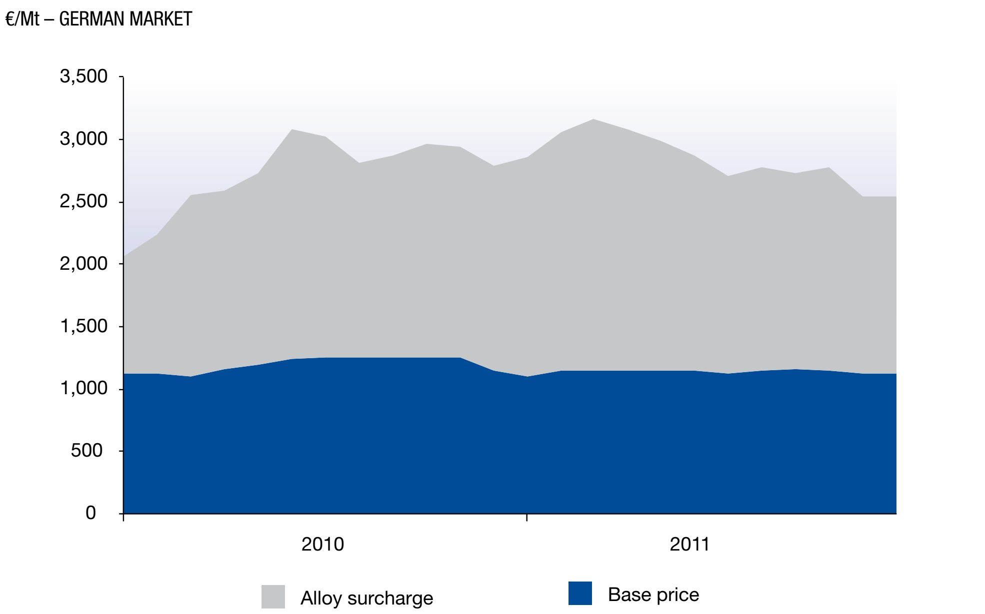
EUROPE

Annual stainless steel consumption in Europe was similar to the year before. The fragility of European market was reflected in low levels of demand and as a consequence, reduced base prices, 4.5% lower than 2010.

Southern Europe suffered an even more striking fall in consumption. Flat product consumption was reduced compared to 2010 in countries such as Italy (-5.2%), Portugal (-16.7%) and Spain (-2.6%). In other markets such as Germany the United Kingdom and Scandinavian countries consumption remained stable. Poland was the only country to see a significant increase (+14.7%).

This behaviour of European consumption is not a new phenomenon given that it is becoming increasingly common to import products that already have stainless steel incorporated into them. Sectors such catering equipment, consumer electronics and household utensils and appliances are manufactured in developing countries, mainly in Asia, and subsequently introduced into Europe. Already in 2008, almost 40% of stainless steel demand for appliance manufacturing, the hospitality trade and consumer electronic sectors, came from China.

Stainless steel sheet price AISI 304 cold rolled 2.0mm 2010-2011



Source: Metal Bulletin Research "Stainless Steel Monthly"

Imports to the European market, mainly from China, South Korea and Taiwan, have increased significantly. This means that the cold rolled import penetration quotas in Europe have risen from 16% in 2010 to 19% in 2011.

In January, the ArcelorMittal group confirmed the separation of its stainless steel business and its transfer to Aperam, a newly created company. Similarly, in September ThyssenKrupp announced its intention to make a distinction between its stainless steel division, giving it the name Inoxum, in the interests of a possible separation, IPO (Initial Public Offering) or merger.

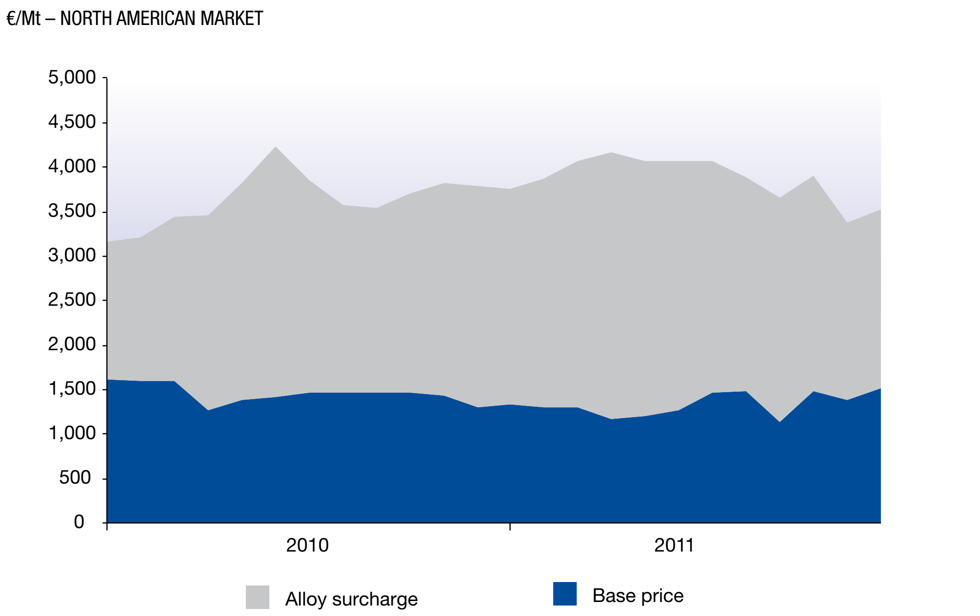
These decisions will allow for greater definition in the European market, having new manufacturers whose primary focus is stainless steel.

THE UNITED STATES

The US market has experienced a 28.9% increase in perceived demand for stainless steel flat products in relation to the figures for 2010. This rise equates to 436,000 MT, 81% is from local manufacturing, reducing the import quota from 32% in 2010 to 29% in 2011.

The US market has shored up the growth initiated in 2010 (+32%) and has compensated for the decline that characterised the two previous years (20% in 2008 and 23% in 2009).

Stainless Steel sheet price AISI 304 cold rolled 2mm 2010-2011



Source: Metal Bulletin Research "Stainless Steel Monthly"

The increase in the perceived demand for long products has also been outstanding.With a growth of 16.7% in relation to 2010.

Unlike the European market, in the US demand has been more stable throughout the year and stock inventories have been maintained at historically low levels.

In recent months the investment assets sector has been performing better, particularly in the area of energy which could be a sign heralding the start of a phase of economic recovery.

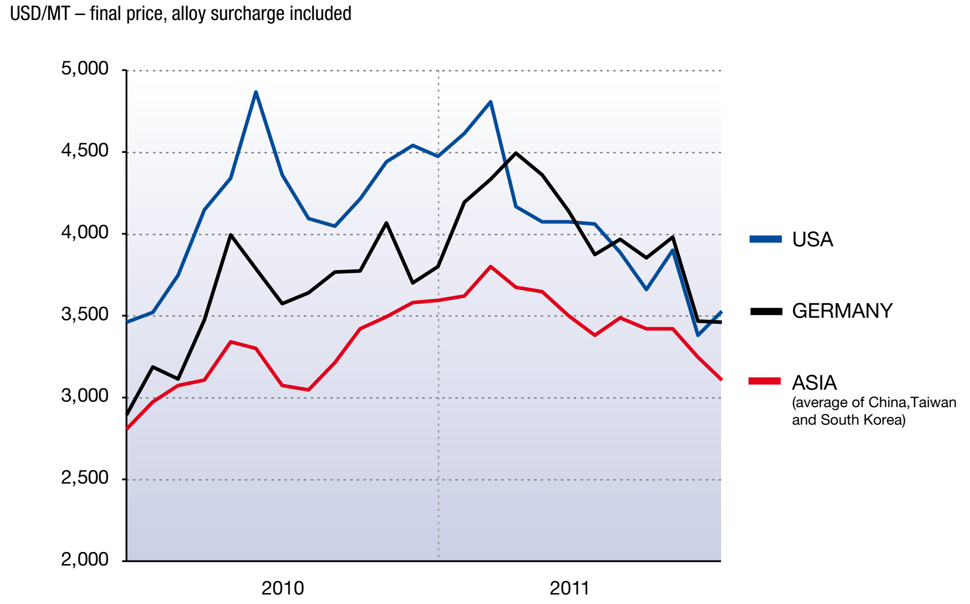
SOUTH AFRICA

The South African market has broken new records with regard to consumption registering an increase of 16% in 2011. This performance is reflected in the increase in turnover of the local producer (Columbus Stainless) and by the significant rise in imports into the South African market, originating principally from Taiwan and Scandinavian countries, which increased almost 40% in comparison with 2010.

ASIA

This has been the most dynamic market as clearly illustrated by growth rate of GDP in China, (9.5%), India (7.8%) and Indonesia (6.4%).

Stainless steel sheet price AISI 304 cold rolled 2.0 mm 2010-2011



Fuente: Metal Bulletin Research "Stainless Steel Monthly"

Similarly, stainless steel production is on the rise. China reached a new record high in 2011 with 12.59 million MT, 11.9% higher than that of 2010 according to the provisional data of the International Stainless Steel Forum (ISSF).

Finished product

4 Acerinox Group Production

2011 had a similar pattern of behaviour to 2010. Melting shop production was reduced by 1.9%, hot rolling, by 0.2% and cold rolling by 1.6%.

(Thousand Mt)	Year 2011					Year 2010
	1º Quarter	2º Quarter	3º Quarter	4º Quarter	Accumulated	Jan-Dec
Melting shop	571.6	492.3	452.0	504.9	2,020.8	**2,059.7**
Hot rolling shop	502.3	435.9	394.8	446.2	1,779.2	**1,783.1**
Cold rolling shop	346.2	308.1	295.0	321.1	1,270.3	**1,290.7**
Long product (hot rolling)	51.2	52.1	46.0	45.9	195.1	**209.5**
Long product (finishes)	52.3	51.1	44.2	43.5	191.1	**194.1**

Melting shop

In line with world production, the year began with high expectations for improvements in the market conditions and for the start of a phase of restocking. Lack of confidence in an economic recovery dampened demand and caused significant cuts in production in the second half-year period. Due to this action Acerinox ended the year with tight stock levels.

Production in the first half-year was higher than that of the second, by 11.4% in melting shop production and 6.2% in cold rolling.

Likewise, for long products production was higher in the first half-year period, by 12.4% in hot rolling and by 18% in finishes.

In the case of long products, the results are particularly positive when one takes into account the fire that broke out at the Ponferrada Factory in November 2010 which prevented the normal operation of the profile rolling mill until June 2011.

PRODUCTION OF ACERINOX GROUP. YEAR 2011 (Mt)

Flat products	Acerinox	NAS	Columbus	Bahru	Total	Variation over 2010
Melting shop	639,679	937,087	444,036		2,020,801	-1.9%
Hot rolling	564,046	779,623	435,564		1,779,234	-0.2%
Cold rolling	433,063	586,623	248,374	2,276	1,270,337	-1.6%

Long products	Roldán	NAS			Total	Variation over 2010
Hot rolling	64,096	131,017			195,113	-6.9%
Finished products	65,460	125,613			191,073	-1.6%

Production performance has varied between the different factories of the group. NAS has benefited from the better US market conditions, increasing its melting by 4.2%. Acerinox Europa has had to deal with the challenges created by to the European crisis and the fire at Roldán with a 6.3% decrease in melting production. Finally Columbus has also had to adjust its production to the lesser volume of European orders and to its greater exposure to the Asian market and to semi-products, decreasing melting production by 7.1%.

Throughout the year, Acerinox has operated with a melting capacity utilization lower than 80% which makes the results achieved all the more commendable. It also demonstrates the success of the two Excellence Plans (2009-2010 and 2011-2012)that have been implemented to date with the result of lowering the profitability threshold for all of the factories.

5 Excellence Plan II 2011-2012

Following the success achieved by the Excellence Plan 2009-2010, a second plan was approved in February 2011 which was also biennial. It consists of 15 chapters, which include the objectives that were not achieved 100% in the first plan, and other new objectives, with a particular emphasis on the improvement of plant efficiency, purchasing management and attaining excellence within the supply chain.

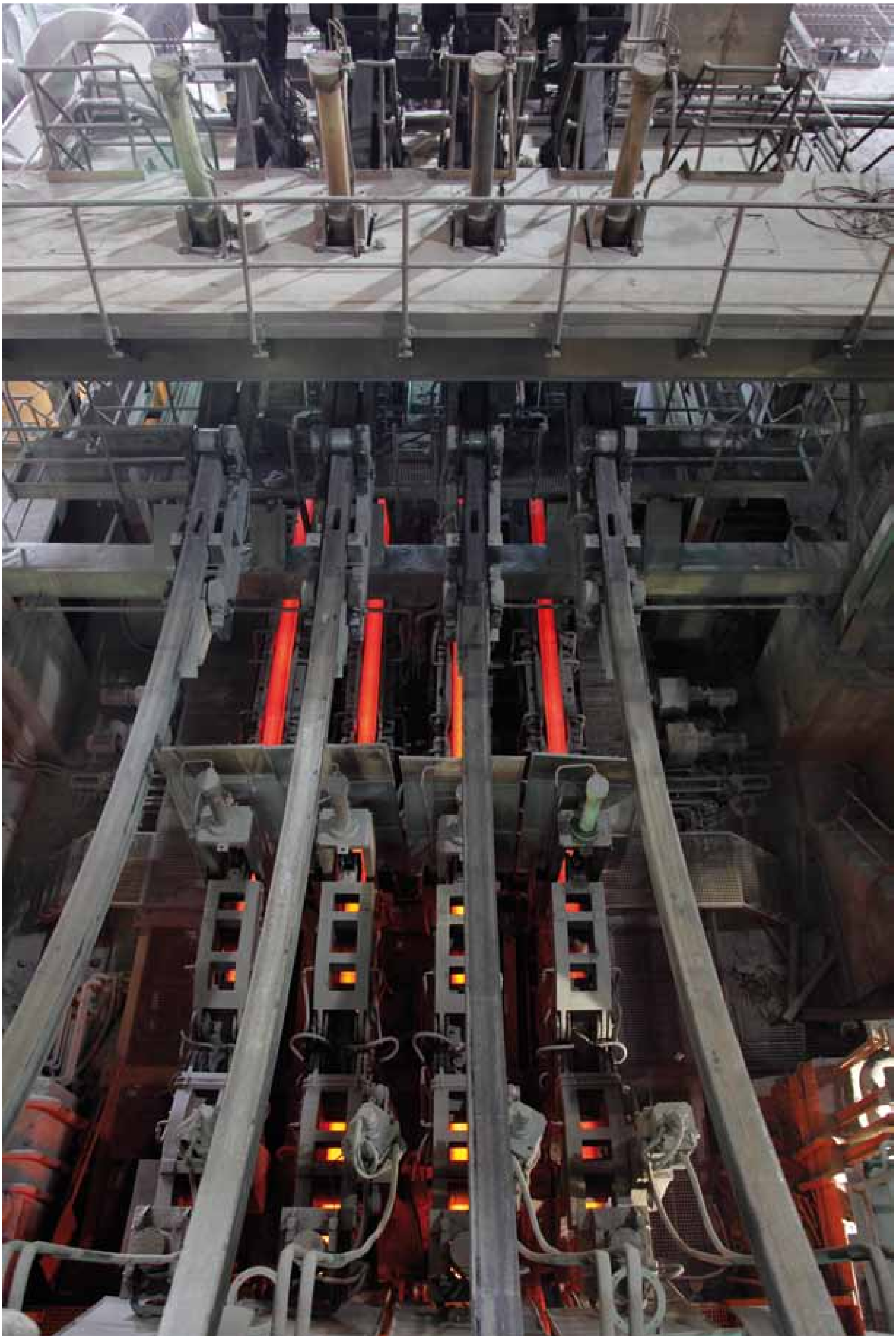
The results of the implementation of this program are estimated to generate recurring savings of 90 million euros per year from 2013 onwards.

Like the first, the genesis of this plan came from the continuous and intensive internal "benchmarking" within Group companies which began in 2008. They shared best practices with the aim of improving processes across the whole supply chain and set ambitious, yet realistic targets, since each of them had already been achieved by at least one of the factories.

The geographical diversification of the Acerinox Group, with three fully integrated factories of similar sizes and structures in three different continents, offers a unique opportunity in the sector to carry out these internal comparative exercises. The exchange of technical information between experts specialising in different fields in all of the factories is the perfect foundation for achieving continuous improvements in quality, processes, efficiency and cost control.

As at 31st December 2011, after twelve months of implementing this plan, we have already achieved in steady manner a 35 % (or 32 million euros/year) of the targets set and we are harvesting the savings forecasted consistently, improving quarter by quarter.

Melting shop



Billets continuous casting

6 Commercial Network

2011 has presented a two-fold challenge for Group distribution.

On one hand, to continue with the process initiated in 2009 of adapting the commercial structure in Europe, where stagnation of demand and overcapacity, combined with a rise in low cost imports of Asian materials, are forcing us to make a concerted effort to reduce distribution costs.

On the other hand, we are strengthening the commercial networks in order to capitalise on market growth areas. In April, in Warsaw (Poland) the slitting and cut to length lines were inaugurated. In Istanbul (Turkey) we proceeded to open a new commercial office which will allow us to increase our presence in that market.

In Asia, the commercial office in Ho Chi Minh (Vietnam) was set up and another in Jakarta (Indonesia) with a view to supporting the sales of Bahru Stainless.

The construction of the new Service Centre and Warehouse in Pinto (Spain) continues at a steady pace and it is expected to be completed by summer 2012. This new building will combine the existing Acerinox service center in Pinto and Inoxcenter's current warehouse in the same location, consequently reducing costs.

Presently, the Group commercial network consists of 21 Service Centres, 32 warehouses and 21 Commercial Offices, distributed throughout five continents.

7 Sales

Group turnover, a figure of 4,672 million euros, was 3.8% higher than the results of the 2010 financial year. Despite the fact that in physical units, the tonnage sold was very similar. This is primarily owing to the nickel price and higher sales during the period of the year when prices remained at a higher level, above all in the USA.

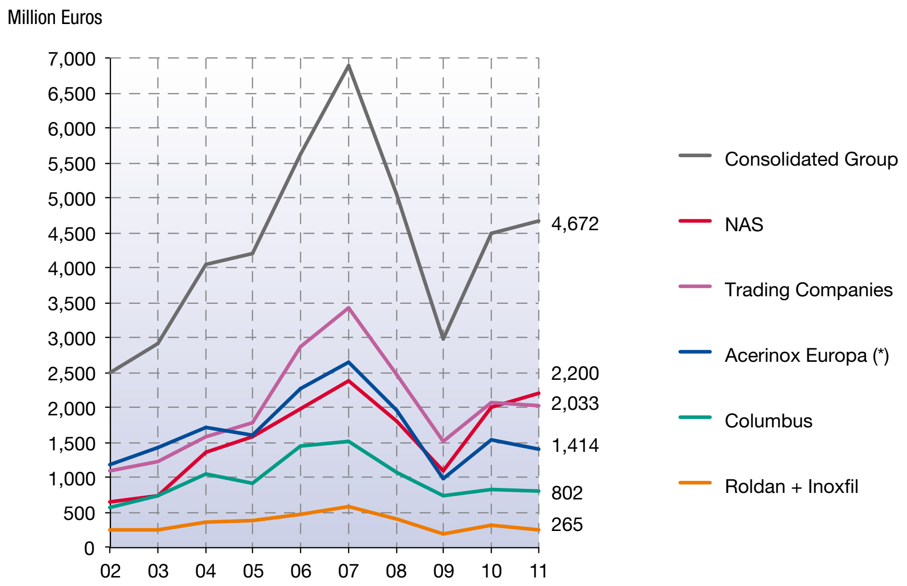
By analysing the performance by companies we can confirm that development has been irregular:

- On one hand, North American Stainless has been the Group company with the highest increase in sales (14%):

- Conversely, turnover has decreased for the remaining producers:

  - Acerinox Europa, with fall of 9%, reflects the deterioration of the European market.
  - Columbus has broken sales record in the local market for 2011, however export sales have fared less well and overall sales fell by 4% during the year.
  - Roldan's turnover was hindered by the fire that occurred in its hot rolling facilities on 20th November 2010 and subsequently it has fallen by 21% in relation to 2010.

Evolution of the turnover of Acerinox

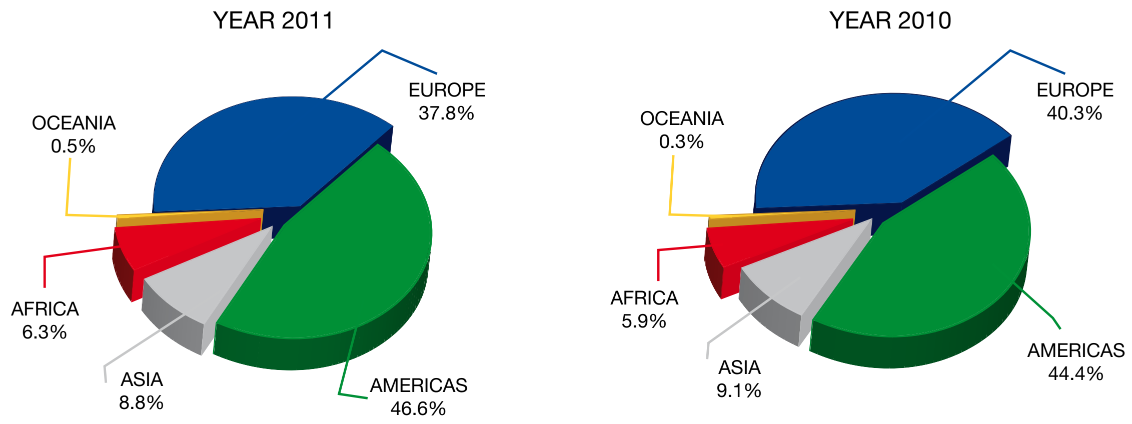


(*) Acerinox, S.A. figures until 2010. Year 2011 refers to Acerinox Europa

The North American Market has established itself as the leading market in the Acerinox Group, representing 46.6% of the total turnover (44.4% in 2010).

The Spanish market represents 9.2% of the total.

Geographical Distribution of the Turnover of Acerinox. Years 2010 and 2011



Finished product

8 Human Resources

The total number of Group employees has been slightly reduced.

Most Group companies continue adapting the staffing levels to the market requirements.

The only workforce with a notable increase in the number of employees has been Bahru Stainless, with 125 additional employees in order to deal with cold rolling production which began in December.

	2011	2010	Variation
Acerinox, S.A.	68	2,529	-1.7%
Acerinox Europa	2,417		
NAS	1,372	1,368	0.3%
Columbus	1,708	1,751	-2.5%
Bahru Stainless	226	101	123.8%
Roldán & Inoxfil	578	607	-4.8%
Spanish trading companies	388	403	-3.7%
Overseas trading companies	601	627	-4.1%
TOTAL	7,358	7,386	-0.4%

Melting shop

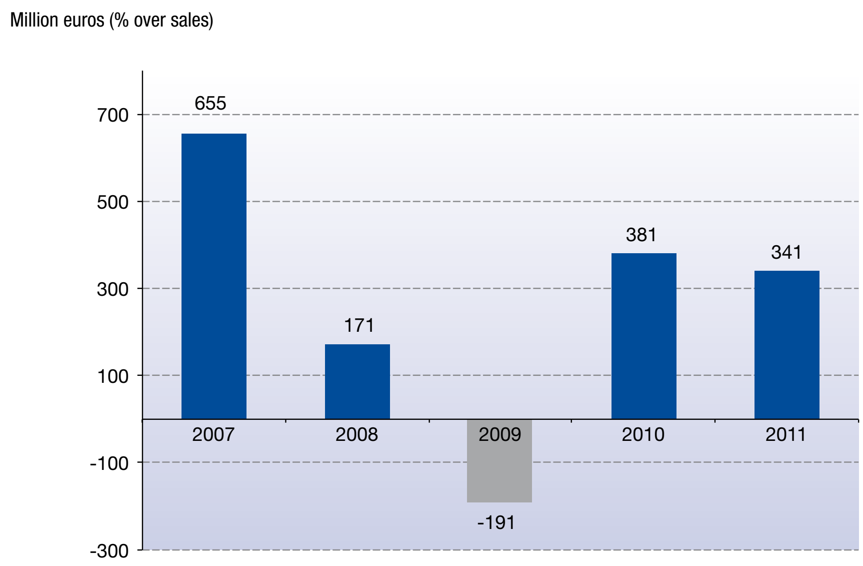
9 Economic Report

The Acerinox results have progressed satisfactorily, building upon those achieved in 2010. They have been clearly influenced by the drop in raw material prices and the sharp slowdown in consumption brought on by global economic and financial uncertainty, particularly in the second half-year period.

The Group turnover, 4,672 million euros, improves upon the results obtained in 2010 by 3.8%.

The EBITDA in the financial year, 341 million euros consolidates the recovery that had already begun in 2010.

Evolution of the Consolidated Group EBITDA



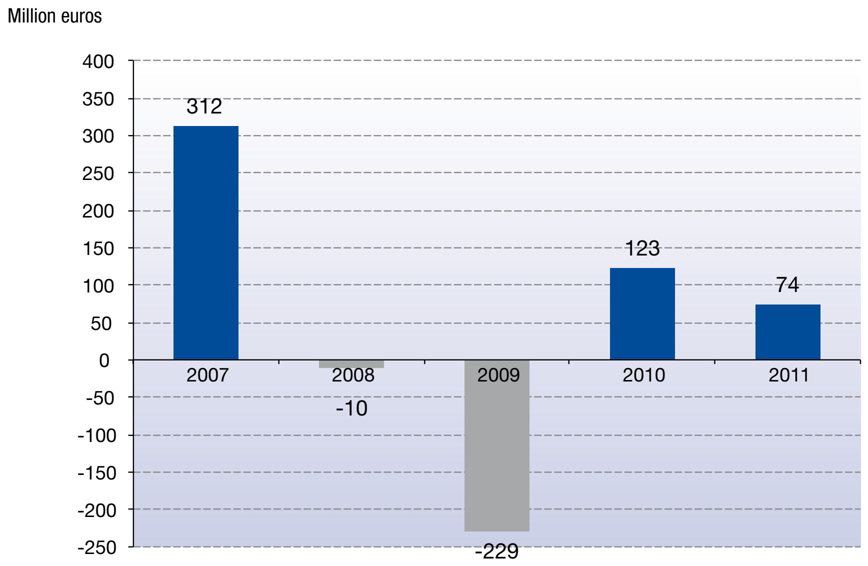
The Acerinox Group has obtained a net result of 133 million euros before tax and minorities, 31.1% less than the 2010 financial year.

Thousand euros

	2011	2010	Variation
Net sales	4,672,244	4,500,467	3.8%
EBITDA	340,513	381,066	-10.6%
EBIT	192,435	232,146	-17.1%
Profit before taxes and minorities	132,627	192,519	-31.1%
Depreciation	146,785	147,791	-0.7%
Gross cash flow	279,412	340,310	-17.9%
Profit after taxes and minorities	73,726	122,739	-39.9%
Net cash flow	220,512	270,530	-18.5%

The profit after tax and minorities was 74 million euros, 39.9% lower than 2010.

Result after taxes and minorities



Despite the adverse circumstances of the second half-year period, the Acerinox Group has successfuly reduced net financial debt by almost 200 million euros, currently standing at 887 million euros, (1,084 million euros in 2010) at the end of the financial year.

Similarly, the debt to equity ratio has been reduced from 56.3% to 47.1%.

Million euros

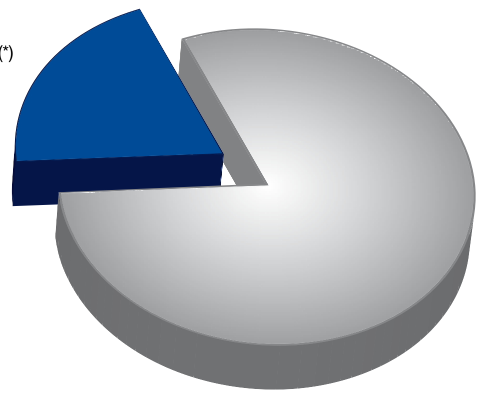
ASSETS	2011	2010	Variation
Non current assets	2,251.44	2,235.57	0.7%
Current assets	1,819.78	2,004.79	-9.2%
Inventories	1,119.43	1,336.66	-16.3%
Debtors	510.54	534.96	-4.6%
- Trade debtors	476.98	494.44	-3.5%
- Other debtors	33.56	40.52	-17.2%
Cash and other current assets	189.82	133.17	42.5%
TOTAL ASSETS	4.071.22	4.240.36	-4.0%

LIABILITIES	2011	2010	Variation
Equity	1,881.19	1,923.74	-2.2%
Non current liabilities	988.32	992.19	-0.4%
Interest bearing loans and borrowings	707.20	724.74	-2.4%
Other non current liabilities	281.12	267.45	5.1%
Current liabilities	1,201.71	1,324.43	-9.3%
Interest bearing loans and borrowings	344.03	472.39	-27.2%
Trade creditors	636.92	603.76	5.5%
Other current liabilities	220.76	248.27	-11.1%
TOTAL EQUITY AND LIABILITIES	4.071.22	4.240.36	-4.0%

Given the strength of the Group's balance sheet, the volume of investments has been maintained in accordance with the development of our strategic plan, and our financial strength means that we can maintain the full returns to shareholders (0.45 euros per share), at the same level as the previous financial year.

Of the total debt ratio, 80% is long-term debt, which allows us to address liquidity problems that could occur in the financial markets.

Situation of debt held with financial instituions December 2011



(*) Treasury has been deducted of the short term debt

Acerinox signed an agreement on 11th January 2012 for a syndicated loan for the sum of 482 million dollars. With this operation, we achieved the two-fold objective of reducing our exposure to the European banking system and extending the maturity dates of our debts whilst also reducing our average financing costs and shoring up our financial position.

Due to the efforts that were made to reduce debt, the "net financial debt/EBITDA ratio" now gives a figure of 2.6 times, which is lower than the figure obtained in 2010. It amply complies with the "covenants" agreed for our long-term financing.

The book value per share is 7.5 euro, dropping by 2% compared to the 2010 financial year.

The following cash flow statement shows the positive generation of cash flow for the year, especially for the evolution of working capital which has been reduced by 267 million euros, a fundamental part of which has been the significant and strategic destocking, amounting to 217 million euros.

The cash flow generated has risen to 438 million euros, which, despite large investment payments of 176.6 million euros made during the year , has maintained a free cash flow of 256.7 million euros, with which, not only have the returns to shareholders been maintained but also indebtedness has been reduced by 144 million euros. Excluding the treasury positions, the Acerinox Group has reduced its net debt by 197 million euros.

Condensed Cash Flow Statement. December 2011

Million euros

	Jan-Dec 2011	Jan-Dec 2010
Result before taxes	132.6	192.5
Adjustments for:	231.6	205.5
Depreciation and amortisation	146.8	147.8
Changes in provisions and impairments	11.2	1.0
Other adjustments in the result	73.6	56.7
Changes in working capital	205.8	33.3
Changes in operating working capital (1)	267.9	-74.9
Others	-62.0	108.2
Other cash-flow from operating activities	-132.0	-75.9
Income tax	-76.4	-26.2
Financial expenses	-55.6	-49.7
NET CASH-FLOW FROM OPERATING ACTIVITIES	438.1	355.5
Payments for investments on fixed assets	-176.6 (*)	-223.2
Others	-4.7	-11.0
NET CASH-FLOW FROM INVESTING ACTIVITIES	-181.3	-234.2
NET CASH-FLOW GENERATED	256.7	121.3
Acquisition of treasury shares	0.0	0.0
Dividends payed to shareholders and minorities	-112.2	-112.2
Changes in net debt	-129.2	11.5
Changes in bank debt	-145.9	49.3
Conversion differences	16.8	-37.8
Attributable to minority interests	34.6	11.7
Others	0.6	0.4
NET CASH-FLOW FROM FINANCING ACTIVITIES	-206.1	-88.6
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	50.6	32.8
Opening cash and cash equivalents	113.6	73.3
Effect of the exchange rate fluctuations on cash held	0.4	7.5
CLOSING CASH AND CASH EQUIVALENTS	164.6	113.6

(*) Payments for investments effectively made during the business year, besides the moment in which the investment was capalized.

10 Investments

In 2011, Acerinox made investments amounting to 169.3 million euros, complying with all of the terms of the Strategic Investments Plan, despite the global economic recession and the problems experienced in the stainless steel sector.

This is all possible, firstly due to the market driven logic of the investments made and secondly because of the great financial strength of the Group.

Investments have been made in all of the supplier companies to maintain the installations in the optimal state of efficiency and competitiveness. In Roldán, it was necessary to replace the electrical wiring and auxiliary equipment which were damaged in the fire at the Ponferrada factory on 20th November 2010.

INVESTMENTS IN ACERINOX. December 2011

Million euros

	2011	2010
Acerinox, S.A.	0.4	
Acerinox Europa	22.8	23.8
NAS	17.0	15.4
Columbus	11.5	11.5
Bahru Stainless	104.0	154.4
Roldán & Inoxfil	9.6	0.8
Spanish trading companies	0.1	0.2
Overseas trading companies	3.9	11.3
TOTAL (*)	169.3	217.3

(*) we define an investment as the increase of assets held in the year, irrespective of payment

62% of the investments made have been focused on the construction of the Bahru Stainless factory and they apply to both the implementation of Phase I and the additions corresponding to Phase II.

Bahru Stainless Birds-eye view

11 Returns to Shareholders

In 2011, Acerinox awarded its shareholders dividends amounting to 112.2 million euros. Payments were made in accordance with the following breakdown:

DATE	CONCEPT	EUROS / SHARE	TOTAL AMOUNT EUROS
5-1-11	First dividend on account of year 2010	0.10	24,930,454.6
5-4-11	Secondt dividend on account of year 2010	0.10	24,930,454.6
5-7-11	Complementary dividend year 2010	0.15	37,395,681.9
5-10-11	Issue premium refund	0.10	24,930,454.6
TOTAL YEAR 2011		0.45	112,187,045.7

Ever since Acerinox shares were first traded on the Stock Exchange in 1986, its shareholders have received a regular return, which, over time, has accumulated to 1,386 million euros.

ANNUAL RETURNS PER SHARE

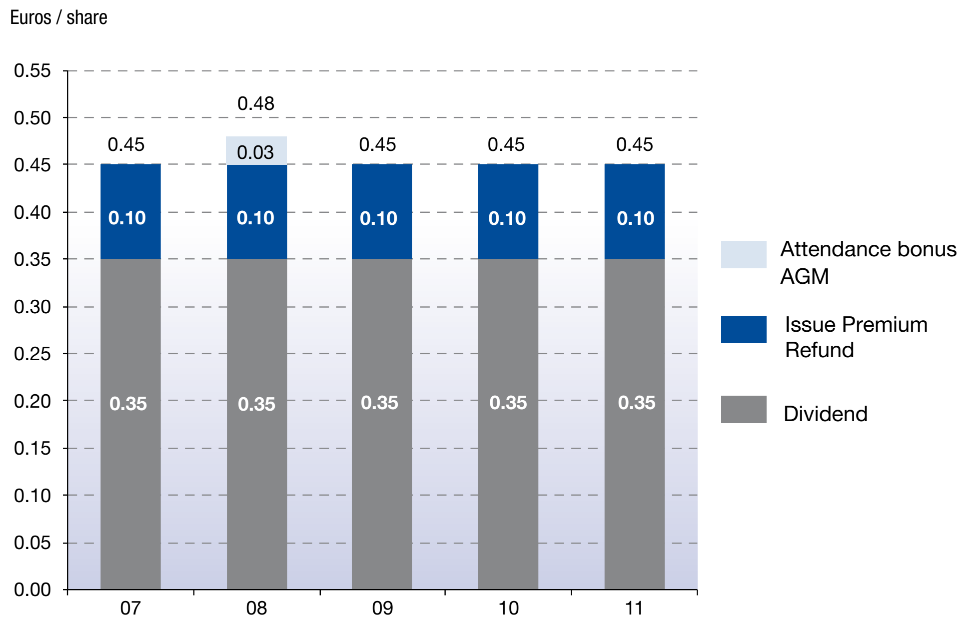
In the meeting convened on 15th December 2011, the Acerinox Board of Directors approved a first interim dividend for 2011 for the amount of 0.10 euros gross per share, to be paid on 5th January 2012.

A second interim dividend for 2011, for the amount of 0.10 euros per share will be awarded to shareholders on 4th April 2012.

At the General Shareholders Meeting which will be convened on 7th June 2012, a proposal will be made to ratify the issue of two dividend issues to be paid on account of 2011, as well as the issue of a supplementary dividend for the aforementioned year for the amount of 0.15 euros per share, which will be paid on 5th July 2012. A proposal will also be tabled in the General Shareholders Meeting to authorise the payment of 0.10 euros per share, debited against the share premium account, which will be paid on 5th October 2012.

During 2011, Acerinox paid its shareholders a total amount of 0.45 euros per share, signifying the maintaining returns to shareholders that were consolidated during the record-breaking years before the crisis. Our company is among a small group of Ibex-35 companies who have not reduced their payments to shareholders in comparison with payments made in the years before the crisis.

Return to shareholders



The amount of 0.45 euros per share paid to shareholders in 2011 is equivalent to a yield of 4.54% over the closing of share exchange for the year, which was 9.91 euros per share.

12 Stock Market Report

The performance of the Stock Market in 2011 has followed the same pattern as 2010.

The main protagonists have once again been the global financial and economic crisis with the particular repercussions of the sovereign debt crisis in the peripheral countries of the Eurozone. Downgrading of credit ratings, the earthquake in Japan, the unrest of the 'Arab Spring' in North Africa, political instability in Europe and the rise in raw materials prices have been other factors that have weighed down the markets this year.

In these challenging conditions, with a depreciation of 13.1%, the Ibex 35 was one of the best performers among all of the European stock market indices. The Frankfurt Stock Exchange fell by 14.7%, Paris, 16.9%, London, 5.5% and Milan fell by 25.2%.

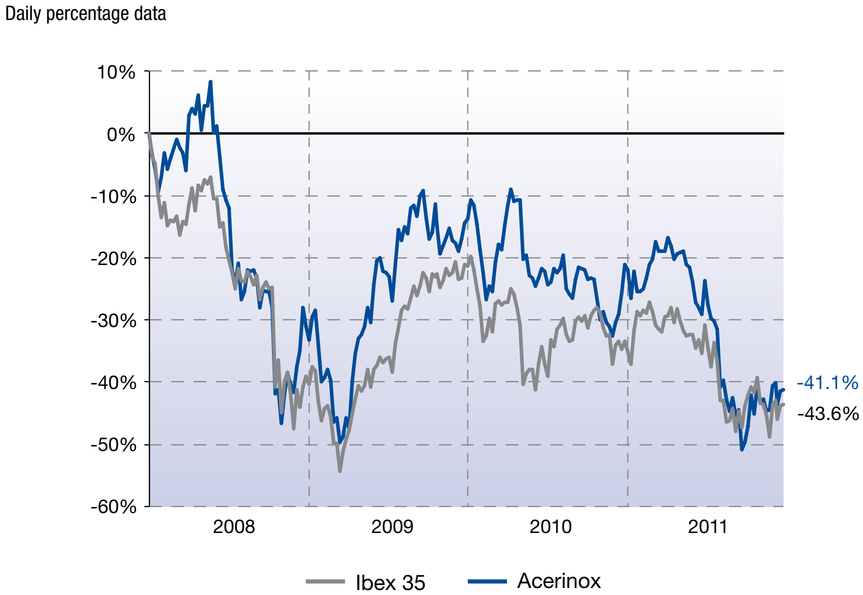
The graph below shows how the Spanish Stock Exchange was ascending at the beginning of the year (it reached a peak of 11.113 points on 17th February). However, doubts about the Euro, the bailout for Greece, the downgrading of company credit ratings etc, made it impossible to maintain the strong performance at the beginning of the year, and it ended up depreciating 13.1% as previously mentioned.

Evolution of the Stock Exchange Acerinox and Ibex-35

Acerinox shares have not been immune to the turbulence in the market. If we add to this situation the slowing of the stainless steel market, particularly in the second half-year period, the result is a depreciation of 24.5% this year, closing at 9.91 euros per share.

The following graph illustrates how during the last four years of global economic difficulties, the performance of Acerinox shares has been slightly better than Ibex-35 index, depreciating 41.1% and 43.6% respectively.

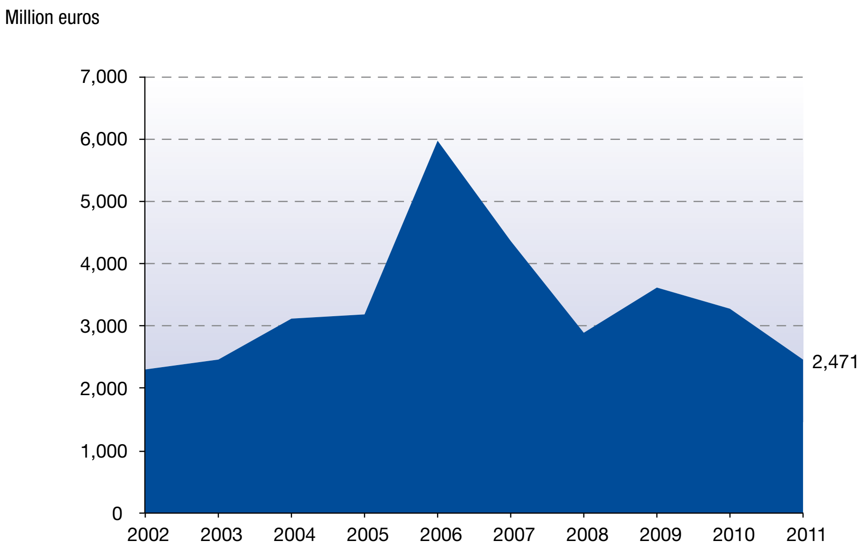
Evolution of the Stock Exchange. Acerinox and IBEX 35



CAPITAL

As at 31st December 2011, Acerinox market capitalisation reached 2,470,608,050.86 euros

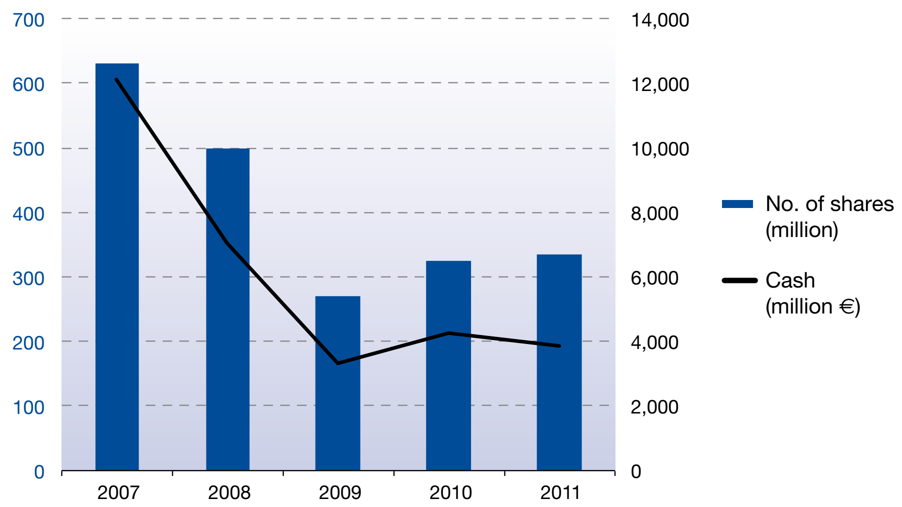
Market Capitalisation of Acerinox, S.A.



CONTRACTING OF SHARES AND CASH

Acerinox shares were traded for the 257 days that the Spanish Stock Exchange was operational. The total contracting of shares was 335,858,766 shares, 3.12% more than in the previous year. This equates to 1.35 times the number of shares that form the share capital at the close of the year. The total contracted cash was 3,874,313,278.97 euros, 9.51% less than in 2010.

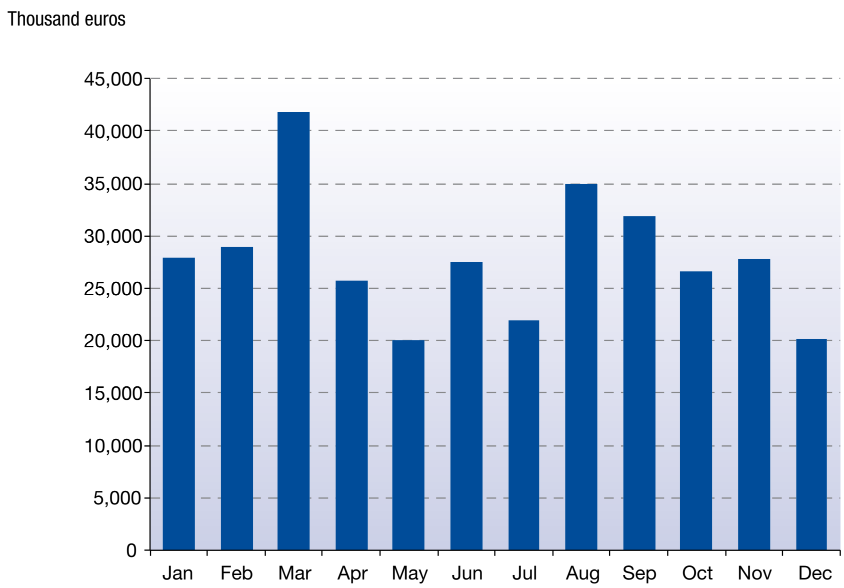
Contract of Shares and Cash



The average daily contracting during 2011 was 1,306,843 shares, equivalent to 15,075,148.95 euros.

During 2011, the lowest share value of 8.01 euros per share was recorded on 4th October and the highest of 14.9 euros, was achieved on 7th March. The average value during the year was 11.52 euros per share.

Monthly Contract of Shares in the Year 2011



13 Board of Directors

In the General Shareholders Meeting held on 9th June 2011, a proposal from Nisshin Steel to appoint Mr Yukio Nariyoshi as Dominical Director as replacement for Mr Fumio Oda was approved. Likewise, Mr Manuel Conthe Gutiérrez was appointed as Independent Director to fill the vacancy created by the resignation of Mr Ryoji Shinohe who held the position of Dominical Director of Metal One Corporation. The appointment of Mr Pedro Ballesteros Quintana as Dominical Director was also approved as a replacement for Mr Fernando Mayans Altaba.

As at 31st December 2011, the composition of the Board of Directors and its Commissions and Committees is as follows:

BOARD OF DIRECTORS

Chairman:
Mr. RAFAEL NARANJO OLMEDO

Chief Executive Officer:
Mr. BERNARDO VELÁZQUEZ HERREROS

(Board) Directors:
Mr. PEDRO BALLESTEROS QUINTANA
Mr. CLEMENTE CEBRIÁN ARA
Mr. MANUEL CONTHE GUTIÉRREZ
Mr. JOSÉ RAMÓN GUEREDIAGA MENDIOLA
Mr. ÓSCAR FANJUL MARTÍN
Mr. RYO HATTORI
Mr. LUIS LOBÓN GAYOSO
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN
Mr. BRAULIO MEDEL CÁMARA
Mr. YUKIO NARIYOSHI
Mrs. BELÉN ROMANA GARCÍA
Mr. DIEGO PRADO PÉREZ-SEOANE
Mr. MVULENI GEOFFREY QHENA

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ

EXECUTIVE COMMITTEE

Mr. RAFAEL NARANJO OLMEDO (Chairman)
Mr. ÓSCAR FANJUL MARTÍN
Mr. JOSÉ RAMÓN GUEREDIAGA MENDIOLA
Mr. RYO HATTORI
Mr. LUIS LOBÓN GAYOSO
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN
Mr. BERNARDO VELÁZQUEZ HERREROS

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Mr. JOSÉ RAMÓN GUEREDIAGA MENDIOLA (Chairman)
Mr. ÓSCAR FANJUL MARTÍN
Mr. BRAULIO MEDEL CÁMARA
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN (Secretary)

AUDIT COMMITTEE

Mrs. BELÉN ROMANA GARCÍA (Chairwoman)
Mr. PEDRO BALLESTEROS QUINTANA
Mr. CLEMENTE CEBRIÁN ARA
Mr. RYO HATTORI
Mr. DIEGO PRADO PÉREZ-SEOANE

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ

14 Important Events After the Closing of the Year

SYNDICATED CREDIT FACILITIES IN THE USA

On 11th January, Acerinox S.A. and North American Stainless signed a syndicated loan for 482 million USD. With this operation the group achieved three objectives: a reduction in exposure to the European banking system, a reduction in our average financial costs and an extension to the maturity dates of our debts.

The lending institutions who have led the financing are BB&T Capital Markets, JP Morgan Chase Bank, Wells Fargo Bank and Fifth Third Bank. Ten American banks have also participated in this operation: BB&T, JP Morgan Chase Bank, Wells Fargo Bank, Fifth Third Bank, Regions Bank, US Bank National Association, BMO Harris Bank, The Huntington National Bank, PNC Bank National Association and The Bank of Kentucky.

EUROPEAN CONSOLIDATION

In January, two of Acerinox´s main competitors, Inoxum (ThyssenKrupp Stainless) and Outokumpu announced their agreement to a merger on which the latter will take full control of the former's assets, and pay its shareholders a significant sum to defray part of the debts incurred. They have also committed to undertake the closing of several production sites.

Acerinox welcomes this positive development in the industry and believes that it will not adversely affect the free market. We also consider that this process of centralisation will clearly define the European panorama and reduce the current overcapacity problems in Europe.

REDEPLOYMENT OF LABOUR

The Group has agreed to reduce personnel in several Commerical Subsidiaries, primarily in Spain, with the aim of adapting capacity in line with the current market structure / situation.

NEGOTIATION OF COLLECTIVE AGREEMENT IN THE ACERINOX EUROPA FACTORY

At the end of 2011, the Works Committee of the Factory rejected the XVII Collective Agreement which was in force. This agreement had a term limited to December 2011.

Negotiations have already begun for the approval of a new collective agreement.

Billets continuous casting

15 Financial risk management

The Group's activities are exposed to various financial risks: market risk (currency risk, interest risk and price risk), credit risk and liquidity risk. The Group aims to minimize the potential adverse effect on its profits through the use of derivative financial instruments, where appropriate to the risks, and insurance.

The Group does not acquire financial instruments for speculative purposes.

MARKET RISK

Market risks occurs as a result of the variation in market prices, or by changes in the currency rate, interest rate, or rate of international prices of raw material or other materials which can affect both the results of the company, as well as its equity or the value of its assets and liabilities.

CURRENCY RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily the US Dollar. Foreign exchange risk arises from commercial transactions, financial and investment operations, and from translation of financial statements in functional currencies distinct from the consolidated Group's presentation currency.

To manage foreign exchange risks arising on commercial transactions, Group companies use forward currency sale or purchase contracts, contracted with Group Treasury, in accordance with policies approved by management.

The Group uses derivatives such as cross currency swaps to control currency risk for financial transactions.

Not all exchange rate insurance contracts entered into by the Group comply with criteria for cash flow hedge accounting. Those contracts which do not comply with these criteria have been accounted for as financial instruments at fair value through profit or loss.

The fair value of forward exchange contracts is their market price at the balance sheet date, which is the present value of the difference between the hedged price and the forward price for each contract.

The Group hedges most of its financial and commercial transactions in foreign currency. At the beginning of each month and subject to fortnightly review, each company considers its loans in non-local currency, trade and supplier balances in foreign currency, the sales and purchases in foreign currency forecast for the period and exchange rate insurance coverage. The Group can consider commercial transactions to evaluate its total exposure when hedging financial transactions.

Finally, the Group is exposed to currency risk as a result of the translation to Euros of the individual financial statements presented in a functional currency other than the Group's presentation currency, particularly the US Dollar, the South African Rand and the Malaysian Ringgit. Sensitivity to changes in the value of these currencies against the Euro, with other variables remaining constant, is as follows:

(Thousand Mt.)	Profit and loss		Equity	
	10% appreciation	10% decline	10% appreciation	10% decline
31 December 2011				
USD	16,395	-13,414	113,738	**-93,059**
ZAR	-2,012	1,646	33,332	**-27,272**
MYR	-1,723	1,410	40,877	**-33,445**
31 December 2010				
USD	14,567	-11,969	122,485	**-100,215**
ZAR	-1,497	1,225	42,391	**-34,684**
MYR	-150	123	30,861	**-25,250**

INTEREST RATE RISK

The Group's financing comes from various countries and in different currencies (mainly the Euro, the Rand and the Dollar), with different maturities and mostly referenced to a variable interest rate.

The Group's financial liabilities and assets are exposed to fluctuations in interest rates. To manage this risk interest rate curves are regularly analyzed, and on occasion derivatives may be used. These derivatives take the form of interest rate swaps and meet the criteria for recognition as cash flow hedging instruments. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account interest rates at that date and the credit worthiness of the swap counterparties.

In this sense, both in 2011 as in 2010 the Group has carried out different covers of interest rates for most of its loans.

Due to the international financial crisis and the distortions which it has introduced in the monetary markets, the Risk fees and the exchange rate differential have increased since 2009. The Group has reduced this risk by means of overweighing in its balance of financing at long over short term.

The Euro's interest rates at short term rose during the first half of 2011, maintained stable during the third quarter of the year and dropped noticeably during the last two months of the year, as a result to the risks of new recession in part of Europe. The levels of the end of 2011 continue to be higher to the lowest reached in the second quarter of 2010.

Regarding the Group's sensitiveness towards the interest rates, if these rates had been higher in 100 basic points, maintaining the rest of the variables constant, the consolidated result after taxes would have been lower in 6.06 million Euros (7.65 million Euros lower in 2010), due to a greater financial expense, derived from the debts of variable type. The effect on the Group's net assets of said increase of the interest rates during all the curve of rates would have been a net increase of 11.19 million Euros, due to the fact that the higher financial expenses would have been more than compensated by the positive variations in the assessments of cover derivatives of the interest rates existing at the time of closure of the current year.

PRICE RISK

The Group is exposed to three types of risk based on price variations:

1. Risk due to changes in the market price of securities held in quoted companies.
The risk of price fluctuations in quoted securities relates to the shares held by the Group in Nisshin Steel, which is traded on the Tokyo Stock Exchange. The Group has not hedged this risk with derivative financial instruments.

In the Financial Report, detail of the effect of the variation in the market price of the shares is given, and the impact in both reserves and results of the Group.

2. Risk due to regional crisis.
Acerinox's global presence, with factories in four geographical regions and commercial activities on five continents, reduces its exposure to any specific area.

3. Risk of changes in prices of raw materials.
The stainless steel market is characterized by healthy demand, which has grown at an annual rate of approximately 6% for over 50 years. Exceptionally the market shrank by 14.8% in 2007-2009 because of the worldwide economic recession, but recovered with growth of 25% in 2010, confirming in the middle term the mentioned annual rate. In 2011 the stainless steel market has increased a growth of 2.9%. The need for stainless in all the industrial applications and its presence in all the sectors guarantee this growth rate in the coming years. With end consumer levels stable, control of this market for the most part by independent warehouses makes consumption appear volatile (in line with fluctuations in the quotation of nickel on the London Metal Exchange).

Por cortesía de Talleres JM Villa

Gijón promenade

To reduce the risk deriving from majority control of the market by independent warehouses, considering their inventory stockpiling/realization policy, the Acerinox Group has developed a sales network that enables it to supply customers on a continuous basis, by means of warehouses and service centers through which the Group's production is channeled. This policy has enabled the Group to achieve a significant market share in the end customer segment and, therefore, stabilize sales and reduce the risk. Examples of this strategy are the investments made in the Pinto (Madrid), Warsaw (Poland) warehouses, as well as the opening of commercial offices in Istanbul (Turkey), Ho Chi Minh (Vietnam) and Jakarta (Indonesia).

Maintaining sufficient inventory levels in our warehouses entails the risk of overstatement of these inventories in relation to market price. The Group alleviates this risk by endeavoring to maintain control over inventory levels. Therefore, during 2011 the Group reduced its inventory levels 5.6% in tons.

To resolve the risk posed by the volatility of raw materials, 85% of Group sales (i.e. all sales made in Europe, America and South Africa) are naturally hedged by applying an alloy surcharge that enables fluctuations in the quotation of nickel on the London Metal Exchange, as well as Euro/US Dollar fluctuations, to be passed on to customers when the order is being manufactured. With this hedge, a fluctuation of 10% in the quotation of nickel on the London Metal Exchange would alter the Group's gross margin on sales by only 1%.

The valuation of raw materials, work in progress and finished goods at average cost helps to reduce volatility of costs and, consequently, to decrease the impact of nickel price fluctuations on margins.

The Group's policy of firm orders naturally hedges the costs of raw materials, as all accepted orders have a known risk.

However, fluctuations in the price of nickel on the London Metal Exchange drive apparent consumer levels, based on warehouses' expectations and their consequent realization or accumulation of inventories.

The main risk continues to be the apparent volatility of consumer spending which, as an external factor, is beyond the Group's control. Efficient management of the aforementioned solutions for remaining risks makes it possible to reduce exposure to this risk as far as possible.

CREDIT RISK

Credit risk is defined as the possible loss that could be incurred through failure of a customer or debtor to meet contractual obligations.

The Group's exposure to credit risk is determined by the individual characteristics of each customer and, where applicable, by the country risk where the customer operates. Due to the diversity of its customers and the countries in which it operates, the Group does not have any concentrations of credit risk.

The Group hedges its commercial and political risks either through credit insurance companies, or through documentary credits and guarantees extended by first level banks in low-financial risk countries. Credit insurance covers between 85% and 90% of commercial risks, depending on the insurance company, and 90% of political risks. The Group's main credit insurer has an A- credit rating by Standard & Poor's and an A3 rating by Moody's.

During 2011 indemnities of Euros 2,420 thousand have been collected in relation to the credit insurance policy (Euros 2,538 thousand in 2010).

A risk committee is responsible for monitoring the Group's credit risk policy. Where required, the committee also performs an individual analysis of customers' credit worthiness, establishing credit limits and payment conditions. New customers are analysed with the insurance company before general payment conditions are proposed. Payment in cash is required from customers that do not meet the necessary credit conditions.

The Group has long-standing commercial relationships with many of its customers. Payment delays give rise to special monitoring of future deliveries, payment conditions, credit limit reviews and credit enhancements, as appropriate.

Title retention clauses, in line with prevailing legislation in the customer's country of operation, enable goods to be recovered in the event of payment default.

On occasion the Group also uses other financial instruments to reduce credit risk, such as factoring operations. The Group derecognises factored assets when the risks and rewards of these assets have been substantially transferred.

The Group makes valuation adjustments to trade receivables where necessary, to make provision for bad debts in respect of past-due balances and when circumstances indicate doubtful collection.

At 31 December 2011, consolidated trade receivables amount to Euros 476,981 thousand (Euros 494,440 thousand in 2010). Net sales for 2011 total Euros 4,672,244 thousand (Euros 4,500,467 thousand in 2010). Credit risk insurance has been contracted for 42% of consolidated net sales, (42% in 2010). Cash conditions exist for 3% (3% in 2010). Of consolidated sales, 4% (5% in 2010) are made using confirmed letters of credit to hedge credit risk. 38% of consolidated net sales (27% in 2010) are domestic sales by North American Stainless, Inc., with collection period of under 30 days.

The ageing analysis of debt is as follows: Less than 30 days: Euros 68,109 thousand (Euros 100,931 thousand in 2010); from 30 to 60 days: Euros 13,807 thousand (Euros 11,997 in 2010); from 60 to 90 days: Euros 6,870 thousand (Euros 4,089 thousand in 2010); more than 90 days: Euros 3,515 thousand (Euros 3,009 thousand in 2010). The Group has made provisions for Euros 6,898 thousand (Euros 6,401 thousand in 2010). Most of the debt is insured and generally due to usual delays in sales activity. Over 69% of past-due debt has been collected at the date of preparing the annual accounts (79% in 2010).

In view of the default rates in all sectors, we consider that the above figures are highly satisfactory and vindicate the Group's credit risk policy.

In the local market, the Group has applied the Law 15/2010 dated July 5th, modifying Customer payments terms progressively.

The Group has individually deteriorated those financial assets which cannot be collected by the uncovered part.

Any advances to suppliers of fixed assets are hedged through guarantees issued by the supplier and confirmed by prestigious banks.

The Group only makes temporary cash deposits in banks with a rating of AA or higher. At 31 December 2011, the Group has cash and cash equivalents of Euros 164,631 thousand (Euros 113,569 thousand in 2010).

LIQUIDITY RISK

In an economic climate as complex as today's, with liquidity scarce and increasingly expensive, the Group ensures its solvency and flexibility through long-term loans and available financing.

The Group's cash is centrally managed to optimise resources, applying cash pooling systems. The Group's debt is therefore primarily concentrated within the parent company (90% of total net debt).

Based on its cash flow estimates and considering its investment plans, the Group has sufficient funding to meet all of its commitments, and maintains sufficient balances available for drawdown from credit facilities to cover the possible risk. Consequently, in 2011 and 2010 no payment defaults have occurred on the principal of loans or loan interest.

The Group has been granted short and long-term financing totalling Euros 2,142 million and facilities for factoring without recourse for Euros 320 million. Euros 1,051 million were drawn at 31 December 2011. In 2010, the Group had short and long-term credit facilities of Euros 1,984 million and facilities for factoring without recourse of Euros 325 million, of which Euros 1,197 million were drawn down. At 31 December 2011, cash and cash equivalents amount to Euros 165 million (Euros 114 million in 2010).

At 11 January 2012, Acerinox, S.A. and North American Stainless closed a syndicated credit facility for an amount of USD 482 million. With this facility, the Group achieves the triple objective of reducing its exposure to the European banking system, reducing its average cost of financing, and postpone debt maturity date.

The facility was syndicated by US arrangers: BB&T Capital Markets, JP Morgan Chase Bank, Wells Fargo Bank and Fifth Third Bank. In total 10 American Banks participated in the transaction: BB&T, JP Morgan Chase Bank, Wells Fargo Bank, Fifth Third Bank, Regions Bank, US Bank National Association, BMO Harris Bank, The Huntington National Bank, PNC Bank National Association and The Bank of Kentucky.

Bodegas Portia. Fotografía: Nigel Young. FOSTER+PARTNERS

Ribera del Duero wine cellar

An analysis of the Group's payment obligations at the close of 2011 is as follows:

Expressed in thousands of euros

	Amount at 31/12/2011	Future chas-flow maturities	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	over 5 years
Bank loans	707,197	-781,715	-11,764	-13,333	-268,166	-386,827	-101,625
Overdrafts	344,030	-349,047	-188,483	-160,564			
Trade and other payables	846,297	-846,297	-846,297				
FINANCIAL DERIVATIVES							
Interest rate swaps	-545,114	-19,045	-2,039	-3,750	-7,534	-6,514	792
Export exchange rate insurance	9,979	400,976	400,976				
Import exchange rate insurance	-16,405	-512,909	-512,909				
TOTAL	1,345,984	-2,108,037	-1,160,516	-177,647	-275,700	-393,341	-100,833

Future cash flow maturities include the loan principal plus interest based on contractual interest rates at year end.

This caption does not include approved investments not recognized as work in progress at year end.

CAPITAL MANAGEMENT

Capital management objectives are as follows:

- To safeguard the Company's capacity for sustained growth
- To provide appropriate shareholder remuneration
- To maintain an optimum capital structure

The Company manages its capital structure and makes adjustments based on changes in economic circumstances. To maintain and adjust its capital structure, the Company can adopt different policies relating to the payment of dividends, the reimbursement of share premium, share buy-backs, self-financing of investments, non-current borrowings, etc.

Capital structure is controlled using different ratios, such as the net financial debt/EBITDA ratio, understood to be the period necessary for the resources generated by the Company to cover the level of debt; or the gearing ratio, i.e. the relationship between net financial debt and equity of the Company.

Net financial debt is taken to be the sum of current and non-current financial liabilities with credit institutions, less cash and cash equivalents. EBITDA reflects operating profit or loss less amortization, depreciation and valuation adjustments.

The net financial debt/EBITDA ratio is x 2.6. The ratio obtained in 2010 was x 2.8.

The Group's gearing ratio is 47.1%, which is lower than the 56.3% in 2010. However, the volume of investment remained in line with our strategic plan and total remuneration paid to our shareholders (Euros 0.45 per share, as in 2010) was maintained. The resulting net financial debt, Euros 886.6 million, reduced significantly by 18%, compared to the prior year (Euros 1,083.6 million).

The Group is not subject to strict capital management criteria. Considering its financial stability, it can adopt the most appropriate solution at any given moment to enable optimum management.

INSURANCE

Given that the Group's three integral flat product production plants and three long product production plants are located in different regions, an accident would not affect more than one-third of total production. This guarantees the continuity of the business, while adequate management of the remaining factories reduces the consequences of material damage to any of the facilities.

Sufficient coverage has been contracted for the Group's factories through property damage and loss of earnings insurance, which account for over 38% of the Acerinox Group's insurance expenditure.

The Group also includes a captive reinsurance company based in Luxembourg, Inox Re, which manages these risks by assuming a part as self-insurance and directly accessing the reinsurance market.

The Group has also contracted general liability, environmental, credit, transport, and group life and accident insurance to reduce its exposure to these different risks.

Imagen cortesía de FARCINOX

Stainless steel tank

16 Corporate Governance Report

Acerinox's Corporate Governance Annual Report corresponding to the year 2011, is available in the Acerinox web site, and has been published as a relevant fact at the Spanish Stock Exchange Commission (C.N.M.V.) with the date of 28th February 2012.

Por cortesía de Bodegas Martínez Lacuesta

"Bodegas Martínez Lacuesta" wine tanks

Stainless steel gas compression station

02 Sustainability Report

1 The Organisation

CHIEF EXECUTIVE OFFICER'S STATEMENT

In these times when there is so much talk about sustainability and social responsibility, we tend to forget that any company, who wants to continue existing in the long term, must be sustainable and act in a responsible way.

Thus, sustainability must not be an attribute of the company, but a company goal, such is the difference between a business and a real organisation which wants to remain and last.

Likewise, a company which does not act in a responsible way, cannot be sustainable. To be responsible is to be able to adapt to the circumstances, foresee the future, invest in a sensible way, avoid mistakes, to create a working environment which attracts talent and to take care of the efficiency of the production process.

One single company cannot change the world, but it can help to improve the world for those who are related to it. People working in this Company believe in a free world, in an efficient world, in a world with evenly distributed economic resources, in a world and a society that respect the environment and a world and a society where profit is the result of a well done job and wise decisions, effort and continuous improvement.

In Acerinox we believe that if we comply with these principles we guarantee our sustainability in the long term as well as the satisfaction of the interests of our employees, shareholders and of all those related to us.

More than 40 years of corporate history, an investment program maintained through hard times, an expansion over five continents, shareholders who have always supported the Company strategy, loyal customers and suppliers, a staff who is highly loyal, show beyond any doubt, how the goal of those who manage the Company and its shareholders is to endure in time – that is being sustainable. I invite all readers to go on through the following sections, where we will explain in depth the different aspects of our activity, our concerns and our wishes, the Company that we are and want to be, what we already have and what we wish to leave to the next generations.

Acerinox S.A. Headquarters

2 Corporate Governance

1. GENERAL SHAREHOLDERS MEETING

It is there where the most important matters are decided.

In 2011, two general meetings have been held. One of them, ordinary, approved the annual accounts of the previous year as well as the management of the Board of Directors among other important matters, such as the update of the corporate bylaws.

For the first time in the history of the Company, an electronic forum of shareholders was created, which was and is at the disposal of the shareholders at the corporate web site (www.acerinox.com). In its first year of existence, few shareholders have used this exceptional forum, although through practice it will become a more common tool in the incoming years.

Between the calling of the Ordinary General Meeting and the Meeting itself more than 900 calls were received, which is a slightly lower figure than that of the previous year but anyway shows the interest of our shareholders in everything related with these calls.

In September the Company held an Extraordinary General Shareholders Meeting whose only item in the agenda was the approval of the segregation of the Spanish business into a new Company named Acerinox Europa, which embraced all the production and distribution assets of the Company, Acerinox, S.A., remaining the latter as mere holder of shares and manager of the business on a worldwide level.

This operation, which received all the support from the national and international financial community, was approved by vast majority of the shareholders and was celebrated as a great strategic decision for the medium and long term.

Bahru Stainless Birds-eye view

2. MAIN GOVERNANCE BODIES. BOARD OF DIRECTORS AND OTHER EXECUTIVE BODIES

2.a) The Board of Directors and its members.

The Board of Directors is the supreme body of the Company governance, bar the General Meeting. It is composed by a number of Directors which can vary between 5 and 15 members, although traditionally the Company has stuck to 15 Directors.

The Board reflects the requisites of excellence that the Company demands from itself: all of the Directors show high levels of proficiency in several fields of skills and knowledge, either in the business world, either in the public sector -including ruling bodies - they belong to high administration bodies, or in some cases in all of the above areas .

The Board of Directors has held a total of 7 meetings in 2011.

The Board rely part of its commitments on three delegated commissions: the Executive, the Appointments and Remunerations and the Auditing Committees. The latter has been the most active body of them all, gathering in nine occasions throughout the year. Following the recommendations of good corporate governance, its chair is held by an independent Director.

The Directors received a compensatory allowance for their task. Details of this remuneration may be found in the Corporate Governance Annual Report. The remuneration policy will be submitted, as a separate item of the agenda, to voting at the General Meeting.

From July 2010 the positions of Chairman and Chief Executive Officer have been held by different individuals, and from this date Mr. Rafael Naranjo has been non executive Chairman of the Board and the General Meeting and Mr. Bernardo Velázquez, Chief Executive Officer. Both of them have been working for Acerinox during their whole working live and have been promoted progressively in all sections, from the initial levels to their current positions, which undoubtedly guarantees a sensible knowledge of the Company and its business.

In 2011, the composition of the Board has changed as follows: Mr. Fernando Mayans, domanial Director on behalf of Corporación Financiera Alba left to enjoy a deserved retirement. He has been replaced by Mr. Pedro Ballesteros.

Mr. Rihoji Shinohe, domanial Director representing Metal One Corporation, resigned and was replaced by the independent Director, Mr. Manuel Conthe, a person with a wide experience in the Spanish public sector and author of the Good Governance Unified Code, which everyone knows. This appointment shows the effort of the Company´s shareholders to be pioneer in openness, transparency and good corporate governance.

Mr. Fumio Oda, domanial Director representing Nisshin Steel Corporation resigned to take other position of special responsibility within his Company in the United States. He has been replaced by Mr. Yukio Nariyoshi, also a Nisshin Steel Director of recent appointment.

Acerinox thanks specially the commitment and wisdom showed by the Directors leaving their office and wishes the current ones a great success in the fulfilment of their responsibilities.

Cristalia IV Building in Madrid

2.b) Audit Committee.

Chaired by Mrs. Belén Romana, independent Director, Commercial Technician and State Economist, former Director of the Treasure, has been the most active body of all in number of meetings.

This strenuous task is mostly due to the will of the Company to excel in the fields of compliance, of compilation and management of risks and its commitment with the new COSO rules and development and fulfilment of the SCIIF (Internal Control Systems of Financial Information).

2.c) Executive Commission.

Chaired by Mr. Rafael Naranjo and recently reinstated as an agile body, committed to the study and decision on the most urgent problems in periods when a Board of Directors may not be easily called. The Executive Commission tries, as always, to listen to the Directors before taking its decisions. It also carries out a thorough follow up of the activities of the Group.

2.d) Appointments and Remunerations Commission.

Chaired by the independent Board Director, Mr. José Ramón Guerediaga, this body, by its nature, is only called when needed.

2.e) The Chief Executive Officer.

Since July 2010 and due to the split of the positions of Chairman and Chief Executive Officer, Mr. Bernardo Velázquez holds the position of Chief Executive Officer. Mr. Bernardo Velázquez is Spanish, Industrial engineer (ICAI) and has developed all his career in Acerinox. Thus, he is a good example of professional promotion and development within the Company.

After a thorough technical and commercial training, he was moved to the Mexico subsidiary and afterwards to Australia to develop the commercial network there. In both places, he got to know the Company from the commercial and corporate side. Later, he held the position of Managing Director's Assistant and Planning Director, to become afterwards the Group's Managing Director.

Mr. Velázquez incarnates the generation change which the Company has been carefully planning for years.

2.f) Senior Management, its members and competences.

Five more persons, apart from Mr. Bernardo Velázquez, make up the Senior Management. This body has daily meetings and in absence of the CEO, it is chaired by the Managing Director. Due to the fact that one of its members is the Campo de Gibraltar Factory Director, his attendance is usually made by con call.

The Senior Management tasks are listed in its Regulation, which also rules the tasks which the Chief Executive Officer assigns to its members. All of them, safe one, have developed their whole career within the Group.

Düsseldorf Fair

Similar to the Senior Management members, are the Chief Executive Officers of the rest of subsidiaries of the Group – who obviously cannot attend the meetings. These difficulties have been avoided since 2010 with the Senior Management Members being present in the governance bodies of these subsidiaries, specially, and through the three meetings held with the world directors during the period, where all the subjects related to the strategy are collectively discussed.

2.g) Internal Audit Service.

The Internal Audit Service is composed of the General Internal Auditor and a Delegate in each of the main companies of the Group. Its instruction approved in 2011 defines their respective competences and the relationships between the different auditors and with the companies respectively.

The Service executes an Annual Plan, whose content is determined by both the Audit Committee and the Chief Executive Officer. Their experiences and results are not only an extremely useful instrument of internal control, but also a tool for improving the different areas of activity and for the extension of benchmarking.

2.h) Risk Manager.

The recommendations of Good Governance suggested the creation of this position, reporting to the Chief Executive Officer, in order to taxonomy the risks, to study, to assess and propose the mitigation mechanisms in favour of the Group and to all its Companies.

3. RULES GOVERNING THE GROUP

3.a) Bylaws.

The bylaws are available at the Company´s web site, both the Spanish and English.

At the Ordinary General Shareholders Meeting of 2011, a new version was approved, with a double target:

On one hand, to adapt it to the amendments requested by the law.
On the other hand, to adapt the bylaws to the new Consolidated Corporate Law.

3.b) Regulation of the Board of Directors and other delegated bodies.

Likewise, during 2011 the Board of Directors proceeded to do some changes in other rules of the Board.

Until the end of the year, the Board of Directors' Rules and the corresponding rules to each delegated commission have been presented in separate texts.

To make easier the knowledge and access to our regulations it was agreed that it could be helpful to refund all the existing rules in one consolidated ruling body.

This new version has been entered into the Commercial Registry of Madrid on recent dates and currently its translation into English is being finished. As the bylaws, their study and enquiry are of general knowledge at the Company web site.

3.c) Regulation of the Senior Management Committee.

This is a rule of merely internal nature, although its content may be predetermined by the Regulation of the Appointments and Remunerations Committee.

The Regulation defines the exercise of the internal competences of the Chief Executive Officer and the assignment of responsibilities to the different members of the Senior and Strategy management, as well as the relations between the different managers.

The Senior Management of Acerinox Group, shows very peculiar features, even among similar companies, in the sense that it is a permanent body, with daily meetings when possible. Besides it makes decisions according to a continuous work schedule.

3.d) Regulation of the Internal Audit Service.

Although by its nature this is an internal rule, the fact is that the contributions of the Audit Committee have been essential and of great significance.

The regulation gets its inspiration from the already proven system of auditing in the governmental bodies of the continental Europe, meaning that a General Internal Auditor reports to both the CEO and the Audit Committee.

The regulation also grants certain privileges to the General Auditor in order to preserve his (or her) impartiality and independence as is required by the position.

The Internal Audit Service is not only an auditor by also a consultant. Its duty is also to extract proactive consequences of the situation studied, proposing improvements and innovations.

3.e) The Code Conduct and its complementary Regulations.

Nowadays we expect from a company not only to comply with the law but also to become an ethical reference. This reference should be present in all the corporate decisions as well as in the individual decisions of every single employee, from the Directors down to the workers.

Corporations of the most advanced countries must pinpoint the limits between what is acceptable and what is unacceptable according to the most strict patterns, assuming that where the law does not reach, the internal code may and should be applied.

All stakeholders must know where they invest their money and with whom they are entering into business. The managers and employees of this Company must act any time and anywhere as if their behaviour should be translated in a general pattern of conduct. To all of them this Code is addressed and we encourage to all our manager, employees and stakeholders to access through our web site to its content and regulations.

The Code of Conduct does not cover all the possible subjects, but it is complemented by specific regulations of the different companies. The Code, also, is not a total innovation, but a digest of existing standards already in force in the Group's Companies.

As a result of the collective negotiation, a part of its content is to be progressively included in the different collective agreements as they are being amended. An essential item of the Code is the provisional measures to be adopted in the case of harassment at work for reasons of belief, race, gender or any other reasons, which drive the Management of the different companies to adopt immediate and precautionary measures.

3.f) Minor rules of obliged compliance.

The Senior Management has approved during 2011 different regulations of lower rank either on all of those specific subjects submitted to a stringent compliance or either as the result of an analysis and flowchart of certain fields of activity, or to channel the individual initiative or to order certain guidelines of behaviour.

Such minor regulations, when related to the financial information, have been submitted to the assessment of the external auditors whose opinion on the SCIIF, the Company requested.

As an outcome of this the Group has approved internal rules on different areas such as commercial risks, trips, secondments, etc.

3.g) The compliance task in general.

The joint initiative from the Chief Executive Officer and the Audit Committee was an ambitious plan of assessment, approach and codification of all the compliance activities.

This target is connected with others mentioned above related to the taxonomy and mitigation of risks and the establishment of stricter patterns of behaviour imposed by the applicable laws.

The codification task started after identification of 17 different fields where the significant established standards were set.

The target of this work is to make the Group compliance similar to that of the financial entities, despite not being the existing laws in effect so strict.

4. OUR SHAREHOLDERS

Acerinox S.A is a Company listed in the Madrid and Barcelona Stock Exchanges since 1986. From 1992 its volume and frequency ratios of contracting of shares and capitalization have placed the Company steadily in the selective index IBEX 35.

During the year 2011, 335,858,766 shares have been traded for a value of 3,874,313,278 Euro.

The share capital amounts to 62 million Euro, and it is divided in 249 million Euro of share value of 0.25 each.

A feature of Acerinox is the high steady permanence of the reference shareholders, which gives a great corporate stability and also, a certain attachment to our value. Undoubted the constant per share allocation of a dividend each year consolidates the share as a reference value in unstable times.

4.a) Communication with our shareholders.

Apart from the above mentioned channel in this Annual Report (electronic forum), there is a permanent service to any shareholder with a specific telephone line: +34 91 398 52 85 / +34 91- 398 51 74.

Any shareholder may ask for any public information through this service.

4.b) Commitment with our shareholders.

The importance of Acerinox shareholders is specially epitomized in the General Shareholders Meeting through a decision, already old, of great symbolic charge: unlike what occurs in other listed companies, attention to the shareholders, the logistic care, the annual report distribution and assistance to the public who attends the meeting is not carried out by external companies but by the own staff of Acerinox S.A. headquarters.

The own staff of Acerinox makes an additional effort when receiving the shareholders at home on the most important day in the Company life.

In 2011, the shareholder has been paid a total dividend of 0.45 Euro per share. This amount is the same as in 2010. And it has been maintained even in the odd year when the Company has not generated a profit. In Acerinox we consider that it is more sustainable to act this way, increasing our reserves in the good years and maintaining the pay off in the not so good years.

The share behaviour during 2011 has not been brilliant, although as it is stated in other section of this report, it is the European stainless steel producer less punished by the economic crisis and even one of the less punished values among those of IBEX-35.

Por cortesía de VOSSLOH

Tramway with Stainless steel structure.

4.c) Limitations to certain shareholders.

Those persons from the Company with confidential information must comply with certain limitations when they are or they want to become shareholders.

The members of the Governance bodies, Directors and their assistants, and staffers cannot trade the Group shares in the periods immediately before and after of the approval and publishing of results according to the terms stated by the Conduct Regulation in Subjects Related to Stock Markets, approved by the Board of Directors.

5. OUR SUPPLIERS

5.a) Policy of openness.

Acerinox cannot enter in commercial relations with suppliers which do not comply with the standard codes of an advanced society. Our Code of Conduct forces us to be alert to these parameters and thus we cannot be supplied by companies which can undertake, themselves or within its supply chain, practices which are not compatible with the international statements for the Human Rights, the rights of children, or special groups such as women and employees in general. For this reason, during 2010 and 2011 the responsibles of the purchasing services have been asked to make in situ audits of facilities of several of our suppliers.
Acerinox Group's companies cannot pay in cash: all payments must be necessarily made through first rate banks, and be made by wire transfer or by titles payable to an identified person or company.

Directors or employees of Acerinox Group must not accept attentions, gifts or facilities which exceed the simple courtesy.

The awarding of contracts and the contracting of goods and raw materials are made by a public procedure which involve the bid of different offers, bid which is controlled later by the Internal Audit Service.

Purchasing departments of all the Group are familiar with the above mentioned restrictions and instructions and are very conscious of the legal limitations of cross border operations and prevention of money laundering.

The members of any body who decides, advices, or reports on the purchasing of services and supplies, or supervises, or approves the deliveries, are particularly obliged to avoid contracting or receiving services where any person or company related to them may take part, and they must report such a circumstance to their manager.

5.b) Fair relationship.

We want to keep with our suppliers a relationship of trust and good faith, a fair and nice relationship to last in time.

Our General Conditions of Purchase are honest and fair and they are not based in a short term easy advantage.

The good relationship with suppliers is an essential mainstay of the business sustainability and allows us to request quality, punctuality as well as help to solve the problems.

The publication of the Purchase General Conditions allow our suppliers to know in advance the terms of the business and hence must prevent any fear the suppliers may harbour towards other competitors. Our contracts always try to include a friendly mechanism of solving any differences and, should the occasion arise, submit to the Courts of fully democratic countries.

5.c) Strict compliance.

Acerinox Group companies pay their suppliers with an accurate compliance of the contracts and maturity dates, always abiding by the better practices of the countries where they are signed.

6. OUR CUSTOMERS

Acerinox Group customers expect accuracy, efficiency, quality, responsibility and competitiveness.

Business sustainability means keeping long lasting and profitable relationship with most of the clients without getting unfair advantages and without disappointing the trust they have up on us.

The General Conditions for Sale identical for all the customers in the same geographical area. This policy also applies to prices for a certain material, quality and quantities.

To guarantee the above mentioned conditions, we publish the variations of prices based on the costs of raw materials and energy.

As in the case of the suppliers, the customers are not allowed to use a way of payment which does not identify the payer and always through a first rate Bank.

The sales operation must be covered by a letter of credit or a credit and bond insurance. Deferred operations must be submitted to the authorisation and limits defined by Acerinox S.A. Management in the internal rules of commercial risk.

Our concern for measurement and certification of our service patterns has led us since many years to obtain the most reputable quality and service Certifications, both for the product as well as for the supply chain and the environment.

7. OUR PEOPLE

7.a) Who are they? Where are they?

Acerinox Group owns factories in 4 countries of 4 continents, with sales in more than 80 countries. Nearly 90% of its invoicing has a foreign origin. Acerinox is probably the most international Company.

As results of the Spanish origin of the Group until year 2010 most of the staff of Acerinox Group was Spanish and located in Spain. This rate today is of 46% and decreasing due to the increase of new recruitments in Asia.

Staff of the office of Acerinox in Wuxi (China)

By continents the figures are [1]:

Europe (Including Turkey)......................: 3,795
America ....: 1,421
Africa ....: 1,696
Asia y Oceania.......................................: 437

It can be appreciated that year after year, the specific weight of the whole of the staff is moved out of the European continent. This trend, in two years will entail that most of our employees will work not only out of Spain, but even off Europe. This is the consequence of the unstoppable movement which transfers the world economic centre of trade from the Atlantic towards Asia and which Acerinox Group has been able to follow in time, first through its investment in America and more recently with its new factory in Malaysia.

The quality of our working conditions makes the average age of our employees to be very high, particularly in those working centres which have been established many decades ago. An outstanding case is the Spanish Factory of Campo de Gibraltar, founded in the 70s where the average age is 44 years, after more than 400 retirements.

This high seniority is not perceived as a problem. On the contrary, it is a very valuable accumulation of experience, good work and loyalty to the Company. It is not by chance that the Company with more technical assistance works invoiced within the Group is Acerinox Europe – which factory has irradiated – and is still irradiating – know how and well done work to the whole Group, particularly at the new factory in Malaysia.

Some technicians who have performed their assistance services to this Asian factory, have come into retirement in Malaysia. We, who work in Acerinox are very proud and grateful to these expert employees who, in spite of having

[1] *February 29th, 2012.*

nothing else to prove, have decided to travel around the world to complete a bright professional career. We are also very comforted by the fact that they have offered so many years of their experience to this new project.

When it comes to the distribution of the staff by gender, let's admit that the steel mill is not the most sought after destination for females. That's why they are mainly concentrated in departments such as laboratories, quality, HR, legal and commercial.

Nevertheless, in the commercial subsidiaries a total parity may be perceived. Even in some countries such as Switzerland, the Scandinavians, China and Singapore, women are a majority.

No racial statistics are allowed in Europe or in the United States. Nevertheless, capture of this information is licit, or even can be imposed by the law in other countries.

In South Africa the guidelines of the BBBE (rules addressed to promote the black race in both the social and economic fields) show a clear majority of black race workers. This trend is increasing due to the raising number of young coloured boys under training. The Scorecard of Columbus (the measure of compliance of these an other parameters, with important economic consequences) as a result of that has improved by 10%.

In Malaysia most of the workers are Malaysian, 75%, 20% are Malaysian of Chinese race and the rest, up to 100% are Europeans or Hindi.

Puerta de América in Madrid Hotel inside

Regarding the Company management bodies, it is customary in the Group companies the presence of Local managers.

We have always supported local managers and promoted the local employees, sharing with them our business culture. Thus, our companies show a high rate of local people and seldom the presence of Spanish managers. To be sustainable is also to be open to the world and to understand that there are other ways of doing things, working and living.

7.b) Rights and duties of our people.

Our employees must have at least the same rights granted by the applicable law and if our Code of Conduct grants some more, they would also be applied unless they do not collide with the law of the country (which is not very likely to happen in the countries where Acerinox is present).

7.c) Human Rights, child and forced labour.

Our Code of Conduct is strict about this issue. In the countries where the Group does business audits are not needed. Notwithstanding, due to the increasing expansion of the Group, this subject will be monitored thoroughly in the incomings years.

In 2012 we have proceeded to comply with the strictest rule worldwide on this subject, the *California Transparency in Supply Chains Act*, and it is currently under study an extension of this requirements to all the Group.

7.d) Recruiting and Training.

Acerinox does not rule out recruiting good professionals in the market, should the opportunity arise, but the Company has a clear penchant for the internal promotion.

Our Chairman, our Chief Executive Officer and most of the Senior Management of the parent Company as well of those equivalent of the subsidiaries, are essentially the product of an internal promotion.

Any worker, fresh from recruitment, knows that his chances to be promoted within the group are endorsed by the resume of our Directors and their own capacity of effort, commitment and aptitudes.

Our people know that within the Group they will have the best opportunities to get trained and their professional careers will have no other limits but those who they want to set for themselves.

There is no quality and no innovation without a proper training. Acerinox cannot forget the great importance of the first training courses which took place in the premises of our loyal shareholder, NISSHIN STEEL.

Today, the different factories cooperate enthusiastically to train the workers of Bahru Stainless and hence more than 200 malasians have already been trained in Algeciras, Columbus and NAS. The quality of the first coils already produced in Malaysia are a new evidence that there is nothing like learning from those who have the knowledge and that those people can teach like no other.

The Group has granted during 2011 a total o 58 scholarships, pointing out both those offered by NAS to combine the study of the different disciplines related to the activities within the factory and those granted by Columbus system. In this last case, and in compliance with the guidelines of the Employment Equity Act of 1988, 77% of the scholars are of less favoured races. Simultaneously a great effort has been done to train and to promote the black race workers, so as to racially level the intermediate and the superior managers of the South African subsidiary.

The Excellence Plan and the results obtained have recommended to rule and to normalize the experiences in order to spread them internally. For this reason, a special plan is under study in order to extend via training the possibilities of internal benchmarking. This makes our Group the only one able to carry out this kind of fruitful exercises.

7.e) Labour patterns.

Quality workers need quality works. Most of our work need a specialization not compatible with a short term contract. The training process is expensive and is a waste of time and money if the worker is not retained for a long term.

As of today, Acerinox has created in Spain, between Acerinox, S.A. and Acerinox Europa, S.A.U., 2,485 direct employments, well paid and sought after. In the regions where our factories are located, one Acerinox wishes is to be the preferred employer.

This concern for an employment of quality is not limited to direct employment. We also take care of our subcontractors. We demand timely and accurate information which will allow us to monitor the working standards in those companies. Only during 2011 five companies have lost the status of Acerinox subcontractors since they have failed to comply with the labour standards we require. Their workers have seen a happy end, being recruited by companies of better standards.

7.f) Diversity and equality rights.

Due to the Geographical structure of the Group, our employees enjoy different rights and duties, but they are essentially equal. The Group labour policy is inspired in the working conditions stated in the Universal Declaration of the Human Rights and in the International Labour Organization.

In none of our factories or service centres discrimination is tolerated, and different protocols have been implemented to avoid these behaviours. In 2011, no serious infringement regarding working discrimination has been reported.

In the countries with positive discrimination laws favouring some minorities, these rules are applied. This is the case of South Africa where the Directors take care to get in line with the measures of the *Broad Based Black Economic Empowerment.* In this field substantial improvements have been achieved, as we mentioned above. In Europe, the laws mostly try to prevent gender discrimination.

Where different sensitiveness, cultures and religions live together, we do outmost to ensure that all of them will be duly protected by the Code of Conduct and other internal rules.

Workers in Columbus (South Africa)

7.g) Social Rights.

All the Group employees enjoy the necessary medical coverage in case of accident and the necessary coverage by the Social Security of each country.

Such coverage is applicable from the very first moment the employee starts working in the Group. In the countries where the cover of accident insurance is mandatory, the minimum covers have been widened.

7.h) Safety and health.

The implementation of additional measures on safety, has turned out in a constant reduction of the casualty rates as well as absenteeism.

A great part of these achievements can be put down to the programs of Good Practices carried out during the year by the Department of Safety and Environment in the Campo de Gibraltar Factory, particularly including:

- Audits in the process lines.
- Audits in safety elements.
- Audits in service companies.

Besides, in these last years new vehicles have been acquired. We would like to highlight among them the special platform truck which will allow rescues at 20 meters high.

The importance given to safety in Algeciras factory, has led to merge into a single Department the previous Environmental and Safety ones, increasing its economic allocation.

The safety and the health cannot be separated. For this reason, Columbus has made and is still making a great effort to detect and prevent AIDS, providing to the employees not only medical test but also special training courses and meetings of awareness to prevent all the diseases of sexual transmission. The result is that our rates of affectation and absenteeism are among the lowest in the region.

In NAS the Zero Accidents Policy has kept on, which such a positive outcome in previous years. The awareness and the thorough study of the causes of any anomaly have proved, once again, that aiming to total safety and caution can be complementary to spectacular production figures and profitability.

It has to be pointed out the effort carried out in Bahru Stainless in safety issues. The erection of the new plant entails a constant movement of different subcontractors, which has resulted in an extra effort to make everyone follow and to accept our labour standards. Thanks to the strictness of the Management, serious accidents have been avoided and the total number of minor incidents has been reduced despite the staff increases.

Without any doubt the experience of the different construction supervisors and organisers, experts coming from different companies within the Group, has led to implement common safety standards from in companies with greater experience in these fields. At the same time safety experts from the rest of the companies have paid several visits to the new plant, so that the results in these fields match those of the rest of our factories.

We have to mention Roldan Factory in Ponferrada (Spain). After the 2010 fire and thanks to the strict measures taken, there were no injuries at all. The reconstruction of the affected areas and the overhauling of the equipments have made Roldan in 2012 the company with a highest investment in safety.

2010 experience has shown how the highest maintenance standards and an efficiently, highly trained staff can overcome the biggest incidents.

Application of Stainless steel for wine growing

7.i) Respect for the local's rights and idiosyncrasies.

Within the Group at least 27 languages and dialects are spoken, and the main 5 religions in the world are worshipped. And the list is not exclusive. We point out that only in Bahru Stainless people with 8 different creeds gather in the plant. Unlike in Europe, employees there have to declare their religion so that the employer can attend to all their needs.

8. ENVIRONMENT, RECYCLING AND CLIMATIC CHANGE

Acerinox has always been committed to combine industrial activity and respect to the environment, far beyond the legal requirements. The Group is focused on environmental preservation and hence, it is always assessing the environment related to its activity. The Company enhances this policy through its participation in the following projects:

- Carbon Disclosure Project (CDP).

In 2011 Acerinox S.A. participated in the CDP INVESTOR report 2011. Following suggestions from CDP, full results have not been disclosed so far, being this a common practice for companies taking part in this study for the first time.

The criteria used by CDP are the following:

Carbon Disclosure (0- 100): Capacity to measure and communicate the risks and opportunities linked with the climate change and the Company emissions.

Carbon Performance (E-A): How companies deal with the opportunities and risks of the climate change.

The Company appointed by CDP to perform the assessment, is of the opinion that ours is an optimum result considering that it has been our first application to the project. We expect better results for the current year assessment, when results will be fully disclosed.

- Life Cycle Inventory (LCI)

LCI is a global assessment method of the whole life cycle of the product and its environmental effects. Acerinox has taken part in such project together with other EUROFER members.

- Global Reporting Initiative (GRI)

The GRI has developed a "Guide to create a sustainability study" with the aim to promote openness and commitment of the organizations through the issuing of sustainability reports. Although the scope of GRI exceeds by far the environmental area, documents have been submitted to the auditing bodies. We expect to include the results in our next annual report.

8.a) Environmental expenses and investments.

The environmental expenses during 2011 add up to 15,519,172 Euro, only in Campo de Gibraltar Factory.

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[2] *EUROFER: European Steel Association.*

In this factory we can highlight the following:

- Erection of concrete walls to improve collecting of wastes and to avoid undesirable mixing.
- Enlargement of the area of surveillance of the automatic measurement gauges.
- Renovation of the steam and air system to avoid losses or leaks due to the aging of facilities.
- Optimization of the steam boiler of the hot mill furnace.
- Purchase of a new recycling equipment of non flammable oils in lines AP2, AP3 and P4.

For year 2012 (and thus under way at the moment) the following investments are forecasted:

- Enlargement of the deslaging bay.
- Improvement of the exhausting capacity of the AODs.
- Oil splitters in the collectors A and C.
- Pumping equipment for the inner garbage dump of the neutralization area.

Additionally, a higher investment in the safety of employees has been done, and also in fire equipments, prevention systems, and fire extinguishers. Lastly, during 2011 NAS has invested more than 2,690,000 USD in environment specially through improvements in the warehouses, neutralization tanks for emergencies, feeding system of acid to control the nitrates and decalcification technology for the AP4 line. In 2011 the total expenditure in environment, plus consumables has added up to 59,545,000 USD.

8.b) The water, our ally.

The water is an essential element in life and of course in the manufacturing of our product.

Our factories use water from the supplying system but mainly non treated or raw water, in order to avoid chlorites, which may damage the material. The water, once used is submitted to several treatments which allow it to recover most of the substances employed in the pickling process of the stainless steel.

The water consumption is different in each factory, due to the fact that temperature, evaporation and cooling may vary.

Shortage of water, forces us to take special measures of recycling and recovery. It also makes us collect it from rivers and reservoirs. Depending on the location of each factory, Acerinox Group has adapted to develop the most appropriate methods to obtain water while respecting the environment.

A clear example of collecting rain water is Columbus. The low rainfall involves the need of big pools in the area next to the factory, so as to collect the few torrential waters occurring in the dry area of Mpumalanga (South Africa).

Another example of collecting water from rivers and reservoirs is NAS. The water obtained from the Ohio river, is later treated to be used. The average quantity of collected water in 2011 has been 32,2 million cubic meters. This collection has been carried out by a water ventury thus reducing the environmental impact.

The forecasts from the equipment producers are that, the high and constant average temperatures in Malaysia will make that plant's water consumption the highest of all the Group factories. It is a minor inconvenient though in a country with high rates of rain, but the Company it has already signed an agreement with the local authorities to get an extra supply source for the factory, collecting the waters from an artificial reservoir near the plant.

We have to highlight the strict control of the Group on the returning of the used waters, which in Algeciras, is made some kilometres away of the coast through an underwater emissary, agreed with the environmental local authorities and the fishers' associations. This investment, added up to more than 3 million Euro. Likewise, the oil recovery plant treats the oily waters, obtaining oil free water which is sent to the neutralization plant and oil disposed of by an authorized Company. Organic waters are treated in the water treatment plant.

The water quality is monitored in real time to prevent any anomaly. The cooling process allows to pour off any deposit which may be found in the water.

8.c) Respect for the natural habitats.

Acerinox develops its producing activity in Spain in a protected area, called "Paraje Natural de las Marismas del río Palmones" (Los Barrios). This 58 hectares area has been declared an area of special protection for birds and proposed as "place of interest".

Visitors of the plant are surprised of the excellent quality of the fish in the area, which has lead to the opening of famous restaurants, some of them right next to the factory.

The authorities monitor the water and the air quality in real time with sophisticated electronic systems. Bathers of the Palmones beach do it with less technical means but with much more intuition once the beach season begins.

Palmones beach with the factory behind

The preservation of the Algeciras Bay water is a success of several industries, among them Acerinox, which have given affluence to an area without damaging its environment.

In NAS it was decided to acquire an area of 300 hectares to contribute to the reforestation. The lands around the factory have become a sanctuary for prey birds. To this task some Group workers contribute in their free time.

As it happens in Algeciras with the sea, NAS monitors in real time the emissions to the Ohio river to assure the quality of water. The Ohio river, navigable affluent of the Mississippi river is part of the factory life, as it is the main way of entry and exit of materials.

In Columbus, the symbiosis with the environment is not only reflected in the cult of water, but in a much more exotic way. The surrounding land was restocked with ostriches. As in the last annual report was stated, these nice birds have become responsible of the security of raw materials and stock due to their territorial sense.

In Johor Bahru (Malaysia) the factory is placed next to the Singapore strait, which initially had no ecological value. The environmental licence has imposed a reforestation in the non built land. This is now being carried out and will be ready for the inauguration. The Malaysian environmental law is very strict, in some aspects much more than the European one, and this predetermines the external appearance of the plant, with pipes above the ground highly protected against impacts.

8.d) The air.

The company has always been concerned to implement measures to decrease gas emissions into the atmosphere.

All the Group melting shops have particle filters which capture and recover metallic materials. This implies an environmental and economic advantage, since it allows to recover valuable metallic materials.

From the data of International organisations, we know that the intensity of direct emissions (t CO_2/t steel) of Acerinox is 35% lower than the average of the other stainless steel producers in the world. For this reasons, thanks to the Company efforts, CO_2 emissions decreased again in the past year. Furtheremore, also in the cold rolling process there has been a clear decrease of CO_2 emissions.

In Columbus CO_2 emissions are controlled by methods approved by the international organisations, resulting in a great reduction of CO_2 emissions in 2011 if compared to those of 2010. Besides any other emission is thoroughly controlled periodically, obtaining very good results under way the thresholds set by the law.

In NAS during 2011 the CO_2 emissions have slightly increased, although the rest of the emissions to the atmosphere have significantly decreased. Work is being aimed to reduce the emissions of fumes and dust from the slag, by way of its capture through a humidity filter system. The dust is later used as slag for new beneficial applications.

The Company strictly complies with ISO 14.064 and in the near future a new and complete will be carried out, in order to complete survey on CO_2, determine the direct emissions arising from the electric consumption and those due to the raw materials, transport, products and wastes disposal, etc.

The Company is fully aware of the importance of protecting the environment and the human health, maintaining at the same time its competitiveness and reinforcing the second phase of the REACH implementation (Registration, Evaluation, Authorisation and Restriction of Chemicals), in Acerinox, and cooperating meanwhile with audits by the competent Authorities for the REACH implementation.

We cooperate with UNESID (Union of metal companies) in the inventory of CO2 emissions on behalf of the Environmental Ministry and developing an Environmental Responsibility Law, the “MIRAT” project. Acerinox is committed to be responsible in order to minimize or prevent the negative environmental impacts and to that end it also cooperate with the Worldsteel Association, enhancing the best practices and developing new technologies to avoid emissions in origin.

8.e) Recycling.

Stainless steel is an extraordinary material and one of the products which most contributes to the environmental sustainability as it is 100% recyclable. That is to say, it never degrades during its use and once the use it was created for perishes, it can be melted over and over to create new products. Both in its manufacturing process as in its useful life, the stainless steel allows a considerable saving of natural resources. It is an ecological material, hygienic by nature, neutral for the environment, recyclable and recycled.

The increasing awareness of environmental issues has contributed to the increase of use of stainless steel. It is associated to highly sustainable values: renewable energy, equipments of solar production, construction of energetically optimized buildings, plants for water treatments, etc, the all of them are examples of stainless steel use.

It has to be highlighted that Acerinox Group has developed its own technology to use a high percentage of recycled material in the manufacturing process of stainless steel. This figure is much higher than the average of the world stainless steel producers 60%, according to the most prestigious environmental organizations. This use of scrap replaces the use of other raw materials, so that a double environmental aim is achieved. On one hand, we decrease the consumption of natural resources, and on the other hand we avoid the emission of pollutions.

This, after a long and useful life, the stainless steel is systematically recycled. In fact, this beautiful material is mainly produced from scrap. The scrap is pressed in blocks which are sent to the melt shop to be recycled. This way the raw material expense is reduced and also the energy expenses, contributing significantly to create an environment with no industrial wastes.

Before and after scrap recycling

In 2011 Acerinox has recycled hundred of thousands of tons of scrap, disposing the wastes and thus reducing exploitation of natural resources.

Some years ago Columbus launched an ambitious project involving the recycling of slag from the melting shop, improving its quality to employ it in the farming sector, to fine tone the soil's Ph as a result.

In 2011 NAS focused on reducing waste generation and on recycling of pallets and wood boxes. Furthermore, all the employees have been trained to recycle large amounts of wastes.

NAS is a founding member of the environmental organisation KY EXCEL (Kentucky Excellence in Environmental Leadership) since 2007, also participating in KRIG (Kentucky Recycling Interest Group) since 2008. The latter is an organisation committed to recycling and to waste reduction. NAS is devoted to recycling and actively takes part, and financially sustains, events of environmental awareness.

8.f) More on waste disposal.

Acerinox, apart from being one of the biggest scrap recyclers in the world, also contributes to the environment and society with a lot of projects for waste reduction in industry. One of the main aims of the Company is to recover, recycle and minimize the wastes generated.

The scrap is not clearly defined as by-product or waste by REACH and EoW. Acerinox has obtained the authorisation as Handler of non dangerous wastes, through. This allows to cover issue stemming from future legislation.

As stated before, during 2011 great amounts of metal have been recovered and melted again. The resulting slag, is not considered a dangerous waste, however it can be used again. Following a strict practice, in the plant of slag treatement the recovery of the metal content is carried out to achieve materials of higher value. The Company is also taking part in some projects at domestic and international level to develop new applications for this waste.

On the other hand, the Group companies also make good use of the dust and smoke stored in the melting shop filters. Scale coming from the acid and dust recovery plants is sent to a European plant which makes possible the metal recovery. From this process, the metal product is obtained to be used again in the melting process of stainless steel.

Also, a process to obtain briquettes has been developed allowing to recover all the scale generated in the factory and in 2012 the facility will reach full operation, thus leading to total recovery of this product.

In Columbus, thanks to the implemented advances, the tonnage slag and dust recycled has been higher in 2011 than that of 2010. The amount of dust and slag recycled has been approximately of a 40% bigger in 2011 than in 2010.

On the other hand, apart from the slag and dust, the following wastes are recycled:

- Regenerated acid.
- Used oil from the decanting plant.
- Recovered oil.
- Oiled paper.
- Diatomite soils.

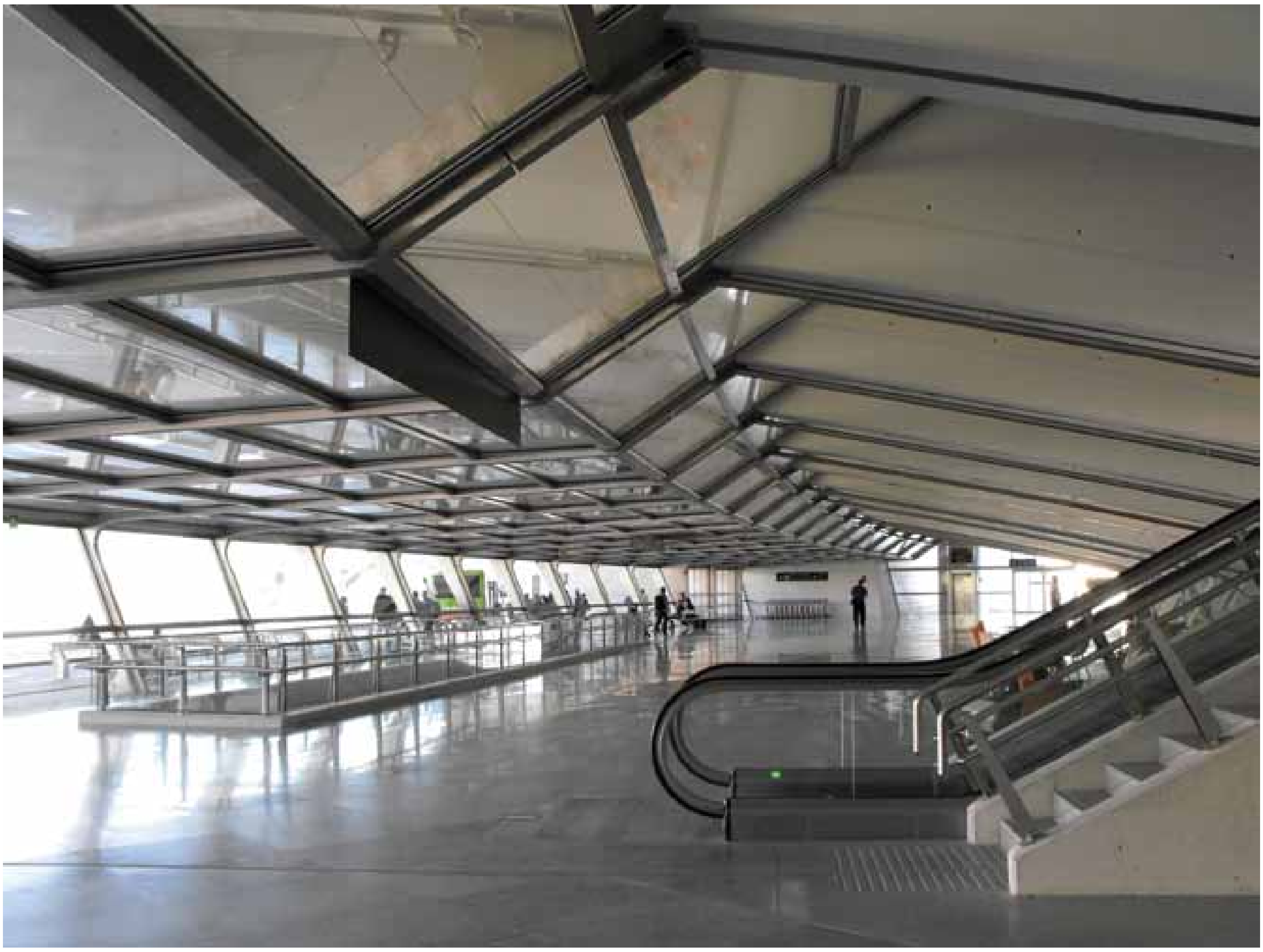
9. EXCEPTIONAL PROPERTIES OF OUR PRODUCT. RESEARCH AND DEVELOPMENT.

9.a) A recyclable product which helps to recycle.

In times like the present ones, when we are become more aware of sustainability, the stainless steel is one of the materials with a brighter future.

Its recycling capacity is infinite. The stainless steel recycling is explained by a curious paradox: the product made out of it, ages before the steel itself. The stainless steel of our washing machines survives the washing machines themselves and the car exhaust pipe expires before the steel does.

Por cortesía de PROIEK



Bilbao Airport

For this reason the stainless steel consumption has maintained during its 100 years of life constant and sustainable growth figures to an annual average of 6%, only interrupted by wars or big crisis.

9.b) A beautiful, hygienic, safe and trustful product.

The increase of production of this material despite its durability is only explained because of the ever expanding applications. In fact, stainless steel is only used because of the following three main reasons:

- Its use is highly recommended.
- Its use is compulsory.
- Its beauty is far superior to other industrial material.

Thus, a responsible society, a society concerned about quality, efficiency, beauty and sustainability is a society which consumes a lot of stainless steel, and the other way around.

Stainless steel consumption rate matches the level of life of a country: the higher the per capita income is, the higher its consumption of stainless. As of today, there are a lot of sectors where stainless steel use is mandatory.

In developed societies, use is mandatory in the food industry due to its hygienic, properties, in the medical sector for the same reasons, and in the wine industry because it does not spoil the taste of the wine.

Stainless steel is essential in key fields of industry, such as energy production, nuclear or not, pharmaceutical, chemical, petrochemical, and biotechnological industries.

Por cortesía de Roig Curvado de Perfiles, S.A.

Monte Sanpedro elevator (A Coruña)

It is of preferential use in those sectors requesting a material of easy maintenance, as in the construction near the sea or in high mountains, in urban furniture, in quality engineering or in public health.

It is much used in decoration, where its excellent malleability is combined with the fact that it is easy to clean and it is visually and attractive to the touch. Its appearance is “always new and always clean”.

It is highly recommended in an increasing number of projects of construction and transportation, due to its excellent mechanical properties and little maintenance.

9.c) Research, development and innovation.

Part of Acerinox competitive strategy is based on improving the required technological level in order to face the challenges and demands of the stainless steel sector. It has been a constant bet of Acerinox for more than 20 years and it has been specially enhanced in the current period of crisis.

This policy has been carried out committing the different lines of production and consolidating a specific work team, the R+D+I department, which is responsible of developing and managing most of the activities connected to technological progress and sustainability within the Acerinox Group.

The R+D+I department hosts 14 highly skilled employees fully dedicated. In addition, the Production departments with 51 associated researchers take part in the different open projects. This team has been completed with 8 post-graduated scholars from the Universities of Cádiz, Málaga and Seville. In 2011 cooperation with the Cádiz University has allowed different engineering final degree projects to be developed in our plant.

The main areas of research, development and innovation during 2011 have been:

- Optimization of the production process and of the final properties of the steel.
- Research in new manufacturing technologies.
- Support and technical advice to clients.
- Development of new application for stainless steel.
- Training and information activities on the features and main applications of our wide range of products, in cooperation with CEDINOX.
- Participation in the project of updating European legislation on stainless steel.
- Technological surveillance.

A significant part of the R+D activity has been concentrated in a Spanish macro-project, with four main research lines, financed by CDTI (Centre for the Industrial Technological development), plus three European projects of the RFCS (Investigation fund for coal and steel, depending on the European Commission), one Spanish project included the CENIT program (Domestic strategic consortiums in technical research), and one project of the “PLAN AVANZA” (in the frame of Strategic Action in Telecommunication and Society of the information). Besides, recently the program IMPRONTA has been kicked-off (financing to promote the public and private cooperation in industrial research in areas of strategic importance).

Likewise, a Competitive Plan of Industrial Strategic Sectors, SEI, backed by the Spanish Ministry of Industry, and two projects in the frame of the Andalusian Energetic Sustainable Development Program have been launched.

These projects are developed under the following lines of work:

Optimization of the present production processes and development of new ones with special attention to their impact in the environment:

- study of new applications, and particularly in the construction sector and in the renewable energies.
- manufacturing of new stainless steels with high benefit in service and less dependence on the raw material volatility prices and
- the design of advanced solutions and safety systems to respond to industrial emergencies.

10. ACERINOX IN OUR SOCIETY

We truly believe that the greatest benefit that a company can offer to the society is a responsible exercise of its activity, creating value for its suppliers, clients, shareholders and employees. It is also essential to contribute to the public expenses through the tax system and the Social Security services of the countries where we settle.

The above mentioned duties last in time and do not rely on short term decisions or on ever contingent marketing compaigns. They are the best and most committed evidence of corporate social responsibility of our Company.

For this reason, we are proud to remind that, as the official accounts show, during 2011 our corporate social responsibility has generated:

- 277,798,000 Euro in salaries.
- 71,074,000 Euro in taxes.
- 49,381,000 Euro in contributions to different systems of the social security.
- 112,187,046 Euro in remuneration to our shareholders.

In addition, the Companies have made other contributions as part of their social role.

In southern Spain we have cooperated with the local soccer club, to which we wish promotion to higher categories, and also several social initiatives of the local authorities have been funded.

In Spain, we have granted 50 scholarships to our employees siblings when they showed good academical record. In USA, NAS creates opportunities to students every year. During the school year the students attend to classes in the morning and in the afternoon, they carry out activities in the plant, with the opportunity of enjoying summer internships. The different areas of activity benefited from this action are: accounting, engineering, environment, human resources, purchases, warehousing and logistics.

There are also special programs approved by the Cincinnati and Louisville Universities. Many engineering programs require internships in companies during several months and currently there are some students doing such internships in NAS.

The agreements with the Jefferson Community and the Technical College have been extended one more year, offering a two years Mastership in electrical maintenance. This is one of the most difficult areas in order to find good candidates. This agreement allows to recruit students, with the same benefits, even salary than a normal employer, obtaining a Grade in Electrical Technology when finishing the course. NAS funds the total expense of the program, including tuition, laboratory expenses and books. Some of the students have become part of NAS staff after completing their studies.

Middleburg factory, Columbus, has become a real labour university. At present, it backs integral scholarships for grade studies, recruiting many engineers, medium grade technicians, operator apprentices and common apprentices coming from previous scholarships. Most of them come from the less favoured collectives, thus fulfilling the recommendations of the programs for racial positive discrimination.

These efforts and commitments allow Columbus to be considered by the SETA (Metal Engineering and Related Services) a leader company in training matters.

Only a car in Stainless steel allows to travel in the time

03 Consolidated Annual Accounts

KPMG Auditores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Auditors' Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

To the Shareholders of
Acerinox, S.A.

We have audited the consolidated annual accounts of Acerinox, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto. As specified in note 2 to the accompanying consolidated annual accounts, the Company's directors are responsible for the preparation of the consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of the financial information reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying consolidated annual accounts for 2011 present fairly, in all material respects, the consolidated equity and consolidated financial position of Acerinox, S.A. and subsidiaries at 31 December 2011 and the consolidated results of their operations and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and other applicable provisions of the financial information reporting framework.

The accompanying consolidated directors' report for 2011 contains such explanations as the Directors of Acerinox, S.A. consider relevant to the situation of the Group, the evolution of its business and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2011. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Acerinox, S.A. and subsidiaries.

KPMG Auditores, S.L.

Borja Guinea López

28 February 2012

Por cortesía de IDOM

Construction railway of High speed train Palencia – León

ACERINOX, S.A.
and Subsidiaries

Annual Accounts of the Consolidated Group
31 December 2011

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

01 CONSOLIDATED BALANCE SHEET

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

(In thousands of Euros at 31 December 2011 and 2010)

ASSETS	Note	2011	2010
Non-current assets			
Goodwill	7	69,124	69,124
Other intangible assets	7	7,205	9,547
Property, plant and equipment	8	1,985,720	1,979,304
Investments accounted for using the equity method	10	60	102
Available-for-sale financial assets	9	12,387	17,544
Deferred tax assets	18	164,562	148,620
Other non-current financial assets	9	12,380	11,326
TOTAL NON-CURRENT ASSETS		2,251,438	2,235,567
Current assets			
Inventories	11	1,119,428	1,336,658
Trade and other receivables	9	510,167	529,239
Other current financial assets	9	17,253	11,061
Income tax receivable	18	8,305	14,266
Cash and cash equivalents	12	164,631	113,569
TOTAL CURRENT ASSETS		1,819,784	2,004,793
TOTAL ASSETS		4,071,222	4,240,360

(In thousands of Euros at 31 December 2011 and 2010)

LIABILITIES	Note	2011	2010
Equity			
Share capital	13	62,326	62,326
Share premium	13	106,334	131,264
Reserves	13	1,558,792	1,543,896
Profit for the year	13	73,726	122,739
Translation differences	13	-55,256	-57,258
Interim dividend	13	-24,930	-24,930
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		1,720,992	1,778,037
Non-controlling interests	13	160,200	145,701
TOTAL EQUITY		1,881,192	1,923,738
Non-current liabilities			
Deferred income	14	5,490	7,295
Loans and borrowings	9	707,197	724,744
Non-current provisions	15	13,991	14,591
Deferred tax liabilities	18	241,529	236,783
Other non-current financial liabilities	9	20,111	8,781
TOTAL NON-CURRENT LIABILITIES		988,318	992,194
Current liabilities			
Loans and borrowings	9	344,030	472,393
Trade and other payables	9	843,660	828,453
Income tax payable	18	2,637	10,893
Other current financial liabilities	9	11,385	12,689
TOTALCURRENT LIABILITIES		1,201,712	1,324,428
TOTAL EQUITY AND LIABILITIES		4,071,222	4,240,360

02 CONSOLIDATED INCOME STATEMENT

(In thousands of Euros at 31 December 2011 and 2010)

	Note	2011	2010
Revenues	**16**	**4,672,244**	**4,500,467**
Other operating income	16	37,283	23,935
Self-constructed non-current assets	16	17,456	8,885
Changes in inventories of finished goods and work in progress		-129,411	102,423
Supplies		-3,373,459	-3,397,302
Personnel expenses	16	-356,208	-346,135
Amortisation and depreciation	7.8	-146,785	-147,791
Other operating expenses	16	-528,685	-512,336
OPERATING PROFIT		192,435	232,146
Finance income	17	8,198	2,250
Finance expenses	17	-63,630	-52,066
Exchange gains/(losses)	17	-13,782	13,911
Measurement of financial instruments at fair value	17	10,799	-3,659
Share in profits of entities accounted for using the equity method	10	-28	-63
Impairment of financial instruments	9	-1,366	0
PROFIT/(LOSS) ON ORDINARY ACTIVITIES		132,626	192,519
Income tax	18	-55,282	-65,195
Other taxes	18	-11,151	-10,060
PROFIT FOR THE YEAR		66,193	117,264
Atributable to:			
NON-CONTROLLING INTERESTS		**-7,533**	**-5,475**
PROFIT ATTRIBUTABLE TO THE GROUP		73,726	122,739
Basic earnings per share (In Euros)		0,30	0,49
Diluted earnings per share (In Euros)		0,30	0,49

03 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in thousands of Euros)

	Note	2011	2010
A) INCOME STATEMENT		66.193	117.264
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY			
I. Measurement of financial instruments			
1. Available-for-sale financial assets	9.2.5	-5,156	4,453
2. Other income/expenses			
II. Cash flow hedges	9.2.6	-13,212	-13,495
III. Translation differences		-10,565	192,152
IV. Actuarial gains and losses and other adjustments			
V. Tax effect		5,992	1,163
B) TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		-22,941	184,273
INCOME AND EXPENSE RECOGNISED IN THE INCOME STATEMENT			
I. Measurement of assets and liabilities			
1. Measurement of financial instruments	9.2.5	1,366	
2. Other income/expenses			
II. Cash flow hedges	9.2.6	372	6,334
III. Translation differences			
IV. Actuarial gains and losses and other adjustments			
V. Tax effect		-950	-1,735
C) TOTAL INCOME AND EXPENSE RECOGNISED IN THE INCOME STATEMENT		788	4,599
TOTAL RECOGNISED INCOME AND EXPENSE		44,040	306,136
a) Attributable to the parent company		64,109	289,462
b) Attributable to non-controlling interests		-20,069	16,674

04 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in thousands of Euros)

	Equity attributable to the shareholders of the parent											
	Share capital	Share premium	Retained earnings (including profit for the year)	Property, plant and equipment revaluation reserve	Cash flow hedge reserves	Available-for-sale assets fair value reserves	Translation differences	Interim dividend	Own shares	TOTAL	Minority interests	TOTAL EQUITY
Equity at 31/12/2009	62,326	156,195	1,644,389	5,242	950	-8,325	-225,744	0	0	1,635,033	117,489	1,752,522
Profit for 2010			122,739							122,739	-5,475	117,264
Measurement of available-for-sale assets (net of tax)						3,117				3,117		3,117
Cash flow hedges (net of tax)					-4,880					-4,880	-1,517	-6,397
Translation differences							168,486			168,486	23,666	192,152
Income and expenses recognised in equity	0	0	0	0	-4,880	3,117	168,486	0	0	166,723	22,149	188,872
Total comprehensive income	0	0	122,739	0	-4,880	3,117	168,486	0	0	289,462	16,674	306,136
Dividend for 2009			-87,257							-87,257		-87,257
2010 interim dividend								-24,930		-24,930		-24,930
Distribution of share premium		-24,931								-24,931		-24,931
Transactions with equityholders	0	-24,931	-87,257	0	0	0	0	-24,930	0	-137,118	0	-137,118
Acquisition from non-controlling interests										0	-150	-150
Contribution from non-controlling interests										0	11,688	11,688
Other movements			-9,340							-9,340		-9,340
Equity at 31/12/2010	62,326	131,264	1,670,531	5,242	-3,930	-5,208	-57,258	-24,930	0	1,778,037	145,701	1,923,738
Profit for 2011			73,726							73,726	-7,533	66,193
Valuation of available-for-sale assets (net of tax)						-2,653				-2,653		-2,653
Cash flow hedges (net of tax)					-8,966					-8,966	31	-8,935
Translation differences							2,002			2,002	-12,567	-10,565
Income and expenses recognised in equity	0	0	0	0	-8,966	-2,653	2,002	0	0	-9,617	-12,536	-22,153
Total comprehensive income	0	0	73,726	0	-8,966	-2,653	2,002	0	0	64,109	-20,069	44,040
Dividend for 2010			-87,257					24,930		-62,327		-62,327
2011 interim dividend								-24,930		-24,930		-24,930
Distribution of share premium		-24,930								-24,930		-24,930
Transactions with shareholders	0	-24,930	-87,257	0	0	0	0	0	0	-112,187	0	-112,187
Acquisition from non-controlling interests										0	-52	-52
Contribution from non-controlling interests										0	34,620	34,620
Other movements			-8,967							-8,967	0	-8,967
Equity at 31/12/2011	62,326	106,334	1,648,033	5,242	-12,896	-7,861	-55,256	-24,930	0	1,720,992	160,200	1,881,192

05 CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in thousands of Euros)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	132,626	192,519
Adjustments for:		
Amortisation and depreciation	146,785	147,791
Impairment valuation allowances	7,041	10,517
Changes in provisions	4,176	-9,512
Capital grants taken to income	-6,388	-2,161
Gains or losses on disposal of fixed assets	3,290	1,620
Changes in fair value of financial instruments	2,871	-1,406
Finance income	-8,198	-2,250
Finance expense	63,765	59,054
Share in profits of associates	28	63
Other income and expenses	18,272	1,819
Changes in working capital:		
(Increase) / decrease in trade and other receivables	-14,980	-126,426
(Increase) / decrease in inventories	189,582	-118,467
Increase / (decrease) in trade and other payables	31,215	278,232
Other cash flows from operating activities		
Interest paid	-58,949	-50,919
Interest received	3,314	1,268
Income tax expenses	-76,370	-26,202
NET CASH FROM OPERATING ACTIVITIES	438,080	355,540
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-177,439	-223,357
Acquisition of intangible assets	-3,761	-896
Acquisition of subsidiary, net of cash acquired	-64	-140
Acquisition of other financial assets	-1,248	-10,160
Proceeds from sale of property, plant and equipment	833	135
Proceeds from sale of other financial assets	166	130
Dividends received	180	96
Other collections/(payments) for investments		
NET CASH USED IN INVESTING ACTIVITIES	-181,333	-234,192
CASH FLOWS FROM FINANCING ACTIVITIES		
External financing received	202,192	232,729
Repayment of interest-bearing liabilities	-330,774	-220,804
Dividends paid	-87,257	-87,257
Distribution of share premium	-24,930	-24,930
Contribution fromnon-controlling interests	34,647	11,688
NET CASH USED IN FINANCING ACTIVITIES	-206,122	-88,574
NET INCREASE IN CASH AND CASH EQUIVALENTS	50,625	32,774
Cash and cash equivalents at beginning of the year	113,569	73,298
Effect of exchange rate fluctuations on cash held	437	7,497
CASH AND CASH EQUIVALENTS AT YEAR END	164,631	113,569

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NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

06 NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

NOTE 1 GENERAL INFORMATION

Parent company: Acerinox, S.A. (hereinafter the Company).

Incorporation: Acerinox, S.A. was incorporated with limited liability under Spanish law on 30 September 1970.

Registered offices: Calle Santiago de Compostela, 100, Madrid - Spain.

Statutory and principal activity: the Company's statutory activity, as described in its articles of association, is the manufacture and sale of stainless steel products and other similar or derivative products, either directly, or indirectly through subsidiaries. The Company's principal activity since 2011, as a result of the spin-off of the industrial and commercial line of business described in **note 5.2**, is that of a holding company, as parent of the Acerinox Group . The Company also renders legal, accounting and advisory services to all the Group companies and carries out financing transactions within the Group. In 2010 the Company's principal activity was the manufacture, transformation and sale of stainless steel products. This continues to be the principal activity of the Group, although it is currently carried out by the subsidiaries. The Acerinox Group has six stainless steel factories: two manufacturing flat products in Spain and South Africa; one producing flat and long steel in the United States; a further two making long steel products in Spain; and another in Malaysia, where the initial cold rolling activity has come into service, while a second is currently under construction. The Group also has a network of sales subsidiaries in Spain and abroad that sell all its products as their main activity.

Financial year: the financial year of Acerinox S.A. and all the Group companies is the 12 months from 1 January to 31 December.

Annual accounts: these consolidated annual accounts were authorised for issue by the board of directors of Acerinox, S.A. on 28 February 2012.

NOTE 2 ACCOUNTING POLICIES

2.1 Statement of compliance

The consolidated annual accounts of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations (IFRIC) as adopted by the European Union (hereinafter EU-IFRS) and other applicable financial reporting regulations.

The annual accounts for 2011 have been prepared using the same accounting principles as for 2010, except for the standards and amendments adopted by the European Union and the interpretations issued, mentioned below, which are obligatory as of 1 January 2011:

- Amendments to IAS 32 Classification of Rights Issues. Effective for annual periods beginning on or after 1 February 2010. No impact on the Acerinox Group.

- IAS 24 Related Party Disclosures. Effective for annual periods beginning on or after 1 January 2011. No impact on the Acerinox Group as there are no government-related entities or subsidiaries.

- Improvements to IFRS issued in May 2010. Various standards affected. No relevant impact on the Group. The improvements to IFRS issued in 2010 clarify that an entity can present the changes in components of equity either in the statement of changes in equity or in the notes to the annual accounts. The Group opted for early adoption of this improvement in 2010, disclosing the components in the statement of changes in equity.

- IFRIC 14 Prepayments of a Minimum Funding Requirement. Effective for annual periods beginning on or after 1 January 2011.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. Effective for annual periods beginning on or after 1 July 2010.

- IFRS 1 Exemption from presenting comparative information for disclosures required by IFRS 7. Effective for annual periods beginning on or after 1 July 2010. (EU: annual periods beginning on or after 30 June 2010.)

No significant impact on the consolidated financial statements. The new disclosures have been included in the notes to the financial statements in the annual accounts.

The Group has not included disclosures or applied accounting policies in advance.

The following are standards or interpretations already adopted by the European Union and obligatory in coming years, together with their expected impact for the Group:

- Amendments to IFRS 7 Financial Instruments: Disclosures. Effective for annual periods beginning on or after 1 July 2011. Disclosures are not required for periods commencing before that date. The impact on the Group is relevant since the information on factored trade receivables is currently disclosed in the notes to the consolidated annual accounts.

The following are standards or interpretations pending adoption by the European Union, together with their possible impact on the Group's annual accounts:

- IFRS 9 Financial Instruments. Effective for annual periods beginning on or after 1 January 2015. Pending adoption by the EU. This standard is the first part of the standards devised to replace IAS 39. This standard enhances the information on financial assets and reduces complexity by using a single criterion to determine whether a financial asset is measured at amortised cost or fair value. The IASB and the FASB are currently in the process of reducing classification differences. A new draft of this standard is therefore expected in 2012.

- IAS 19 Employee Benefits. Effective for annual periods beginning on or after 1 January 2013. Pending adoption by the EU. No expected impact on the Group.

- Amendments to IAS 1 – Presentation of items of other comprehensive income. Effective for annual periods beginning on or after 1 July 2012. Pending adoption by the EU.

- IFRS 10 Consolidated financial statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27: Separate Financial Statements (revised), IAS 28 Investments in Associates and Joint Ventures (revised). Effective for annual periods beginning on or after 1 January 2013. Pending adoption by the EU. This set of standards affects consolidation, but no relevant impact is expected on the Group since all Acerinox's subsidiaries are fully consolidated and the Group's control over them is in line with the new definition of control.

- IFRS 13 Fair Value Measurement. Effective for annual periods beginning on or after 1 January 2013. Pending adoption by the EU. This standard requires extensive disclosures on fair value measurement from both a quantitative and qualitative perspective, and is expected to have an impact on the Group's disclosures.

- Amendments to IAS 12 Deferred tax: Recovery of Underlying Assets. Effective for annual periods beginning on or after 1 January 2012. Pending adoption by the EU. These amendments do not affect Acerinox as they only apply to issuers of investment property measured at fair value.

- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters. Effective for annual periods beginning on or after 1 July 2011. Pending adoption by the EU.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. This interpretation applies to annual periods beginning on or after 1 January 2013. Pending adoption by the EU.

- IFRS 7 - Financial Instruments: Disclosures Amendment to disclosures relating to the offsetting of financial assets and financial liabilities. The standard applies to annual periods beginning on or after 1 January 2013. Pending adoption by the EU.

- IAS 32 Financial Instruments: Presentation Amendment relating to the offsetting of financial assets and financial liabilities. The standard applies to annual periods beginning on or after 1 January 2014. Pending adoption by the EU.

The above-mentioned amendments are not expected to have a relevant impact on the Group's financial statements, although they will probably entail more in-depth disclosures.

2.2 Bases of preparation of the consolidated annual accounts

The accompanying consolidated annual accounts of the Group have been prepared by the board of directors of the parent company to present fairly the consolidated equity and consolidated financial position at 31 December 2011, as well as the consolidated results of its operations and changes in consolidated equity and consolidated cash flows of the Group for the years then ended.

The Group adopted the EU-IFRS at 1 January 2004 and at that date applied IFRS 1 First-time Adoption of International Financial Reporting Standards.

The consolidated annual accounts are presented in Euros rounded off to the nearest thousand. They are prepared on the historical cost basis, except for the following assets and liabilities, which have been measured at fair value: derivative financial instruments and available-for-sale financial assets.

The preparation of the consolidated annual accounts in conformity with EU-IFRS requires management of the parent company to make judgements, estimates and assumptions that affect the application of policies and therefore the reported amounts of assets and liabilities, and income and expenses. The estimates are based on historical experience and other factors which are considered appropriate. The Group may modify these estimates in the light of subsequent events or changes in circumstances. Aspects which involved a greater degree of judgement or for which the assumptions and estimates are significant for the preparation of the consolidated annual accounts are detailed in **note 4**. Qualitative and quantitative details of risks assumed by the Group which could have an effect on future years are provided in **note 3**.

The accompanying consolidated annual accounts have been prepared on the basis of the individual accounting records of the Company and the companies forming the Acerinox Group. The consolidated annual accounts include certain adjustments and reclassifications made to bring the accounting and presentation policies used by different Group companies into line with those of the Company.

The consolidated annual accounts for 2010 were approved by the shareholders at their annual general meeting held on 9 June 2011. The accompanying consolidated annual accounts of the Group for 2011 are currently pending approval by the shareholders. The directors of the Company consider that these consolidated annual accounts will be approved by the shareholders with no changes.

2.3 Going concern assumption and accrual basis

The consolidated annual accounts have been prepared on a going concern basis. Income and expenses are recognised on an accruals basis, irrespective of collections and payments.

2.4 Basis of consolidation

a) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control financial and operating policies. This is generally where the Group holds more than half the voting rights.

The financial statements of subsidiaries are included in the consolidated annual accounts from the date that control commences to the date that control ceases.

The Group has considered potential voting rights to assess its level of control over Group companies.

Subsidiaries comprising the Acerinox Group that are consolidated at 31 December 2011 and 2010 are listed in **note 5**.

b) Non-controlling interests

Non-controlling interests are presented separately from equity attributable to equity holders of the parent under consolidated equity. Non-controlling interests in consolidated profits for the year (and in consolidated comprehensive income for the year) are also presented separately in the consolidated income statement (consolidated statement of comprehensive income).

Non-controlling interests in subsidiaries acquired after 1 January 2004 are recognised at the acquisition date at the proportional part of the fair value of the identifiable net assets. Non-controlling interests in subsidiaries acquired prior to the transition date were recognised at the proportional part of the equity of the subsidiaries at the date of first consolidation.

Profits and all items of other comprehensive income are allocated to the equity attributable to equity holders of the parent and to non-controlling interests in proportion to their interest, even if this results in a balance receivable from non-controlling interests. Agreements between the Group and non-controlling interests are recognised as separate transactions.

c) Business combinations

As the Group has applied the exemption foreseen in IFRS 1, only business combinations occurring after 1 January 2004, the date of transition to EU-IFRS, have been accounted for using the acquisition method. Acquisitions of entities prior to that date were accounted for in accordance with the Spanish General Chart of Accounts with the necessary corrections and adjustments at the date of transition.

The Group has applied IFRS 3 Business Combinations revised in 2008 when accounting for transactions carried out on or after 1 January 2010.

The Group recognises business combinations using the acquisition method.

No business combinations took place in 2011 or 2010.

d) Associates

Associates are entities over which the Group has significant influence in financial and operating decisions, but not control or joint control over such decisions. This is generally where the Group holds between 20% and 50% of voting rights.

The financial statements of associates included in the consolidated annual accounts are accounted for using the equity method. The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement for the year, as a debit or credit to the account "Share in the profits/(losses) of entities accounted for using the equity method".

The accounting policies of associates have been standardised to reflect the same financial year and measurement bases as indicated in preceding note a).

Investments in associates are initially recognised at the cost of acquisition, plus any costs directly attributable to the acquisition and any receivables or payables contingent on future events or on compliance with certain conditions.

Any cost of the investment in excess of the Group's percentage share in the fair values of identifiable net assets is recognised as goodwill and included in the carrying amount of the investment. Any shortfall, after the cost of the investment is evaluated and the associate's net assets are identified and measured, is recognised as income when determining the investor's share in the associate's profits for the year of acquisition.

The Group's share in post-acquisition profits or losses of associates is recognised as an increase or reduction in the value of the investments with a debit or credit to the account "Share in the profits/(losses) of associates accounted for using the equity method" in the consolidated income statement (consolidated statement of comprehensive income). The Group's share in post-acquisition other comprehensive income of associates is also recognised as an increase or decrease in the value of those investments, with the balancing entry in a separate line item in other comprehensive income. Dividends received are recognised as reductions in the value of the investments. Income or expenses deriving from the acquisition method are considered to determine the Group's share in profits or losses, including impairment losses recognised by associates.

Losses in associates that correspond to the Group are limited to the value of its net investment, except where it has assumed implicit or legal obligations or made payments on behalf of the associates. Net investment, for the purpose of recognising associates' impairment losses, is the sum of the carrying amount using the equity method and any other item which in essence forms part of the investment in the associates. Any losses in excess of the investment in equity instruments are applied to the other items in reverse order of priority in liquidation. Post-acquisition profits of associates for which losses are recognised to the limit of the value of the investment are recorded where they exceed previously unrecognised losses.

e) Balances and transactions eliminated on consolidation

Balances and transactions between consolidated companies and resulting third-party unrealised gains or losses have been eliminated on consolidation.

Unrealised third-party gains and losses on transactions with associates are eliminated to the extent of the Group's interest in the entity.

2.5 Translation differences

i) Functional and presentation currency

The annual accounts for each Group company are expressed in the functional currency of the underlying economic environment in which the entity operates. The consolidated annual accounts are presented in thousands of Euros, which is the functional and presentation currency of the parent company.

ii) Foreign currency transactions, balances and cash flows

Transactions in foreign currencies are translated using the foreign exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange prevailing at that date. Exchange differences which may arise from translation are recognised in profit and loss.

Non-monetary assets and liabilities denominated in foreign currencies and recorded at historical cost are translated to the functional currency using the exchange rate prevailing at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency using the foreign currency exchange rate prevailing at the date the fair value was determined.

Cash flows arising from transactions in foreign currencies are translated to Euros using the exchange rate prevailing at the date of the cash flow.

Exchange rate differences arising on the settlement of monetary assets and liabilities or on translating monetary amounts are taken to the income statement.

Exchange gains or losses on monetary financial assets and liabilities in foreign currencies are also taken to the income statement.

Exchange differences on non-monetary items are recorded as a component of the gain or loss in the fair value of the asset or liability.

iii) Translation of foreign operations

As permitted by IFRS 1, cumulative translation differences generated prior to 1 January 2004 and recognised in the consolidated annual accounts are recorded in retained earnings. As permitted by IFRS 1, the Group has not retrospectively applied IAS 21 The Effects of Changes in Foreign Exchange Rates to the goodwill generated on business combinations that occurred before transition to IFRS. Consequently, goodwill is considered as an asset belonging to the acquiring entity and not the acquired entity, and therefore is not subject to fluctuations due to exchange rate variations affecting the acquired entity. After that date, the financial statements of Group companies which are denominated in a different currency to the presentation currency are translated to Euros as follows: assets and liabilities, including goodwill and adjustments to the fair value of net assets on acquisition of foreign entities, are translated at the closing rate prevailing at the balance sheet date; income and expenses are translated at the average exchange rate for the period. Translation differences are recognised separately in equity under translation differences.

Cash flows of foreign subsidiaries, including those shown for comparative purposes, are translated to Euros using the exchange rates prevailing at the dates of the cash flows.

The functional currencies of Acerinox Group companies other than Euros are the presentation currencies of their respective individual financial statements.

No Group companies carry out activities in hyperinflationary economies.

2.6 Intangible assets

a) Goodwill

Business combinations are accounted for by applying the acquisition method. Goodwill generated on acquisitions subsequent to the date of transition (1 January 2004) accounted for using this method represents the positive difference between the cost of acquisition and the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries. Goodwill generated on the acquisition of associates is included under investments in associates.

As permitted by IFRS 1, goodwill on acquisitions prior to this date is included on the basis of its historical cost, less accumulated amortisation under the prevailing Spanish accounting principles at the date of acquisition. This amount is considered the deemed cost of goodwill at the transition date, as no adjustments provided for under IFRS 1 were applicable to either intangible assets recognised under local principles but not permitted under EU-IFRS, or to contingent liabilities.

Subsequent to initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment (or more frequently where there are indications of possible impairment), in accordance with IAS 36 (see note 2.8). Goodwill is allocated to cash-generating units for the purposes of impairment testing.

Negative goodwill arising on an acquisition of a business combination is recognised directly in the consolidated income statement, after reassessing the measurement of assets, liabilities and contingent liabilities of the acquired company, as established in IFRS 3.

Internally generated goodwill is not recognised as an asset.

b) Internally generated intangible assets

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the consolidated income statement as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, the Group has sufficient resources to complete development and sufficient future cash flows are expected to be generated to recover the costs, with a credit to self-constructed assets in the consolidated income statement. The expenditure capitalised includes the cost of materials, direct labour and directly attributable overheads.

If costs cannot be clearly distinguished between those arising in the research phase and those incurred in the development phase of intangible assets, the expenditure is taken to the consolidated income statement.

Development expenditure capitalised is not amortised while the project is in progress. Upon successful completion of the project, amortisation begins on a systematic basis over the estimated useful life. In the event of changes in the circumstances permitting the capitalisation of the project expenditure, the unamortised balance is expensed in the year the changes arise.

c) Software

The costs incurred in acquiring and adapting computer software licences to a specific use are capitalised.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Capitalised expenses comprise direct labour costs and directly attributable overheads.

d) Emission rights

CO2 emission rights are recognised as intangible assets and stated at the cost of acquisition. Rights acquired free of charge under the national allocation plan by virtue of Law 1/2007 of 9 March 2007 are initially measured at replacement cost, which is generally the market value of the rights when received. A capital grant is recognised for the same amount and included under deferred income.

Emission rights are not amortised but expensed when used. Valuation adjustments are made as appropriate to reflect any reduction in market value at the end of each year providing that the carrying amount is not considered to be recoverable against future income or expected to be realised through the cancellation of the provision for greenhouse gas emissions described below. Provisions are released when the factors leading to the valuation adjustment have ceased to exist.

A provision for liabilities and charges is created for expenses related to greenhouse gas emissions. This provision is maintained until the company is required to settle the liability by surrendering the corresponding emission rights. These expenses are accrued as greenhouse gases are emitted.

When an expense is recorded for rights acquired free of charge, the corresponding deferred income is taken to operating income.

Detailed information on emission rights received and consumed in 2011 and 2010 is included in **note 7**.

e) Amortisation

Intangible assets with finite useful lives are amortised by systematically allocating the depreciable amount of the asset over its useful life. Intangible assets are amortised from the date they are available for use.

Goodwill and in-process development expenditure are tested annually for impairment.

Estimated useful lives are as follows:

- Industrial property: 5 years
- Software: 5 years

The Group does not have intangible assets with indefinite useful lives.

Asset residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Modifications to the above criteria are accounted for as a change in accounting estimates.

2.7 Property, plant and equipment

a) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and any accumulated impairment losses. The deemed cost of property, plant and equipment at the transition date includes the cost of purchase and revaluations carried out under local accounting principles applied before 1 January 2004. Historical cost includes all expenses directly attributable to the purchase of the items. Historical cost includes costs that are directly attributable to the acquisition of the items. The Group has applied the exemption permitted under IFRS 1 regarding fair value or revaluation as deemed cost.

The cost of self-constructed property, plant and equipment is determined by applying the same principles as for acquired property, plant and equipment, taking into account the criteria for measuring the cost of production of inventories. Production costs are capitalised by crediting the account “Costs attributable to self-constructed assets” in the consolidated income statement.

Borrowing costs directly related with financing the construction of property, plant and equipment, as well as translation differences deriving from loans in foreign currency used to finance fixed asset investments, are capitalised as part of the cost until the asset enters service. The Group also capitalises certain borrowing costs which are not directly used to finance fixed asset investments, applying a capitalisation rate to disbursements made in respect of the asset based on the weighted average cost of interest payable on its loans other than those specifically used to finance fixed assets. Capitalised costs cannot exceed the total costs of interest incurred during the period.

Property, plant and equipment costs include all those costs related to large-scale repairs, which are capitalised and depreciated throughout the estimated period until the next large-scale repair. These costs also include translation gains or losses on the effective portion of cash flow hedges on acquisitions of property, plant and equipment in foreign currency.

Subsequent to initial recognition of an asset, the Group only capitalises costs incurred on improvements where it is probable that future economic benefits will be generated and where the costs can be measured reliably. Costs of day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Spare parts are carried as inventory unless the Group expects to use them during more than one period, in which case they qualify as property, plant and equipment and are depreciated over their useful life. The carrying amount of the spare part is written off when it is used to replace a damaged part.

b) Leases

Leases where the Group assumes the majority of any risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases. Assets contracted under finance leases are measured at the lower of fair value and the present value of the minimum lease payments at the contract start date, less accumulated depreciation and impairment losses, and are classified based on the nature of the leased asset. Operating lease payments are expensed on a straight-line basis over the lease term.

The payment obligation deriving from the lease, net of finance expenses, is recognised as non-current payable.

The Group evaluates the economic substance of contracts to determine whether there is an implicit lease.

c) Investment property

Investment property comprises Group-owned buildings which are held to earn rentals or for capital appreciation and are not occupied by the Group.

Investment property is initially measured at cost, including associated transaction costs. Subsequently the Group applies the same criteria as for property, plant and equipment.

Rental income is recognised in accordance with **note 2.17 b**).

d) Depreciation

Property, plant and equipment are depreciated by systematically allocating the depreciable amount of the asset over its useful life. The depreciable amount is the cost of an asset, or deemed cost, less its residual value. The Group determines the depreciation charge separately for each component of an item of property, plant and equipment where the cost of the component is significant in relation to the total cost of the item.

Asset residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Modifications to the above criteria are accounted for as a change in accounting estimates.

Land is not depreciated.

Estimated useful lives are as follows:

- Buildings: 10-50
- Plant and machinery: 5-25
- Other property, plant and equipment: 3-10

2.8 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed to determine whether there are any indications of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable value of goodwill, which is not amortised, and of intangible assets not yet available for use, is estimated at each balance sheet date.

Provisions derived from impairment of an asset are recognised whenever the carrying amount of the asset, or its corresponding cash-generating unit, exceeds its recoverable amount. Provisions for asset impairment are recognised in the income statement.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of estimated cash flows, applying a discount rate which reflects the current market valuation of the time value of money and the specific risks of the asset in question (for example: present effective market interest rate). For assets that do not generate cash inflows themselves, the recoverable amount is determined for the cash-generating unit to which the asset belongs, considered as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Except in the case of goodwill, provisions for impairment losses recognised in prior years are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. However the new carrying amount cannot exceed the carrying amount that would have been obtained, net of depreciation, had no impairment loss been recorded.

2.9 Financial instruments

2.9.1 Classification

The Company classifies financial instruments into different categories based on the nature of the instruments and the Group's intentions on initial recognition.

2.9.2 Financial assets

Acquisitions and disposals of investments are accounted for at the date on which the Group undertakes to purchase or sell the asset. Investments are derecognised when the contractual rights to the cash flows from the investment expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the Group recognises the difference between the carrying amount and the sum of the consideration received, net of transaction costs, in profit or loss.

The fair value of quoted securities is determined by reference to the market price. The fair value of financial securities which are not quoted in official markets is calculated by reference to discounted future cash flows.

The measurement criteria for the financial assets held by the Group in 2011 and 2010 are detailed below:

a) Financial assets at fair value through profit or loss

Derivatives (except for a derivative that is designated as an effective hedging instrument) are included in this category.

Derivative financial instruments are classified as current assets and measured at fair value. Directly attributable transaction costs are recognised in the consolidated income statement.

Changes in fair value are recorded under finance expenses in the income statement.

b) Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are only classified as non-current when their maturity exceeds 12 months following the balance sheet date. These investments are initially recognised at fair value, including direct costs incurred in the transaction, and subsequently measured at amortised cost, using the effective interest method.

Discounted notes and transfers of commercial loans are recognised until maturity under trade debtors and short-term borrowings, unless the risks and rewards associated with these assets have been substantially transferred, in which case they are derecognised.

The Group makes the necessary valuation adjustments where there is evidence that a loan is impaired. The impairment loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate on the date of initial recognition. These losses are recognised as an expense in the income statement and reversed when their causes are eliminated. The amount reversed is recognised as income in the income statement.

c) Available-for-sale financial assets

Available-for-sale financial instruments are those non-derivative financial assets that are designated as available-for-sale or that are not classified in the preceding categories. They are initially recognised at fair value plus transaction costs attributable to the purchase. After initial recognition financial assets classified in this category are measured at fair value and any gain or loss is accounted for in the consolidated statement of comprehensive income. Equity investments included in this category whose market value cannot be reliably defined are measured at acquisition cost, as permitted by EU-IFRS. When available-for-sale financial assets are sold, the accumulated gains or losses from changes in fair value recognised in the consolidated statement of comprehensive income are transferred to the income statement.

Where the reduction in fair value of an available-for-sale financial asset has been recognised in comprehensive income and there is objective evidence that the asset is impaired, the accumulated loss is reclassified from equity to the income statement. The impairment loss recognised in profit and loss is calculated as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised. Impairment losses recognised in the income statement are reversed against equity and not profit and loss.

2.9.3 Financial liabilities

For valuation purposes the Company's financial liabilities are classified into the following categories:

a) Loans and payables

Financial liabilities classified in this category, which include trade and other payables, are initially recognised at cost, which is similar to the fair value, less any transaction costs incurred. These liabilities are subsequently measured at amortised cost using the effective interest method. Any difference between the amount received (net of transaction costs) and the amortised value is recognised in profit and loss.

The Group has reverse factoring agreements with various financial institutions to manage its payments to suppliers. Trade payables managed by financial institutions are recorded under trade and other payables until they are settled, cancelled or expire.

When debt is refinanced, the Group assesses whether the changes made in the new agreement are sufficiently important to recognise the effects as if it were a cancellation and new loan.

b) Financial liabilities at fair value through profit or loss

This category includes the Group's derivative financial instruments, except for financial guarantee contracts or designated hedging instruments.

They are recognised at fair value through profit or loss.

2.9.4 Transfers between categories of financial instruments

The Group reclassifies non-derivative financial instruments which are no longer held for sale, or which it intends to re-purchase in the short term, to other categories. The Group reclassifies a financial asset which meets the definition of a loan or receivable, if not initially recognised in this category, if it has the positive intention or the ability to hold the aforementioned asset in the near future or to maturity. In all other cases non-derivative financial assets are very rarely reclassified.

At the date of reclassification the financial asset is recognised at fair value, which prospectively becomes the new cost or amortised cost.

2.9.5 Hedge accounting

Derivative financial instruments are initially recognised at cost, which coincides with fair value, and subsequently at fair value, plus or minus any transaction costs which are directly attributable to the acquisition or issuance of the financial asset or liability.

Derivative financial instruments that do not qualify for hedge accounting are classified and measured as financial assets or liabilities at fair value through profit or loss. Where derivatives qualify for hedge accounting as cash flow hedges, recognition of any resultant gain or loss depends on the nature of the hedged item. The effective part of the gain or loss on the financial instrument is initially recognised in the consolidated statement of comprehensive income and subsequently in the profit or loss for the year or years in which the hedged transaction impacts the result.

The Group only contracts cash flow hedges.

At the inception of a hedging operation the Group designates and documents the hedging relation, as well as the objective and strategy assumed by the Group with regard to the hedge. Hedge accounting is only applicable when both at the inception of the hedge as well as in subsequent periods the hedge is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk during the period for which the hedge was designated (prospective analysis), and where actual effectiveness can be reliably determined to range from 80% to 125% (retrospective analysis).

The Group prospectively discontinues hedge accounting if the hedging instrument expires or is sold, or if the hedge no longer meets hedge accounting criteria. In these cases, the cumulative gain or loss recognised in equity is taken to profit or loss.

2.10 Inventories

Inventories are initially measured at cost of acquisition or production and subsequently written down to the lower of cost of production and net realisable value, with any write-downs recognised in the income statement.

Any write-downs recognised that reduce inventories to their net realisable value are reversed, up to the cost of the inventories, if the circumstances that gave rise to the write-downs cease to exist.

Cost (of acquisition or production) is determined as follows:

- Raw materials and other supplies are measured using the weighted average cost formula.
- Finished goods and work in progress are measured at the weighted average cost of raw and other materials consumed, incorporating applicable direct and indirect labour costs and general manufacturing costs based on the higher of normal operating capacity or actual production.

In 2010 and 2011 the Group has not allocated the costs associated with the factories operating below normal operating capacity to the value of finished goods and work in progress.

The Group uses the same cost formula for all inventories having a similar nature and use within the Group.

For finished goods and work in progress, net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable variable costs to sell.

The Group does not make valuation adjustments where the finished goods in which raw materials and other supplies will be incorporated are expected to be sold at or above their cost of production.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash balances, demand deposits with banks and other short-term highly liquid investments, provided they are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Group classifies interest paid and received as operating cash flows, while dividends received are considered investing cash flows and dividends paid are classified as financing cash flows.

2.12 Deferred income

Deferred income includes government grants. Government grants are recognised in the balance sheet at the original amount awarded when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

The Group has only received grants in respect of the acquisition of intangible assets and property, plant and equipment. These are included under non-current liabilities and recognised in the income statement on a straight-line basis over the expected lives of the assets for which the grants were received, except for those relating to CO_2 emission rights, which are taken to income in line with the recognition of the corresponding greenhouse gas emission expense.

2.13 Employee benefits

Certain Group companies have assumed the following long-term commitments with their employees:

a) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Certain Group companies pay contributions to pension and life insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are accrued. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Provisions are not made for defined contribution plans as they do not generate future obligations for the Group.

b) Defined benefit plans

A defined benefit plan is a commitment entered into by a company with its employees to remunerate services rendered. These benefits have been established based on local legislation in certain countries, contracts signed to that effect, or as included in collective labour agreements prevailing in certain Group companies. Accrued commitments are calculated as the present value of the accumulated benefits accrued by personnel until the balance sheet date, using actuarial assumptions. Calculations are carried out by independent experts. Group companies record the corresponding provisions to cover these commitments.

Existing obligations may be classified as:

- **Pension plans:** certain Group companies have commitments with some employees reaching retirement age
- **Early retirement benefits:** certain Group companies have undertaken to pay benefits to employees who opt to take early retirement
- **Supplements:** these plans are obligations agreed with certain Group employees to supplement their remuneration once their service is completed.
- **Other post-employment commitments:** Certain Group companies provide post-retirement healthcare benefits to their retired employees. Entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

The Group complies with obligations regarding the externalisation of these commitments in countries where they are applicable.

c) Share-based compensation

The Group does not have any share-based compensation plans.

2.14 Provisions

The Group recognises provisions when:

(i) it has a present obligation (legal or constructive) as a result of past events
(ii) it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(iii) a reliable estimate can be made of the amount of the obligation

Provisions recognised in the consolidated balance sheet represent the best estimate of the expenditure required to settle the present obligation at the balance sheet date, after taking into account the risks and uncertainties relating to the provision and, where significant and providing a reliable estimate can be made of the expenditures for each period, the financial effect of any cash flow discounts.

2.15 Classification of assets and liabilities as current and non-current

The Group classifies current and non-current assets, and current and non-current liabilities, separately on the face of its consolidated balance sheet. Current assets and liabilities are those that the Group expects to settle, realise, sell or consume in its normal operating cycle, those that are held primarily for the purpose of being traded, those that it expects to realise or settle within twelve months after the balance sheet date or those which are cash or cash equivalents.

2.16 Income tax

The income tax expense for the year comprises current and deferred tax.

Current tax is the estimated tax payable on the consolidated taxable income or tax loss for the year using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, based on temporary differences that arise between the tax base of assets and liabilities and their carrying amounts in the consolidated annual accounts. Deferred tax is measured at the tax rates enacted or substantively enacted at the balance sheet date that are expected to apply to the period when the asset is realised or the liability is settled.

The effect on deferred taxes of a change in the tax rate is recognised in the income statement, except to the extent that it relates to items previously charged or credited to the consolidated statement of comprehensive income.

Deferred tax liabilities are always recognised. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised or there are no deferred tax liabilities against which the assets can be offset. Reductions are reversed if there is a renewed expectation of sufficient taxable profits to enable derecognised balances to be used.

The Group only offsets deferred tax assets and liabilities if legally entitled to do so by taxation authorities, the assets and liabilities correspond to the same taxation authority and the Group plans to realise current tax assets or settle current tax liabilities on a net basis.

Deferred tax assets and liabilities are recognised as non-current in the consolidated balance sheet irrespective of the expected date of realisation or settlement.

Certain companies in the consolidated group have reserves that could be subject to taxation if they were distributed. These consolidated financial statements reflect the tax effect that would arise in the event these reserves were distributed in the foreseeable future.

Since 1998 the parent company has filed consolidated tax returns. By virtue of the agreement adopted by the shareholders at their annual general meeting on 28 May 2003, Acerinox, S.A. and subsidiaries, registered in Spain, form part of a consolidated tax group on an indefinite basis, with the exception of Metalinox Bilbao, S.A. and Inoxidables de Euskadi, S.A.U., which file individual tax returns. At 31 December 2011 the consolidated tax group comprises Acerinox, S.A., Acerinox Europa, S.A.U, Roldan, S.A., Inoxfil, S.A., Inoxcenter, S.L. and Inoxcenter Canarias, S.A. At 31 December 2010 the consolidated tax group comprised Acerinox, S.A., Roldan, S.A., Inoxfil, S.A., Inoxcenter, S.L. and Inoxcenter Canarias, S.A.

2.17 Revenues

a) Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when all significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Operating income is recognised net of taxes, rebates and discounts which the Group considers probable at the date income is recognised, and after having eliminated sales within the Group.

b) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

c) Dividends

Income from dividends is recognised when the Group's right to receive payment is established.

2.18 Environmental activities

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses incurred on environmental activities are charged to other operating expenses in the year in which they are incurred. Nevertheless the Group makes provisions for environmental issues, where necessary, in accordance with the general criteria described in **note 2.14**.

Property, plant and equipment acquired by the Group for permanent use to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities, are recognised as assets applying the measurement, presentation and disclosure criteria described in **note 2.7.**

NOTE 3 FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to various financial risks: market risk (currency risk, interest risk and price risk), credit risk and liquidity risk. The Group aims to minimise the potential adverse effect on its profits through the use of derivative financial instruments, where appropriate to the risks, and insurance. **Note 9.2.6** includes a detailed analysis of the Group's derivatives at year end.

The Group does not acquire financial instruments for speculative purposes.

3.1 Market risk

Market risk arises from variations in market prices deriving from exchange rate or interest rate fluctuations or changes in the price of raw and other materials, which can affect the results and equity of the Company as well as the value of its assets and liabilities.

3.1.1 Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily the US Dollar. Foreign exchange risk arises from commercial transactions, financial and investment operations, and from translation of financial statements in functional currencies distinct from the consolidated Group's presentation currency.

To manage foreign exchange risks arising on commercial transactions, Group companies use forward currency sale or purchase contracts, contracted with Group Treasury, in accordance with policies approved by management.

The Group uses derivatives such as cross currency swaps to control currency risk for financial transactions.

Not all exchange rate insurance contracts entered into by the Group comply with criteria for cash flow hedge accounting as established in **note 2.9.3.** Those contracts which do not comply with these criteria have been accounted for as financial instruments at fair value through profit or loss.

The fair value of forward exchange contracts is their market price at the balance sheet date, which is the present value of the difference between the hedged price and the forward price for each contract.

The Group hedges most of its financial and commercial transactions in foreign currency. At the beginning of each month and subject to fortnightly review, each company considers its loans in non-local currency, trade and supplier balances in foreign currency, the sales and purchases in foreign currency forecast for the period and exchange rate insurance coverage. The Group can consider commercial transactions to evaluate its total exposure when hedging financial transactions.

Note 9.2.6 includes details of financial instruments contracted by the Group to hedge this type of risk at 31 December 2011 and 2010.

Finally, the Group is exposed to currency risk as a result of the translation to Euros of the individual financial statements presented in a functional currency other than the Group's presentation currency, particularly the US Dollar, the South African Rand and the Malaysian Ringgit. Sensitivity to changes in the value of these currencies against the Euro, with other variables remaining constant, is as follows:

(Figures in thousands of Euros)

	Profit and loss		Equity	
	10% appreciation	10% decline	10% appreciation	10% decline
31 December 2011				
USD	16,395	-13,414	113,738	-93,059
ZAR	-2,012	1,646	33,332	-27,272
MYR	-1,723	1,410	40,877	-33,445
31 December 2010				
USD	14,567	-11,969	122,485	-100,215
ZAR	-1,497	1,225	42,391	-34,684
MYR	-150	123	30,861	-25,250

3.1.2 Interest rate risk

The Group's financing comes from various countries and in different currencies (mainly the Euro, the Rand and the US Dollar), with different maturities and mostly referenced to a variable interest rate.

The Group's financial liabilities and assets are exposed to fluctuations in interest rates. To manage this risk interest rate curves are regularly analysed, and on occasion derivatives may be used. These derivatives take the form of interest rate swaps and meet the criteria for recognition as cash flow hedging instruments. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account interest rates at that date and the credit worthiness of the swap counterparties.

The Group hedged the interest rate risk on the majority of its loans in 2011 and 2010. **Note 9.2.6** includes details of financial instruments contracted by the Group to hedge this type of risk at 31 December 2011 and 2010.

Risk premiums and credit spreads have increased since 2009 as a result of the international financial crisis and turbulence in monetary markets. The Group has minimised this risk through a healthy balance of current and non-current financing.

Short-term Euro interest rates rose during the first half of 2011, stabilised during the third quarter of the year and fell sharply in the last two months of the year in light of the risk of a renewed recession in certain areas of Europe. Interest rates in late 2011 exceeded the minimum levels recorded in the second quarter of 2010.

Had these interest rates been 100 basis points higher, with all other variables constant, the Group's consolidated profit after tax would have been Euros 6.06 million lower, due to a higher finance expense because of variable-rate debt (Euros 7.65 million lower profit in 2010). The effect on the Group's equity of higher interest in the entire curve would have been a net increase of Euros 11.19 million (Euros 11.34 million in 2010), as the higher finance expense would have been more than offset by increases in the values of its interest rate hedging derivatives at the end of 2011.

3.1.3 Price risk

The Group is exposed to three types of risk based on price variations:

1. Risk due to changes in the market price of securities held in quoted companies

The risk of price fluctuations in quoted securities relates to the shares held by the Group in Nisshin Steel, which is traded on the Tokyo Stock Exchange. The Group has not hedged this risk with derivative financial instruments. **Note 9.2.5** contains details of the impact of the fluctuations in listed securities on the Group's equity and results.

2. Risk due to regional crises

Acerinox's global presence, with factories in four geographical regions and commercial activities on five continents, reduces its exposure to any specific area.

3. Risk of changes in prices of raw materials

The stainless steel market is characterised by healthy demand, which has grown at an annual rate of approximately 6% for over 50 years. Exceptionally the market shrank by 14.8% in 2007-2009 because of the worldwide economic recession, but recovered with growth of 25% in 2010, which is expected to continue in the medium term. During 2011, the market grew by 2.9%. Stainless steel is required for all industrial applications and used in all sectors, which guarantees that this growth will be sustained in the coming years. With end consumer levels stable, control of this market for the most part by independent warehousers makes consumption appear volatile (in line with fluctuations in the quotation of nickel on the London Metal Exchange).

To reduce the risk deriving from majority control of the market by independent warehousers, considering their inventory stockpiling/realisation policy, the Acerinox Group has developed a sales network that enables it to supply customers on a continuous basis, by means of warehouses and service centres through which the Group's production is channelled. This policy has enabled the Group to achieve a significant market share in the end customer segment and, therefore, stabilise sales and reduce the risk deriving from changes in prices of raw materials. The investments made in the Pinto (Madrid) and Warsaw (Poland) service centres and the newly opened sales branches in Istanbul (Turkey), Ho Chi Minh (Vietnam) and Jakarta (Indonesia) are examples of this strategy.

Maintaining sufficient inventory levels in our warehouses entails the risk of overstatement of these inventories in relation to market price. The Group alleviates this risk by endeavouring to maintain control over inventory levels. The Group reduced its inventories by 5.6% in 2011.

To resolve the risk posed by the volatility of raw materials, 85% of Group sales (i.e. all sales made in Europe, America and South Africa) are naturally hedged by applying an alloy surcharge that enables fluctuations in the quotation of nickel on the London Metal Exchange, as well as Euro/US Dollar fluctuations, to be passed on to customers when the order is being manufactured. With this hedge, a fluctuation of 10% in the quotation of nickel on the London Metal Exchange would alter the Group's gross margin on sales by only 1%.

The valuation of raw materials, work in progress and finished goods at average cost helps to reduce volatility of costs and, consequently, to decrease the impact of nickel price fluctuations on margins.

The Group's policy of firm orders naturally hedges the costs of raw materials, as all accepted orders have a known risk.

However, fluctuations in the price of nickel on the London Metal Exchange drive apparent consumer levels, based on warehousers' expectations and their consequent realisation or accumulation of inventories.

The main risk continues to be the apparent volatility of consumer spending which, as an external factor, is beyond the Group's control. Efficient management of the aforementioned solutions for remaining risks makes it possible to reduce exposure to this risk as far as possible.

3.2 Credit risk

Credit risk is defined as the possible loss that could be incurred through failure of a customer or debtor to meet contractual obligations.

The Group's exposure to credit risk is determined by the individual characteristics of each customer and, where applicable, by the country risk where the customer operates. Due to the diversity of its customers and the countries in which it operates, the Group does not have any concentrations of credit risk.

The Group hedges its commercial and political risks either through credit insurance companies, or through documentary credits and guarantees extended by prestigious banks in low-financial risk countries. Credit insurance covers between 85% and 90% of commercial risks, depending on the insurance company, and 90% of political risks. The Group's main credit insurer has an A- credit rating by Standard & Poor's.

During 2011 indemnities of Euros 2,420 thousand have been collected in relation to the credit insurance policy (Euros 2,538 thousand in 2010).

A risk committee is responsible for monitoring the Group's credit risk policy. Where required, the committee also performs an individual analysis of customers' credit worthiness, establishing credit limits and payment conditions. New customers are analysed with the insurance company before general payment conditions are proposed. Payment in cash is required from customers that do not meet the necessary credit conditions.

The Group has long-standing commercial relationships with many of its customers. Payment delays give rise to special monitoring of future deliveries, payment conditions, credit limit reviews and credit enhancements, as appropriate.

Title retention clauses, in line with prevailing legislation in the customer's country of operation, enable goods to be recovered in the event of payment default.

On occasion the Group also uses other financial instruments to reduce credit risk, such as factoring operations. The Group derecognises factored assets when the risks and rewards of these assets have been substantially transferred.

The Group makes valuation adjustments to trade receivables where necessary, to make provision for bad debts in respect of past-due balances and when circumstances indicate doubtful collection.

At 31 December 2011, consolidated trade receivables amount to Euros 476,981 thousand (Euros 494,440 thousand in 2010). Net sales for 2011 total Euros 4,672,244 thousand (Euros 4,500,467 thousand in 2010). Credit risk insurance has been contracted for 42% of consolidated net sales, (42% in 2010). Cash conditions exist for 3% (3% in 2010). Of consolidated sales, 4% (5% in 2010) are made using confirmed letters of credit to hedge credit risk. 38% of consolidated net sales (27% in 2010) are domestic sales by North American Stainless Inc. with a collection period of under 30 days.

The ageing analysis of debt is as follows: Less than 30 days: Euros 69,792 thousand (Euros 100,931 thousand in 2010); from 30 to 60 days: Euros 13,936 thousand (Euros 11,997 thousand in 2010); from 60 to 90 days: Euros 6,661 thousand (Euros 4,089 thousand in 2010); more than 90 days: Euros 3,515 thousand (Euros 3,009 thousand in 2010). The Group has made provisions for Euros 6,898 thousand (Euros 6,401 thousand in 2010). Most of the debt is insured and generally due to usual delays in sales activity. Over 69% of past-due debt has been collected at the date of preparing the annual accounts (79% in 2010).

In view of the default rates in all sectors, we consider that the above figures are highly satisfactory and vindicate the Group's credit risk policy.

The Group has gradually amended its payment terms with its customers in Spain pursuant to Law 15/2010 of 5 July 2010 on measures against bad trade debts.

Impairment of financial assets considered to be uncollectible has been determined individually. Details are provided in **note 9**.

Any advances to suppliers of fixed assets are hedged through guarantees issued by the supplier and confirmed by prestigious banks.

The Group only makes temporary cash deposits in prestigious banks. At 31 December 2011, the Group has cash and cash equivalents of Euros 164,631 thousand (Euros 113,569 thousand in 2010).

3.3 Liquidity risk

In an economic climate as complex as today's, with liquidity scarce and increasingly expensive, the Group ensures its solvency and flexibility through long-term loans and financing facilities for amounts exceeding the quantities required at all times.

The Group's cash is centrally managed to optimise resources, applying cash pooling systems. Furthermore the Group's net debt is primarily concentrated within the parent company (more than 90% of total net debt at year end).

Based on its cash flow estimates and considering its investment plans, the Group has sufficient funding to meet its commitments, and maintains sufficient balances available for drawdown from credit facilities to cover liquidity risk. In 2011 and 2010 no payment defaults have occurred on the principal of loans or loan interest on the Group's financing.

At year end the Group has been granted short and long-term financing totalling Euros 2,142 million and facilities for factoring without recourse for Euros 320 million. Euros 1,051 million were drawn at 31 December 2011. In 2010, the Group had short and long-term financing facilities of Euros 1,984 million and facilities for factoring without recourse of Euros 325 million, of which Euros 1,197 million were drawn down. At 31 December 2011 cash and cash equivalents amount to Euros 165 million (Euros 114 million in 2010).

On 11 January 2012 Acerinox, S.A. and North American Stainless entered into a syndicated loan agreement for US Dollars 482 million aimed at reducing the Group's exposure to European banks, lowering its average borrowing costs and extending the terms to maturity of its debt.

The lead lending banks are BB&T Capital Markets, JP Morgan Chase Bank, Wells Fargo Bank and Fifth Third Bank, whilst the ten participating US banks are BB&T, JP Morgan Chase Bank, Wells Fargo Bank, Fifth Third Bank, Regions Bank, US Bank National Association, BMO Harris Bank, The Huntington National Bank, PNC Bank National Association and The Bank of Kentucky.

An analysis of the Group's payment obligations at the 2011 close is as follows:

(Figures in thousands of Euros)

	2011						
	Amount at31/12/2011	Future cash flow maturities	Less than 6 months	6-12 months	1-2 years	2-5 years	over 5 years
Bank loans	707,197	-781,715	-11,764	-13,333	-268,166	-386,827	-101,625
Credit accounts	344,030	-349,047	-188,483	-160,564			
Trade and other payables	846,297	-846,297	-846,297				
FINANCIAL DERIVATES							
Interest rate swaps	-545,114	-19,045	-2,039	-3,750	-7,534	-6,514	792
Export exchange rate insurance	9,979	400,976	400,976				
Inmport exchange rate insurance	-16,405	-512,909	-512,909				
TOTAL	1,345,984	-2,108,037	-1,160,516	-177,647	-275,700	-393,341	-100,833

Future cash flow maturities include the loan principal plus interest based on contractual interest rates at year end.

This caption does not include approved investments not recognised as assets under construction at year end.

3.4 Capital management

Capital management objectives are as follows:

- To safeguard the Company's capacity for sustained growth
- To provide appropriate shareholder remuneration
- To maintain an optimum capital structure

The Company manages its capital structure and makes adjustments based on changes in economic circumstances. To maintain and adjust its capital structure, the Company can adopt different policies relating to the payment of dividends, the reimbursement of share premium, share buy-backs, self-financing of investments, non-current borrowings, etc.

Capital structure is controlled using different ratios, such as the net financial debt/EBITDA ratio, understood to be the period necessary for the resources generated by the Company to cover the level of debt; or the gearing ratio, i.e. the relationship between net financial debt and equity of the Company.

Net financial debt is taken to be the sum of current and non-current loans and borrowings, less cash and cash equivalents. EBITDA reflects operating profit or loss before amortisation, depreciation and valuation adjustments.

The net financial debt/EBITDA ratio is x2.6 (x2.8 in 2010).

The Group's gearing ratio is 47.1%, which is lower than the 56.3% in 2010. However, the volume of investment remained in line with our strategic plan and total remuneration paid to our shareholders (Euros 0.45 per share, as in 2010) was maintained. The resulting net financial debt, Euros 886.6 million, fell sharply by 18%, compared to the prior year (Euros 1,083.6 million).

The Acerinox Group is not subject to strict capital management criteria. Considering its financial stability, it can adopt the most appropriate solution at any given moment to enable optimum management.

3.5 Insurance

Given that the Group's three integral flat product production plants and three long product production plants are located in different regions, an accident would not affect more than one-third of total production. This guarantees the continuity of the business, while adequate management of the remaining factories reduces the consequences of material damage to any of the facilities.

Sufficient coverage has been contracted for the Group's factories through property damage and loss of earnings insurance, which account for over 38% of the Acerinox Group's insurance expenditure.

The Group also includes a captive reinsurance company based in Luxembourg, Inox Re, which manages these risks by assuming a part as self-insurance and directly accessing the reinsurance market.

The Group has also contracted general liability, environmental, credit, transport, and group life and accident insurance to reduce its exposure to these different risks.

NOTE 4 ACCOUNTING ESTIMATES AND JUDGEMENTS

Accounting estimates and judgements are continuously assessed and are based on factors including historical experience and expectations of future events which are considered reasonable.

The Group makes estimates and judgements related to future events. The resulting accounting estimates could differ from actual results. The main estimates are as follows:

a) Impairment of goodwill and other non-financial assets

The Group tests goodwill and its property, plant and equipment and intangible assets annually for impairment, in accordance with the accounting policy in **note 2.8.** For goodwill and property, plant and equipment, recoverable amounts of cash-generating units have been determined based on calculations of the value in use. These calculations are made using reasonable assumptions based on past returns obtained and future production and market development expectations. **Note 7.2** and **8.1** include details of the analyses carried out by the Group in 2011 and 2010.

b) Useful lives of plant and machinery

Group management determines the estimated useful lives and corresponding depreciation charges for its plant and machinery based on valuations carried out by the corresponding experts. These could alter significantly as a result of technical innovations, variations in plant activity levels, etc. Management regularly reviews the depreciation charge and adjusts it when estimated useful lives are different from those previously applied, fully depreciating or derecognising technically obsolete or non-strategic assets which have been abandoned or sold.

c) Pension benefits

The present value of pension obligations for those Group companies which have such obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used to determine the net cost (income) for pensions include the expected long-term rate of return on the corresponding plan assets and the discount rate. Any change to these estimates will have an effect on the amount recorded for pension obligations.

Other key assumptions used for pension benefits are based on current market conditions. See **note 15.1** for additional information.

d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in active markets is determined by using valuation techniques mainly based on market conditions existing at each balance sheet date, and provided that financial information is available to carry out this valuation. **note 9.2.1** contains additional information on the classification of financial instruments by levels of fair value as established in IFRS 7.

e) Provisions

As mentioned in **note 2.14**, provisions recognised in the consolidated balance sheet reflect the best estimate at that date of the amount expected to be required to settle a liability, to the extent that this outflow of resources is expected to materialise. Changes in foreseen circumstances could cause these estimates to vary, in which case a review is performed.

Although these estimates and judgements are based on the best available information, future events may require changes to these estimates in subsequent years. Any change in accounting estimates would be recognised prospectively in the corresponding consolidated income statement, in accordance with IAS 8.

f) Net realisable value

As mentioned in **note 2.10**, the Group estimates the net realisable value of its inventories to recognise any impairment required. Expected selling prices of inventories less costs to sell are considered when calculating net realisable value.

g) Recoverability of available tax loss carryforwards and deductions

The Group regularly evaluates its available tax credits through five-year projections of profit and loss approved by management, to conclude as to whether they will be recoverable in the future. Details of the basis on which the Group assesses the recoverability of tax credits in the year are provided in **note 18.2**.

The judgements and accounting estimates used by the Group in 2011 and 2010 are the same as in prior years.

NOTE 5 CONSOLIDATED GROUP

5.1 Subsidiaries and associates

At 31 December 2011, in addition to Acerinox, S.A., the Acerinox consolidated group includes 38 fully consolidated subsidiaries and one associate accounted for using the equity method. In 2010 the group included 35 fully consolidated subsidiaries and one associate accounted for using the equity method.

The table of investments for 2011 is shown below:

FULLY CONSOLIDATED COMPANIES	2011				
	COUNTRY	INTEREST		INTEREST HELD BY	AUDITORS
		COST (In thousand euros)	% NOMINAL		
ACERINOX (SCHWEIZ) A.G.	Mellingen -Switzerland	326	100%	ACERINOX S.A	KPMG
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	ACERINOX S.A	Chinen, Morbelli y asociados
		13	10%	INOXIDABLES EUSKADI, S.A.U.	
ACERINOX AUSTRALASIA PTY. LTD.	Sidney - Australia	385	100%	ACERINOX S.A	
ACERINOX BENELUX S.A. - N.V.	Brussels - Belgium	209	100%	ACERINOX S.A	KPMG
ACERINOX BRASIL, LTDA	Sao Paulo - Brazil	373	100%	ACERINOX S.A	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45,496	100%	ACERINOX S.A	KPMG
ACERINOX EUROPA, S.A.U	Madrid - Spain	341,381	100%	ACERINOX S.A	KPMG
ACERINOX FRANCE S.A.R.L.	Paris - France	18,060	99.98%	ACERINOX S.A	KPMG
			0.02%	INOXIDABLES EUSKADI, S.A.U.	
ACERINOX INDIA PTE LTD	Mumbai - India	155	100%	ACERINOX S.A	Mehta Chokshi & Shah
ACERINOX ITALIA S.R.L.	Milan - Italy	99,954	100%	ACERINOX S.A	KPMG
ACERINOX MALAYSIA SDN. BHD	Johor -Malaysia	4,752	100%	ACERINOX S.A	KPMG
ACERINOX METAL SANAYII VE TICARET L.S.	Gumussuyu /Beyoglu - Turkey	150	99.73%	ACERINOX S.A	
			0.27%	INOXIDABLES EUSKADI, S.A.U.	
ACERINOX NORWAY A.S	Oslo - Norway	13	100%	ACERINOX S.A	KPMG
ACERINOX PACIFIC LTD.	Wanchai - Hong Kong	10,876	100%	ACERINOX S.A	KPMG
ACERINOX POLSKA, SP Z.O.O	Warsaw - Poland	25,174	99.9800%	ACERINOX S.A	KPMG
		4	0.02%	INOXIDABLES EUSKADI, S.A.U.	
ACERINOX SCANDINAVIA AB	Malmoe - Sweden	31,909	100%	ACERINOX S.A	KPMG
ACERINOX SHANGAI CO., LTD.	Shangai - China	6,347	100%	ACERINOX S.A	Shanghai Shenzhou Dalong
ACERINOX SOUTH EAST ASIA PTE.LTD.	Singapore - Singapore	193	100%	ACERINOX S.A	KPMG
ACERINOX U.K, LTD.	Birmingham - UK	28,444	100%	ACERINOX S.A	KPMG
ACEROL LTDA.	Maia - Portugal	15,828	100%	ACERINOX S.A	KPMG
BAHRU STAINLESS, SDN. BHD	Johor -Malaysia	171,651	67%	ACERINOX S.A	KPMG
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	279,615	76%	ACERINOX S.A	KPMG
D.A. ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100%	ACERINOX S.A	KPMG
INOX RE, S.A.	Luxembourg	1,225	100%	ACERINOX S.A	BDO Auditores
INOXCENTER CANARIAS, S.A.	Telde (Gran Canaria) - Spain	270	100%	INOXCENTER	KPMG
INOXCENTER, S.L.	Barcelona - Spain	15,878	97.5%	ACERINOX S.A	KPMG
INOXFIL S.A.	Igualada (Barcelona) - Spain	6,247	100%	ROLDAN S.A	KPMG
INOXIDABLES DE EUSKADI S.A.U.	Vitoria - Spain	2,705	100%	ACERINOX EUROPA, S.A.U	
INOXPLATE, LTDA.	Maia - Portugal	16,343	100%	ACEROL PORTUGAL	KPMG
METALINOX BILBAO, S.A.	Galdácano (Vizcaya) - Spain	2,986	97.5%	ACERINOX S.A	KPMG
METALINOX COLOMBIA S.A.S	Bogotá D.C - Colombia	68	100%	ACERINOX S.A	
NEWTECINVEST AG	Zug - Switzerland	4,455	100%	ACERINOX S.A	KPMG
NORTH AMERICAN STAINLESS INC.	Kentucky - U.S.A.	545,072	100%	ACERINOX S.A	KPMG
NORTH AMERICAN STAINLESS CANADA, INC	Canada	29,367	100%	NORTH AMERICAN STAINLESS INC.	KPMG
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico	19,321	100%	NORTH AMERICAN STAINLESS INC.	KPMG
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - U.S.A.	15	100%	ACERINOX S.A	
ROLDAN S.A.	Ponferrada - Spain	17,391	99.74%	ACERINOX S.A	KPMG
YICK HOE METAL INDUSTRIES SDN BHD	Johor -Malaysia	557	100%	ACERINOX S.A	KPMG

ASSOCIATES	COUNTRY	2011		
		INTEREST		INTEREST HELD BY
		COST (In thousands of Euros)	% NOMINAL	
BETINOKS	Turkey	313	25%	ACERINOX S.A

The activities of the Group companies are as follows:

- Acerinox, S.A.: as a result of the spin-off of its industrial and commercial lines of business described in **note 5.2,** the company became the holding company for the Acerinox Group. The company also renders legal, accounting and advisory services to all Group companies and carries out financing activities within the Group.
- Acerinox Europa, S.A.U.: manufacture of flat stainless steel products.
- North American Stainless, Inc.: manufacture of flat and long stainless steel products
- Columbus Stainless (PTY), Ltd.: manufacture of flat stainless steel products
- Bahru Stainless, Sdn, Bhd: manufacture of flat stainless steel products
- Roldan, S.A.: manufacture of long stainless steel products
- Inoxfil, S.A.: manufacture of stainless steel wire
- Inox Re, S.A: captive reinsurance company
- North American Stainless Financial Investment, Inc.: rendering of foreign trade advisory services.
- Remaining companies: marketing of stainless steel products

The table of investments for 2010 is shown below:

FULLY CONSOLIDATED COMPANIES	2010				
	COUNTRY	INTEREST		INTEREST HELD BY	AUDITORS
		COST (In thousand euros)	% NOMINAL		
ACERINOX (SCHWEIZ) A.G.	Mellingen -Switzerland	326	100%	ACERINOX S.A	KPMG
ACERINOX ARGENTINA S.A.	Buenos Aires - Argentina	598	90%	ACERINOX S.A	Chinen, Morbelli y asociados
		13	10%	INOXIDABLES EUSKADI, S.A.U.	
ACERINOX AUSTRALASIA PTY. LTD.	Sidney - Australia	385	100%	ACERINOX S.A	
ACERINOX BENELUX S.A. - N.V.	Brussels - Belgium	209	100%	ACERINOX S.A	KPMG
ACERINOX BRASIL, LTDA	Sao Paulo - Brazil	191	100%	ACERINOX S.A	
ACERINOX DEUTSCHLAND GMBH	Langenfeld - Germany	45,496	100%	ACERINOX S.A	KPMG
ACERINOX FRANCE S.A.R.L.	París - France	17,795	100%	ACERINOX S.A	KPMG
ACERINOX INDIA PTE LTD	Mumbai - India	155	100%	ACERINOX S.A	Mehta Chokshi & Shah
ACERINOX ITALIA S.R.L.	Milan - Italy	99,954	100%	ACERINOX S.A	KPMG
ACERINOX MALAYSIA SDN. BHD	Johor -Malaysia	4,752	100%	ACERINOX S.A	KPMG
ACERINOX NORWAY A.S	Oslo - Norway	13	100%	ACERINOX S.A	KPMG
ACERINOX PACIFIC LTD.	Wanchai - Hong Kong	10,876	100%	ACERINOX S.A	KPMG
ACERINOX POLSKA, SP Z.O.O	Varsovia - Poland	25,174	99.98%	ACERINOX S.A	KPMG
		4	0.02%	INOXIDABLES EUSKADI, S.A.U.	
ACERINOX SCANDINAVIA AB	Malmoe - Switzerland	31,909	100%	ACERINOX S.A	KPMG
ACERINOX SHANGHAI, CO. LTD.	Shangai - China	6,347	100%	ACERINOX S.A	Shanghai Shenzhou Dalong
ACERINOX SOUTH EAST ASIA PTE.LTD.	Singapore - Singapore	193	100%	ACERINOX S.A	KPMG
ACERINOX U.K, LTD.	Birmingham - UK	28,444	100%	ACERINOX S.A	KPMG
ACEROL LTDA.	Maia - Portugal	15,828	100%	ACERINOX S.A	KPMG
BAHRU STAINLESS, SDN. BHD	Johor -Malaysia	101,306	67%	ACERINOX S.A	KPMG
COLUMBUS STAINLESS (PTY) LTD.	Middelburg - South Africa	279,615	76%	ACERINOX S.A	KPMG
D.A. ACERINOX CHILE, S.A.	Santiago de Chile - Chile	7,545	100%	ACERINOX S.A	KPMG
INOX RE, S.A.	Luxemburg	1,225	100%	ACERINOX S.A	BDO Auditores
INOXCENTER CANARIAS, S.A.	Telde (Gran Canaria) - Spain	270	100%	INOXCENTER	KPMG
INOXCENTER, S.L.	Barcelona - Spain	15,878	97.5%	ACERINOX S.A	KPMG
INOXFIL, S.A.	Igualada (Barcelona) - Spain	6,247	100%	ROLDAN S.A	KPMG
INOXIDABLES DE EUSKADI, S.A.U.	Vitoria - Spain	2,705	100%	ACERINOX S.A	KPMG
INOXPLATE, LTDA.	Maia - Portugal	16,343	100%	ACEROL PORTUGAL	
METALINOX BILBAO, S.A.	Galdácano (Vizcaya) - Spain	2,986	97.5%	ACERINOX S.A	KPMG
NEWTECINVEST AG	Zug - Switzerland	4,455	100%	ACERINOX S.A	KPMG
NORTH AMERICAN STAINLESS INC.	Kentucky - U.S.A.	545,071	100%	ACERINOX S.A	KPMG
NORTH AMERICAN STAINLESS CANADA, INC	Canada	28,438	100.00%	NORTH AMERICAN STAINLESS INC.	KPMG
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca - N.L.Mexico	18,710	100%	NORTH AMERICAN STAINLESS INC.	KPMG
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	Kentucky - U.S.A.	15	100%	ACERINOX S.A	
ROLDAN, S.A.	Ponferrada - Spain	17,328	99.66%	ACERINOX S.A	KPMG
YICK HOE METAL INDUSTRIES SDN BHD	Johor - Malaysia	557	100%	ACERINOX S.A	KPMG

ASSOCIATES	COUNTRY	2011		
		INTEREST		INTEREST HELD BY
		COST (In thousands of Euros)	% NOMINAL	
BETINOKS	Turkey	313	25%	ACERINOX S.A

5.2 Changes in the consolidated group

Changes in the consolidated group during 2011 are as follows:

Acerinox Europa, S.A.U

At their extraordinary general meeting held on 29 September 2011, the shareholders approved the spin-off of Acerinox, S.A. through the contribution of its industrial activity line of business to a newly-incorporated company (Acerinox Europa, S.A.U.), a solely-owned subsidiary of Acerinox, S.A. The spun-off industrial line of activity comprises the production, distribution and logistics units for products manufactured in the flat and long stainless steel product manufacturing plant in Gibraltar and the service centres located in Spain, including the investment in Inoxidables de Euskadi, S.A.U.

For the spin-off project, the balance sheet of Acerinox, S.A. at 31 December 2010 was considered as the spin-off balance sheet, while 1 January 2011 was set as the date from which the operations of the spun-off business were considered, for accounting purposes, to have been carried out on behalf of the beneficiary company (Acerinox Europa, S.A.U.).

The newly-incorporated Acerinox Europa, S.A.U. was filed at the Mercantile Registry on 1 December 2011.

The carrying amount of the assets transferred at 1 January 2011 (Euros 934 million) was taken into account when determining the new company's net equity. Liabilities amount to Euros 593 million and the new company's net equity therefore totals Euros 341 million. This valuation was approved by the independent expert (Deloitte, S.L.) appointed by the mercantile registrar.

Acerinox Europa was incorporated with share capital of Euros 62 million and a share premium of Euros 279 million.

Acerinox Metal Sanayii Ve Tikaret L.S.

Acerinox Metal Sanayii Ve Tikaret, L.S. was incorporated on 2 August 2011 with headquarters in Turkey. The company's statutory activity is the marketing of stainless steel products manufactured by any of the Group's five plants. The company was incorporated with share capital of Euros 150 thousand, of which 99.73% was contributed by Acerinox, S.A. and the remaining 0.27% by the group company Inoxidables de Euskadi, S.A.U.

Metalinox Colombia, S.A.S

Metalinox Colombia, S.A.S. was incorporated on 30 August 2011 with headquarters in Colombia. The company's statutory activity is the marketing of stainless steel products manufactured by any of the Group's five plants. The company was incorporated with share capital equivalent to Euros 68 thousand, 100% was paid in by Acerinox, S.A. Following the incorporation of this subsidiary, Acerinox, S.A. has liquidated its previous subsidiary in this country.

Roldan, S.A.

In 2011 Acerinox, S.A. acquired 1,476 shares from non-controlling interests of the company Roldan, S.A, increasing its ownership by 0.08%. At 31 December 2011 non-controlling interests hold 0.26% of this company's capital, compared with 0.34% in 2010. The purchase price of the shares was Euros 64 thousand. The difference compared to the carrying amount (Euros 18 thousand) has been recognised in consolidated reserves.

Changes in the consolidated group during 2010 were as follows:

Inoxcenter, S.L.

On 3 December 2010, the merger of Acimetal, S.L., Inoxidables de Galicia, S.L.U. and Inoxmetal, S.L. with and into the company Inoxcenter, S.L., in which Acerinox, S.A. holds a 97.5% interest, was filed at the Barcelona Mercantile Registry. The merger took effect from 25 November 2010. The merger involved the transfer to Inoxcenter of all the assets and liabilities of the absorbed companies, which were dissolved as of 1 January 2010. The Group's consolidated financial statements were unaffected by the merger, as the companies involved were already part of the Group.

Acerinox Argentina, S.A.

In compliance with the Argentine law preventing single ownership of companies, on 27 December 2010 Acerinox S.A. sold its 10% interest in Acerinox Argentina, S.A. to the Group company Inoxidables de Euskadi, S.A.U. (solely-owned subsidiary of Acerinox, S.A.) for the par value of the shares. This transaction had no effect on the consolidated annual accounts.

Roldan, S.A.

In 2010 Acerinox, S.A. acquired 3,234 shares from non-controlling interests of the company Roldan, S.A., thereby increasing its interest by 0.161%. At 31 December 2010 non-controlling interests held 0.339% of this company's capital, compared with 0.5% in 2009. The purchase price of the shares was Euros 140 thousand. The difference compared to the carrying amount (Euros 11 thousand) was recognised in consolidated reserves.

North American Stainless, Inc.

On 1 November 2010 Roldan, S.A. sold its non-controlling interest (0.86%) in North American Stainless, Inc. to Acerinox, S.A., which thus became the sole owner of that company. This transaction had no effect on the consolidated annual accounts.

5.3 Capital increases

Capital increases and reductions in 2011 were as follows::

COMPANY	Number of shares	Capital increase (in thousands of Euros)
Bahru Stainless, Sdn. Bhd.	450,000	104,989
Acerinox Brasil, Ltda.	325,260 quotes	150
Acerinox France, S.A.R.L	-1,225,000	-18,375
Acerinox France, S.A.R.L	26,500	265
TOTAL		87,029

The capital increase in Bahru Stainless was to finance new investments at the factory in Malaysia. 67% of the capital was contributed by Acerinox, S.A. and the remainder by non-controlling interests.

Capital was increased in Brazil in accordance with local legal requirements.

The simultaneous capital reduction and increase in Acerinox France were part of a mandatory operation to redress equity in accordance with local legislation.

The following share capital increases were carried out in 2010:

COMPANY	Number of shares	Capital increase / (decrease) (in thousand of Euros)
Acerinox Polska, SP, Z.O.O	148,000	18,984
Bahru Stainless, Sdn. Bhd.	150,000	35,417
Nas Mexico, S.A. de CV	63,014,000	3,742
Inoxcenter, S.A	246,363	246
Inoxplate, Ltda.		-1,000
TOTAL		57,389

The capital increases in Acerinox Polska, Bahru Stainless and Nas Mexico were to finance investments.

Inoxcenter, S.L. increased its capital by 246,363 shares with a par value of Euros 1 each, to comply with the share exchange ratio established for the merger by absorption of the companies Acimetal, S.L., Inoxmetal, S.L. and Inoxidables de Galicia, S.L. The book values of the merged companies at 31 December 2009 were used to determine the share exchange ratio.

The capital reduction of Inoxplate is due to the partial reimbursement of a supplementary contribution made by Group Company Acerol Portugal in prior years.

NOTE 6 SEGMENT REPORTING

The Group is organised internally by operating segments, as described below, which are its 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, coils, plates, flats, circles and sheets.
- **Long stainless steel products:** bars, angles, wires and wire rod.
- **Others:** comprising other stainless steel products not included in the above segments.

The Unallocated segment reflects activities of the holding company and activities that cannot be allocated to other specific operating segments. This segment was created in 2011 as a result of the spin-off of the industrial and commercial line of business of Acerinox, S.A. During 2010, these activities were included within the flat stainless steel products segment, although the Group has restated the 2010 figures to facilitate comparison with 2011.

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, assets that could be attributed to both segments are assigned to the flat stainless steel product segment.

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 based on its profit before tax. The Group considers this information to be the most relevant in evaluating a segment in relation with other comparable segments in the sector.

6.1 Operating segments

Segment results for the year ended 31 December 2011 are as follows:

(Expressed in thousands of Euros)

	2011					
	Flat product	Long product	Others	Not assigned	Adjustements	Total
Income statement						
Revenue	4,162,193	716,917	10,534	5,442	-168,103	4,726,983
Sales between Group segments	-146,572	-21,531	0	0	168,103	0
Total revenue	4,015,621	695,386	10,534	5,442	0	4,726,983
Gross operating profit	268,028	78,929	2,219	-9,956	0	339,220
Amortisation and depreciation	-132,907	-13,084	-226	-568	0	-146,785
Impairment losses	0	0	0	0	0	0
Share in profit/(losses) of companies accounted for using the equity method	0	0	0	-28	0	-28
Finance income	1,717	443	139	5,899	0	8,198
Finance expense	-41,809	-947	-443	-20,431	0	-63,630
Exchange gains/losses	-3,129	105	-3	44	0	-2,983
Impairment of financial instruments	0	0	0	-1,366	0	-1,366
Profit before tax	91,900	65,446	1,686	-26,406	0	132,626
Income tax	-32,569	-23,590	-436	-9,838		-66,433
Consolidated profi for the year	59,331	41,856	1,250	-36,244	0	66,193
Balance sheet						
Segment assets	3,781,804	161,192	22,855	105,311	0	4,071,162
Investments accounted for using the equity method	0	0	0	60	0	60
Unattributed assets	0	0	0	0	0	0
Total consolidate assets	3,781,804	161,192	22,855	105,371	0	4,071,222
Sgement liabilities	1,137,782	69,760	22,693	959,795	0	2,190,030
Unattributed liabilities	0	0	0	0	0	0
Total consolidated liabilities (excluding equity)	1,137,782	69,760	22,693	959,795	0	2,190,030
Property, plant and equipment	1,934,104	40,075	0	11,541	0	1,985,720
Investments in fixed assets	156,869	11,999	0	397	0	169,265

2010 figures are as follows:

(Expressed in thousands of Euros)

	2010					
	Flat product	Long product	Others	Not assigned	Adjustements	Total
Income statement						
Revenue	4,099,388	633,395	50,831	17,424	-267,751	4,533,287
Sales between Group segments	-241,973	-25,778	0		267,751	0
Total revenue	3,857,415	607,617	50,831	17,424	0	4,533,287
Gross operating profit	321,980	50,251	5,187	2,519	0	379,937
Amortisation and depreciation	-133,935	-13,617	-239	0	0	-147,791
Impairment losses	0	0	0	0	0	0
Share in profit/(losses) of companies accounted for using the equity method	0	0	0	-63	0	-63
Finance income	1,397	294	86	473	0	2,250
Finance expense	-30,181	-1,540	-322	-20,023	0	-52,066
Exchange gains/losses	11,410	338	0	-1,496	0	10,252
Profit before tax	170,671	35,726	4,712	-18,590	0	192,519
Income tax	-57,541	-11,886	-1,363	-4,465	0	-75,255
Consolidated profi for the year	113,130	23,840	3,349	-23,055	0	117,264
Balance sheet						
Segment assets	3,825,927	276,742	23,716	113,873	0	4,240,258
Investments accounted for using the equity method	0	0	0	102	0	102
Unattributed assets	0	0	0	0	0	0
Total consolidate assets	3,825,927	276,742	23,716	113,975	0	4,240,360
Sgement liabilities	1,337,093	223,119	43,812	712,598	0	2,316,622
Unattributed liabilities	0	0	0		0	0
Total consolidated liabilities (excluding equity)	1,337,093	223,119	43,812	712,598	0	2,316,622
Property, plant and equipment	1,943,594	35,710	0	0	0	1,979,304
Investments in fixed assets	214,180	3,170	0	0	0	217,350

There are no significant items that have not been reflected in cash other than amortisation and depreciation.

6.2 Geographical segments

The flat and long stainless steel products segments are managed at worldwide level. Revenue from geographical segments is presented based on where customers are located. Segment assets are determined by geographical location.

Data relating to geographical segments in 2011 is presented below:

(Expressed in thousands of Euros)

	2011						
	Spain	Rest of Europe	America	Africa	Asia	Others	Total
Net sales by destination of goods	431,465	1,334,066	2,180,306	293,408	410,337	22,662	**4,672,244**
Segment assets by origin	937,477	466,188	1,487,030	554,513	625,857	157	**4,071,222**
Property, plant and equipment at origin	286,461	92,962	934,362	656,370	15,538	27	**1,985,720**
Investments in property, plant and equipment at origin	32,898	3,333	17,441	11,508	104,076	9	**169,265**

2010 figures are as follows:

(Expressed in thousands of Euros)

	2010						
	Spain	Rest of Europe	America	Africa	Asia	Others	Total
Net sales by destination of goods	427,035	1,385,278	1,997,716	264,703	411,558	14,177	**4,500,467**
Segment assets by origin	958,160	557,560	1,528,568	691,635	504,231	206	**4,240,360**
Property, plant and equipment at origin	275,252	97,229	964,055	625,972	16,762	34	**1,979,304**
Investments in property, plant and equipment at origin	24,801	10,856	15,528	11,498	154,649	18	**217,350**

The Group sells its products in various countries throughout five continents. Details of sales by country are as follows:

PAÍS	% SALES	
	2011	2010
USA	39.05%	36.93%
Spain	9.23%	9.49%
Germany	6.78%	7.18%
South Africa	6.12%	5.82%
Italy	5.34%	5.72%
Canada	3.71%	3.15%
France	3.47%	3.33%
UK	2.78%	2.72%
Mexico	2.26%	1.54%
Malaysia	1.54%	2.61%
Other countries	19.72%	21.50%

“Other countries” in 2011 reflects sales in 78 different countries.

No transactions with external customers exceeded 10% of the Group’s consolidated revenue in 2011 or 2010.

NOTE 7 INTANGIBLE ASSETS

Details of the main intangible assets and movement therein are shown below:

(Expressed in thousands of Euros)

COST	Emission rights	Industrial property	Software and other assets	SUBTOTAL	Goodwill
Balance at 31 December 2009	6,033	24,312	20,993	51,338	69,124
Acquisitions	3,422	0	852	4,274	
Transfers	0	0	92	92	
Disposals	-2,453	0	-53	-2,506	
Translation differences	0	0	747	747	
Balance at 31 December 2010	7,002	24,312	22,631	53,945	69,124
Acquisitions	3,874	0	644	4,518	
Transfers	0	0	138	138	
Disposals	-2,330	0	-30	-2,360	
Translation differences	0	0	-704	-704	
Balance at 31 December 2011	8,546	24,312	22,679	55,537	69,124

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	Emission rights	Industrial property	Software and other assets	SUBTOTAL	Goodwill
Balance at 31 December 2009	1,029	22,084	19,059	42,172	0
Amortisation charge	0	1,448	1,113	2,561	
Impairment loss	-889	0	0	-889	
Transfers	0	0	-8	-8	
Disposals	0	0	-55	-55	
Translation differences	0	0	617	617	
Balance at 31 December 2010	140	23,532	20,726	44,398	0
Amortisation charge	0	743	739	1,482	
Impairment loss	3,117	0	0	3,117	
Transfers	0	0	-25	-25	
Disposals	0	0	-30	-30	
Translation differences	0	0	-610	-610	
Balance at 31 December 2011	3,257	24,275	20,800	48,332	0

CARRYING AMOUNT	Emission rights	Industrial property	Software and other assets	SUBTOTAL	Goodwill
Cost at 31 December 2009	6,033	24,312	20,993	51,338	69,124
Accumulated amortisation and impairment losses	-1,029	-22,084	-19,059	-42,172	
Carrying amount at 31 December 2009	5,004	2,228	1,934	9,166	69,124
Cost at 31 December 2010	7,002	24,312	22,631	53,945	69,124
Accumulated amortisation and impairment losses	-140	-23,532	-20,726	-44,398	
Carrying amount at 31 December 2010	6,862	780	1,905	9,547	69,124
Cost at 31 December 2011	8,546	24,312	22,679	55,537	69,124
Accumulated amortisation and impairment losses	-3,257	-24,275	-20,800	-48,332	
Carrying amount at 31 December 2011	5,289	37	1,879	7,205	69,124

Amortisation for the year is shown under amortisation and depreciation in the income statement.

Research and development costs directly recognised as expenses for the year and taken to the income statement amount to Euros 2,395 thousand (Euros 2,727 thousand in 2010).

7.1 Emission rights

According to the 2008-2012 national allocation plan, Acerinox, S.A. was allocated 1,393,490 emission rights free of charge, representing 278,698 allowances for each year of the five-year plan. In 2011, C02 emissions were made requiring 167,975 allowances, which will be delivered in 2012 (161,855 in 2010, delivered in 2011), and therefore, as in 2010, it has not been necessary to acquire more rights from the market. The Group has not sold the surplus rights.

The Group foresees lower emissions in 2012 than its allowances for the year.

Movement in emission rights during the year has been as follows:

	Number of allowances	Value (in thousands of Euros)
Balance at 31/12/09	350,128	6,033
Allocation for the year	278,698	3,422
Disposals	-142,375	-2,453
Balance at 31/12/10	486,451	7,002
Allocation for the year	278,698	3,874
Disposals	-161,855	-2,330
Balance at 31/12/11	603,294	8,546

Disposals for the year are allowances delivered for CO2 emissions in the prior year. This information has been audited and approved by an independent expert.

At 31 December 2011 the emission rights held have a fair value of Euros 5,289 thousand (Euros 6,862 thousand at 31 December 2010). In 2011 the Group recognised an impairment loss of Euros 3,117 thousand on emission rights. At 31 December 2010 the Group recognised a profit of Euros 889 thousand from the reversal of prior years' provisions for impairment of emission rights, reflecting the difference between the cost and the market value of unused emission rights at year end. This impairment for 2011 and the profit on the reversal in 2010 did not impact on profit or loss, as explained in the measurement standard (see **note 2.6.d**).

The expense for the year in respect of CO2 emissions totals Euros 2,373 thousand (Euros 2,320 thousand in 2010) and is included under other operating expenses. This is the value of the allowances delivered in the year, equivalent to the market value of those rights when allocated.

The Group does not hold any futures contracts for the acquisition of emission rights.

No significant contingency exists in respect of fines over emissions.

7.2 Goodwill impairment testing

At 31 December 2011, goodwill totals Euros 69 million and mainly reflects goodwill arising on the acquisition of a controlling interest in Columbus Stainless, Ltd. in 2002. This goodwill has been allocated to the Columbus cash-generating unit (CGU), which only manufactures and sells flat products.

The recoverable amount of a CGU is calculated on the basis of value in use. These calculations use cash flow projections based on five-year financial budgets approved by management. Cash flows subsequent to this five-year period are extrapolated using the estimated growth rates indicated below. The rate of growth does not exceed the average long-term growth for the business in which the CGU operates.

Forecast volumes of sales and production are based on the current capacities of existing machinery and equipment. Management determines projected gross margins based on past performance and forecast market development. Weighted average growth rates are in line with the forecasts included in industry reports. The discount rates used are before tax and reflect the specific risks of the relevant segments.

	2011	2010
Budgeted EBITDA (*)	5.6%	5.0%
Weighted average growth rate (**)	2.5%	2.5%
Applied discount rate (***)	10.8%	11.4%

(*) EBITDA is defined as operating profits, less amortisation and depreciation.
(**)Used to extrapolate cash flows beyond the budget period.
(***) Applied discount rate before tax.

The key assumptions used in calculating value in use are as follows:

The fall in interest rates on South African sovereign debt (10-year SWAP on the South African Rand) is noteworthy in terms of calculating the discount rate applied (WACC or weighted average cost of capital). Interest rates have dropped from 8.53% in 2010 to the 7.4% applied in the 2011 calculations.

When calculating the terminal value, repayments are equal to investments and the change in working capital is calculated as the value of the last projected year, 2016, which is understood to be consistent in the long term, increased by the growth rate (g).

The growth rate (g) remains constant at 2.5%. The stainless steel market worldwide in 2011 continues to consolidate the historical market growth rate of 5.9% (1950-2011) period. In particular, South Africa has beaten consumer market records in 2011, with growth of 16%. This performance has enabled the local manufacturer, Columbus Stainless Ltd, to increase its turnover by 14.5% in this market.

The impairment test performed at 31 December 2011 reveals that the recoverable amounts exceeds the carrying amount by Euros 93.6 million. The discount rate (WACC) and the growth rate (g) are considered key assumptions in the impairment test.

Following a sensitivity analysis entailing different scenarios, the discount rate (WACC) would need to be increased by 15%. Alternatively, the discount rate could be increased by 5% while simultaneously bringing the growth rate (g) down to zero so as to start generating impairment of the recoverable amount.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and movement in 2011 and 2010 are shown in the following table:

(Expressed in thousands of Euros)

COST	Land and buildings	Technical installations and machinery	Other porperty, plant and equipment	Assets under construction	TOTAL
Balance at 31 December 2009	597,522	2,646,737	97,073	117,988	3,459,320
Additions	1,819	20,441	4,931	185,885	213,076
Transfers	14,725	33,460	2,172	-50,449	-92
Disposals	-294	-12,075	-3,812	0	-16,181
Translation differences	30,655	177,698	3,061	18,658	230,072
Balance at 31 December 2010	644,427	2,866,261	103,425	272,082	3,886,195
Additions	3,680	17,367	6,079	137,621	164,747
Transfers	18,732	49,306	20,144	-70,647	17,535
Disposals	-323	-6,754	-3,164	0	-10,241
Translation differences	1,687	-35,369	-577	-2,578	-36,837
Balance at 31 December 2011	668,203	2,890,811	125,907	336,478	4,021,399

ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES	Land and buildings	Technical installations and machinery	Other porperty, plant and equipment	Assets under construction	TOTAL
Balance at 31 December 2009	209,042	1,418,763	76,886	0	1,704,691
Depreciaiton charge	14,524	124,324	6,382	0	145,230
Transfers	288	-300	20	0	8
Disposals	-50	-10,526	-2,714	0	-13,290
Translation differences	5,073	62,960	2,219	0	70,252
Balance at 31 December 2010	228,877	1,595,221	82,793	0	1,906,891
Depreciaiton charge	14,305	124,575	6,423	0	145,303
Transfers	-22	23	24	0	25
Disposals	-237	-5,822	-2,274	0	-8,333
Translation differences	1,749	-9,768	-188	0	-8,207
Balance at 31 December 2011	244,672	1,704,229	86,778	0	2,035,679

CARRYING AMOUNT	Land and buildings	Technical installations and machinery	Other porperty, plant and equipment	Assets under construction	TOTAL
Cost at 31 December 2009	597,522	2,646,737	97,073	117,988	3,459,320
Accumulated depreciation adn impairment losses	-209,042	-1,418,763	-76,886	0	-1,704,691
Carrying amount at 31 December 2009	388,480	1,227,974	20,187	117,988	1,754,629
Cost at 31 December 2010	644,427	2,866,261	103,425	272,082	3,886,195
Accumulated depreciation adn impairment losses	-228,877	-1,595,221	-82,793	0	-1,906,891
Carrying amount at 31 December 2010	415,550	1,271,040	20,632	272,082	1,979,304
Cost at 31 December 2011	668,203	2,890,811	125,907	336,478	4,021,399
Accumulated depreciation adn impairment losses	-244,672	-1,704,229	-86,778	0	-2,035,679
Carrying amount at 31 December 2011	423,531	1,186,582	39,129	336,478	1,985,720

Depreciation for the year is shown under amortisation and depreciation in the income statement.

Assets under construction

Details of the investments classified as work in progress are as follows:

(Expressed in thousands of Euros)

	2011	2010
Buildings	19,817	78,391
Technical installations and machinery	312,456	192,400
Other property, plant and equipment	1,173	1,121
Advances	3,032	170
TOTAL	336,478	272,082

Of the total for 2011, Euros 309 million are assets under construction related to the investment in the Malaysia plant (Euros 239 million in 2010).

Assets located outside Spain

Details are as follows:

(Expressed in thousands of Euros)

	2011		2010	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and buildings	426,910	-100,151	404,392	-87,190
Technical installations and machinery	1,849,032	-810,217	1,840,714	-729,690
Other property, plant and equipment	40,595	-30,160	35,892	-26,745
Under construction	323,248	0	266,675	0
TOTAL	2,639,785	-940,528	2,547,673	-843,625

Changes in accounting estimates

Estimated years of useful life remained unchanged in 2011 and 2010.

Guarantees

At 31 December 2011 the Group company Columbus Stainless has pledged assets of Euros 37,900 thousand to secure debt with financial institutions (Euros 44,830 thousand in 2010). The drop compared to 2010 is due solely to fluctuations in the Rand/Euro exchange rate.

Commitments

At 31 December 2011 the Group has signed contracts for the acquisition of new equipment and installations for Euros 157,226 thousand (Euros 179,053 thousand at 31 December 2010).

Capitalisation of interest

Interest of Euros 8,127 thousand has been capitalised in 2011 (Euros 3,031 thousand in 2010). The capitalisation rate in 2011 was 5.54% (5.08% in 2010).

Asset disposals

A loss of Euros 3,499 thousand on the sale or retirement of property, plant and equipment has been recorded under other operating expenses in the 2011 income statement (Euros 1,715 thousand in 2010).

The gain on the sale or retirement of property, plant and equipment totals Euros 209 thousand and is recognised under other operating income in the 2011 income statement (Euros 131 thousand in 2010).

Environment

Property, plant and equipment aimed at minimising the environmental impact and protecting and improving the environment at 31 December 2011 and 2010 are as follows:

(Expressed in thousands of Euros)

	2011		2010	
Nature and use	Gross value	Accumulated depreciation	Gross value	Accumulated depreciation
Water treatment	64,155	-28,303	61,329	-24,510
Acid neutralisation	25,976	-13,710	23,940	-12,744
Gas emission treatment	49,992	-38,070	46,574	-37,547
Automatic additions systems	7,812	-4,492	7,687	-4,270
Other	138,719	-63,531	134,497	-55,715
Total	286,654	-148,106	274,027	-134,786

During 2011 the Group received no grants for investment in infrastructure aimed at protecting the environment (Euros 35 thousand in 2010).

The Group incurred environment-related ordinary expenses of Euros 83,978 thousand in 2011 (Euros 78,959 thousand in 2010), of which Euros 15,519 thousand relate to Acerinox Europa, S.A.U. (Euros 16,302 thousand in 2010).

At 31 December 2011 and 2010 no significant contingencies exist relating to the protection and improvement of the environment and, accordingly, no provision has been made in this respect.

Property, plant and equipment not used in ordinary activities

The Group has no items of property, plant and equipment which are idle or not used in operating activities.

Other information

At 31 December 2011 and 2010 there are no litigation cases, seizures or similar measures that may affect items of property, plant or equipment.

Group companies have taken out various insurance policies to cover the risk of damage to their property, plant and equipment. The coverage of these policies is considered sufficient.

A fire broke out at the hot rolling mill at the Roldan plant in Ponferrada on 20 November 2010. Material damages were caused to the electrical components of the hot rolling plant and are covered by the material damage insurance policy taken out by the Group. The Company derecognised the damaged assets and simultaneously recognised a loss of Euros 1,174 thousand under operating expenses in the consolidated income statement together with income of the same amount, under the terms of its insurance policy.

The Roldan plant resumed its hot rolling mill activity in April 2011. The recovery project included the supply of the entire electrical power and control system for the rolling mill, the civil works required to accommodate the new equipment and the construction of a new rolling office.

The Group has plants elsewhere in the world that have helped to offset the halt in production at the Roldan facilities. Production has been increased at the Campo de Gibraltar and Kentucky plants to keep the loss of production to a minimum.

In 2011 insurance payouts of Euros 20,459 thousand were received, of which Euros 9,178 thousand is the replacement value of the damaged assets and Euros 11,281 thousand reflects the loss of profit covered by the business interruption insurance policy. The amount relating to loss of profit was received by Roldan, S.A., Acerinox, S.A, which supplies raw materials to Roldan, and Inoxfil, S.A., which uses products manufactured by Roldan to carry out its activity. The Group has recognised income of Euros 19,285 thousand in its income statement for the year.

Investment property

Acerinox, S.A. has leased certain floors of one of its buildings to third parties, thereby obtaining income of Euros 417 thousand (Euros 403 thousand in 2010). Related operating expenses, including maintenance and repairs, amount to Euros 139 thousand (Euros 133 thousand in 2010).

At 31 December 2011 this investment property had a market value of Euros 5,600 thousand (Euros 6,900 thousand in 2010) with a carrying amount of Euros 3,223 thousand (Euros 3,283 thousand in 2010).

The lease contract entered into by Acerinox, S.A. and the lessee includes an annual increase in line with the CPI. The contract expires on 1 June 2012, when a lease commitment with another company comes into force.

8.1 Impairment

The Group's assets are mostly located at its plants.

The individual assets do not generate cash inflows, as the whole production process needs to be completed. Consequently, impairment is not estimated on an individual basis, but by allocating the assets to cash-generating units. At the Group's plants the smallest cash-generating units that can be considered encompass each plant as a whole, including the distribution network.

The recoverable amount of the items is determined based on their value in use.

Value in use is determined based on the estimated future cash flows the entity expects to obtain from the asset and the discount rate, understood to be the weighted average cost of capital (WACC). When calculating the discount rate, the cost of debt is considered to be the relevant market risk premium plus a spread of 2%. The risk premium has been estimated at 5%.

Future cash flows are estimated considering reasonable assumptions and management's best estimates, based on information available at the date of analysis on the economic conditions expected to arise over the remaining useful life of the asset.

The five-year projected budgets approved by management, with production levels approximately equal to the average for the last 10 years, reflect used capacity of around 80%.

Projections for years subsequent to the projected period are estimated by extrapolating previous projections, using reasonable growth rates that take into account the historical growth rate for the global stainless steel market.

No charges have been made for the impairment of fixed assets during the year, as the enterprise value, calculated applying the discounted free cash flow method, exceeds the carrying amount of the Group's operating assets.

NOTE 9 FINANCIAL INSTRUMENTS

9.1 General considerations

A financial instrument is a contract which gives rise to a financial asset for one company and, simultaneously, a financial liability or equity instrument for another. The Group recognises financial instruments in its balance sheet when it becomes party to the contract or legal transaction.

9.2 Categories of financial assets and liabilities

At year end the Company's financial assets are as shown below:

(Expressed in thousands of Euros)

Type / Category	Non-current financial instruments						Current financial instruments					
	Equity instruments		Debt securities		Loans, derivates and other		Equity instruments		Debt securities		Loans, derivates and other	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Loans and receivables					12,380	11,326					510,355	529,324
Held-to-maturity investments												
Available-for-sale financial assets												
- at fair value	12,373	17,530										
- at cost	14	14										
Financial assets at fair value through profit or loss												
- Held for trading											17,039	10,811
- Other												
Hedging derivatives											26	165
TOTAL	12,387	17,544	0	0	12,380	11,326	0	0	0	0	527,420	540,300

Type / Category	Non-current financial instruments						Current financial instruments					
	Debt with financial institutions		Bonds and other marketable		Dervatives and other		Debt with financial institutions		Bonds and other marketable		Derivates and other	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Debt and payables	707,197	724,744			2,250	1,786	344,030	472,393			843,660	828,453
Financial assets at fair value through profit or loss												
- Held for trading											10,627	9,614
- Other												
Hedging derivatives					17,861	6,995					758	3,075
TOTAL	707,197	724,744	0	0	20,111	8,781	344,030	472,393	0	0	855,045	841,142

9.2.1 Determination of fair value

Financial instruments measured at fair value are classified, according to the valuation method, 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

At 31 December 2011 and 2010 the Group's position is as follows:

	2011			2010		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Available-for-sale financial assets	12,387			17,544		
Financial derivatives (assets)		17,065			10,976	
TOTAL	12,387	17,065	0	17,544	10,976	0

	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial derivatives (liabilities)		29,246			19,685	
TOTAL	0	29,246	0	0	19,685	0

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 and interest rate spreads.

9.2.2 Trade and other receivables

Details at 31 December are as follows:

(Expressed in thousands of Euros)

	2011	2010
Trade receivables	476,981	494,440
Personnel	1,106	761
Public entities	24,614	25,783
Other receivables	6,429	6,113
Prepayments	7,935	8,543
Valuation adjustments for bad debts	-6,898	-6,401
TOTAL	510,167	529,239

Valuation allowances for bad debts relate entirely to trade receivables, with the following movement:

(Expressed in thousands of Euros)

	2011	2010
Opening balance	6,401	6,533
Provision	1,393	842
Application	-247	-426
Reversal	-553	-689
Translation differences	-96	141
Balance at 31 December	6,898	6,401

The loss in respect of bad debts has been included under other operating expenses in the income statement.

No interest deriving from impaired financial assets was accrued during 2011 or 2010.

No allowances have been made for bad debts with related parties in 2011 or 2010.

Certain Group companies ceded receivables of Euros 267,517 thousand to banks in exchange for cash during the year ended 31 December 2011. These amounts have been derecognised in the accounting records since they comply with the conditions established in IAS 39 regarding the transfer of risks and rewards. In 2010 receivables ceded to banks and derecognised from the balance sheet totalled Euros 340,298 thousand.

9.2.3 Trade and other payables

Details of this caption in the consolidated balance sheets at 31 December 2010 and 2011 are as follows:

(Expressed in thousands of Euros)

	2011	2010
Trade payables	712,126	667,363
Personnel	25,704	25,250
Suppliers of property, plant and equipment	15,509	22,232
Tax and Social Security	25,265	38,033
Dividend payable	24,985	61,020
Other payables	29,130	3,938
Current provisions	10,941	10,617
TOTAL	843,660	828,453

In compliance with the disclosure requirements of the Spanish Accounting and Auditing Institute's (ICAC) Resolution of 29 December 2010, details of the Spanish Group companies' payments to domestic suppliers, and of balances payable to these suppliers which exceed the maximum legal payment term, are as follows:

(Expressed in thousands of Euros)

	Balances settled and payments outstanding at 31/12/2011	
Less than 85 days	269,080	38,37%
Other	432,106	61,63%
Total payments for the year	701,186	100,00%
Weighted average period of late payments (days)	12	
Late payments exceeding the maximum legal limit at the balance sheet date	39,219	

At 31 December 2010 the Spanish group companies had payables to suppliers of Euros 32,530 thousand which exceeded the legal payment period of 85 days.

In accordance with the second transitional provision of the ICAC's Resolution of 29 December 2010, comparative information for 2010 is that reflected in the annual accounts for 2010. Consequently, the information is not comparable in light of the gradual disclosure requirements stipulated in the resolution.

9.2.4 Debt with financial institutions

Details at 31 December are as follows:

(Expressed in thousands of Euros)

	Non-current debt		Current debt	
	2011	2010	2011	2010
Loans from financial institutions	707,197	724,744	344,030	472,393
Total non-current debt	707,197	724,744	344,030	472,393

Details of the maturity of outstanding debt at 31 December 2011 are as follows:

(Expressed in thousands of Euros)

	2012	2013	2014	2015	2016 and thereafter	TOTAL
Debt with financial institutions	344,030	242,970	170,124	97,031	197,072	1,051,227
Total debt	344,030	242,970	170,124	97,031	197,072	1,051,227

2010 figures are as follows:

(Expressed in thousands of Euros)

	2011	2012	2013	2014	2015 and thereafter	TOTAL
Debt with financial institutions	472,393	239,650	143,297	98,887	242,910	1,197,137
Total debt	472,393	239,650	143,297	98,887	242,910	1,197,137

Bank debt by currency is as follows:

(Expressed in thousands of Euros)

	Non-current debt		Current debt	
	2011	2010	2011	2010
EUR	513,385	540,253	261,658	267,717
USD	144,787	85,309	20,084	76,864
ZAR	49,025	51,713	49,011	116,534
GBP	0	0	78	427
SEK	0	0	0	3,648
PLN	0	0	3,578	0
MYR	0	47,469	9,621	7,204
TOTAL	707,197	724,744	344,030	472,393

Details of bank debt by type of interest rate are as follows:

(Expressed in thousands of Euros)

	Non-current debt		Current debt	
	2011	2010	2011	2010
Fixed	45,000	75,000	30,000	0
Variable	662,197	649,744	314,030	472,393
TOTAL	707,197	724,744	344,030	472,393

As the majority of bank debt was extended at variable interest rates, its fair value is the same as its amortised cost. The fair value of fixed-rate debt with financial institutions is Euros 75,167 thousand at 31 December 2011.

Variable interest rates on loans are reviewed at least once a year.

The following table details the cost of financing by currency and type at the 2011 year end:

		Amount	Average cost	Average cost 2010
Loans in Euros	Euros	689,447,873	3.26%	2.39%
Loans in USD	USD	212,705,489	1.71%	1.62%
Loans in Rand	Rand	636,179,044	8.64%	10.04%
Credit facilities in Euros	Euros	78,068,811	3.36%	2.56%
Current financing in USD	USD	9,659,647	1.73%	1.66%
Current financing in Rand	Rand	513,781,441	5.95%	6.83%
Current financing in Ringgit	Ringgit	39,500,000	7.10%	5.85%

The Group has contracted interest rate swaps which enable debt subject to variable interest rates to be exchanged for debt at fixed interest rates, as described in **note 9.2.6**.

At 31 December 2011 accrued interest of Euros 4.4 million is payable (Euros 5 million in 2010).

Borrowing costs calculated using the effective interest rate on loans at amortised cost amount to Euros 1,129 thousand (Euros 334 thousand in 2010).

At 31 December 2011 the Group has credit facilities with financial institutions with a maximum available limit of Euros 2,142 million, of which Euros 1,051 million were drawn down at that date. At 31 December 2010 the maximum available limit was Euros 1,984 million, of which Euros 1,197 million were drawn down at that date.

Certain Group companies have contracted Confirming (reverse factoring) facilities with financial institutions to manage payments to suppliers. Trade payables managed by financial institutions are recorded under trade and other payables until they are settled, cancelled or expire.

The Group obtained the following loans during 2011:

- Banco Popular granted a three-year loan of Euros 35 million to Acerinox, S.A. in October 2011, repayable in full on maturity.
- Banca Cívica granted a two-year loan of Euros 10 million to Acerinox, S.A. in August 2011, repayable in full on maturity.
- Ibercaja granted a two-year loan of Euros 10 million to Acerinox S.A. in July 2011, repayable in eight equal quarterly instalments.
- Bankinter granted a two-year loan of Euros 10 million to Acerinox, S.A. in October 2011, repayable in full on maturity.
- Banco Santander granted a loan of Euros 76.13 million to Acerinox, S.A. in February 2011. As this loan has been earmarked to partially finance equipment for the new Bahru Stainless factory in Malaysia, it was guaranteed by OeKB (Oesterreichische Kontrollbank Aktiengesellschaft), the Austrian export credit agency. This loan is repayable in 17 equal half-yearly payments and falls due in June 2020.
- Standard Bank granted a loan of Rand 300 million to Columbus in February 2011, repayable in full on maturity.

The loans obtained in 2010 were as follows:

- Bank of Tokyo Mitsubishi granted a seven-year loan of US Dollars 63 million to Bahru Stainless Sdn. Bhd. in Malaysia in November 2010. Repayment of this loan, guaranteed by Nisshin Steel, is in 17 equal quarterly instalments with a grace period of three years.
- Banco Cooperativo Español granted a three-year loan of Euros 12 million to Acerinox S.A. in December 2010, repayable in six equal half-yearly instalments.
- Banco Popular granted a three-year loan of Euros 20 million to Acerinox, S.A. in December 2010, repayable in full on maturity.
- Bankinter extended a three-year loan of Euros 30 million to Acerinox, S.A. in June 2010, repayable in half-yearly instalments.

– Banco Santander extended a two-year loan of Euros 30 million to Acerinox S.A, in May 2010, repayable in full on maturity.

– Banesto granted a two-year loan of Euros 45 million to Acerinox, S.A. in March 2010, repayable in full on maturity. Following renegotiations in June 2011, the final maturity of this loan was extended to March 2013.

– Banco Sabadell granted a three-year loan of Euros 20 million to Acerinox, S.A. in March 2010, repayable in full on maturity.

Non-current debt conditional on compliance with certain ratios

Debt extended to the Group and conditional on compliance with certain ratios at 31 December 2011 is as follows:

– Banco Santander: the Euros 76.13 million loan extended in February 2011 is subject to the following ratios: consolidated net debt/consolidated capital and reserves, consolidated net debt/consolidated EBITDA and consolidated EBITDA/consolidated net finance expenses. The borrower met all these ratios at the 2011 close.

– IFC (World Bank Group) extended a five-year loan of Rand 397 million to Columbus in August 2009, repayable in thirteen quarterly payments following a grace period of two years. The loan is subject to compliance with the ratio of current assets to current liabilities. At 31 December 2011 and 2010 Columbus Stainless has achieved these ratios.

– Nedbank granted a three-year loan of Rand 500 million to Columbus with effect in 2009, repayable in six equal half-yearly instalments. This loan is conditional on half-yearly compliance with certain ratios: gearing (net debt/capital and reserves) and debt service coverage (EBIT/interest). Before the 2010 year end, Columbus obtained a waiver exempting the entity from achieving these ratios throughout the remaining term of the loan. This loan was repaid in full in January 2012, in compliance with the repayment schedule agreed with Nedbank.

– In May 2008 the ICO (Spain's Official Credit Institute) granted a loan of US Dollars 160 million to Acerinox, S.A. to finance the Company's investment plan in Malaysia. In December 2010 a total of US Dollars 45.7 million was repaid in advance, as agreed with the ICO in 2009. This loan has a grace period of three years and is repayable in 17 equal half-yearly instalments, with final maturity in July 2018.

– In May 2007 the ICO also granted a loan of Euros 400 million to Acerinox, S.A. to finance the Company's investments, essentially in the US and South Africa. In November 2010 a total of Euros 80 million was repaid in advance, as agreed with the ICO in 2009. This loan has a grace period of five years and is repayable in 10 equal half-yearly instalments, with final maturity in May 2017.

The maturity of the above loans from the ICO is dependent on compliance, at each year end, with certain ratios based on the financial debt/EBITDA and net financial debt/capital and reserves of the consolidated group. The lender can demand early repayment of these loans if these ratios are not met. The borrower has met all these ratios at the 2011 close.

9.2.5 Available-for-sale financial assets

Available-for-sale financial assets include the investment held by Acerinox in the Japanese company Nisshin Steel, listed on the Tokyo Stock Exchange with a share value of JPY 118 at 31 December 2011 (JPY 181 per share in 2010). In 2011 and 2010 the percentage ownership of this company is 1.06%.

The Group continuously assesses whether there is objective evidence that available-for-sale assets may be impaired. Objective evidence of impairment exists when there is a significant or prolonged decline in the listed price of an investment below its cost. The Group therefore evaluates the historical listed prices of its securities and the period during which they have been below cost.

In the current year the listed price has fallen below acquisition cost. The Company has therefore recognised the accumulated revaluations from prior years (Euros 3,790 thousand) in equity and has recorded impairment of Euros 1,366 thousand under impairment of financial instruments in profit and loss for the year.

Revaluations totalling Euros 4,453 thousand were recognised in 2010. This amount was recorded, net of taxes, as a Euros 3,117 thousand increase in equity.

Movement in available-for-sale financial assets in 2011 is as follows:

(Expressed in thousands of Euros)

	2011	2010
Opening balance	17,544	13,089
Changes in fair value for the year against equity	-3,790	4,453
Changes in value for the year	-1,366	
Translation differences	-1	2
Closing balance	12,387	17,544

9.2.6 Derivative financial instruments

The Group classifies derivative financial instruments that do not qualify for hedge accounting as financial instruments at fair value through profit or loss. Those which qualify as hedging instruments are classified as hedging derivatives and are recognised applying the measurement criteria defined in **note 2.9.5**.

As detailed in **note 3** in relation to market risk, in its activities the Group is essentially exposed to three types of risk: currency risk, interest rate risk and risk of changes in prices of raw materials. The Group uses derivative financial instruments to hedge its exposure to certain risks.

Derivative financial instruments classified by category are as follows:

(Expressed in thousands of Euros)

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives	26	18,619	165	10,071
Derivatives at fair value through profit or loss	17,039	10,627	10,811	9,614
TOTAL	17,065	29,246	10,976	19,685

A breakdown of the Group's financial derivatives at 31 December 2011 and 2010 by type of hedged risk is as follows:

(Expressed in thousands of Euros)

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Exchange rate insurance contracts	17,054	10,569	10,976	9,641
Interest rate swaps	11	10,503		8,113
Cross currency swaps		8,174		1,931
TOTAL	17,065	29,246	10,976	19,685

Currency risk

The Group operates in a large number of countries and invoices in various currencies, and therefore uses certain financial instruments to hedge cash flow risks related to the settlement of balances in foreign currencies. The contracted transactions mainly comprise forward sales and purchases in foreign currencies.

Derivatives of this nature do not always meet the conditions for consideration as effective cash flow hedging instruments in accordance with IAS 39. At 31 December 2011 an increase of Euros 10,799 thousand has been recognised in the income statement under revaluation of financial instruments at fair value, to measure these derivatives at market value (decrease of Euros 3,659 thousand in 2010).

All exchange rate insurance contracts at 31 December 2011 relate to receivables and payables. No contracts relate to purchases of non-current assets. At 31 December 2011 the Group has exchange rate insurance cover of Euros 6,485 thousand (Euros 138 thousand in 2010), of which Euros 17,054 thousand are recognised under assets and Euros 10,569 thousand under liabilities. Only Euros 72 thousand of this amount qualifies as hedging instruments. In 2011, equity was reduced by Euros 105 thousand to reflect changes in the fair value of this insurance (decrease of Euros 139 thousand in 2010).

All of the Group's forward currency purchase and sale contracts have a term of less than one year.

At 31 December 2011 the Group has entered into contracts for foreign currency operations amounting to Euros 401 million for currency sales and Euros 513 million for currency purchases. The comparative figures at 31 December 2010 were Euros 424 thousand for sales and Euros 423 million for purchases. Details of these contracts by currency are as follows:

(Figures in thousand)

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
USD	260,884	675,104	236,963	529,065
EUR	13,777	28,046	44,281	20,149
GBP	20,325	5	15,646	0
SEK	272,052	0	339,049	0
PLZ	107,868	0	69,172	0
CHF	959	0	8,076	0
JPY	0	0	0	46,200
MYR	472,000	0	472,000	0

The financial effect of the discount is equivalent to the difference between the carrying amount of the financial liability and the amount the entity would be contractually obliged to pay to discharge that liability on maturity.

The Group has contracted derivatives to hedge exposures to currency and interest rate risks affecting loans in currencies other than the functional currency. These instruments are described in the following note.

Interest rate risk

At 31 December 2011 the Group has entered into the following interest rate swaps to hedge most of its non-current financial liabilities:

	Notional value contracted	Amount pending	Maturity
Variable to fixed rate	EUR 10 million	EUR 10 million	2013
Variable to fixed rate	EUR 30 million	EUR 30 million	2012
Variable to fixed rate	EUR 35 million	EUR 35 million	2014
Variable to fixed rate	EUR 20 million	EUR 20 million	2013
Variable to fixed rate	EUR 50 million	EUR 50 million	2012
Variable to fixed rate	EUR 20 million	EUR 20 million	2013
Variable to fixed rate	ZAR 430 million	ZAR 93.88 million	2012
Variable to fixed rate	EUR 76.13 million	EUR 76.13 million	2012 - 2020
Variable to fixed rate	EUR 400 million	EUR 320 million	2012 - 2017
USD variable to EUR fixed rate	USD 160 million	USD 114.28 million	2012 - 2018
USD variable to MYR fixed rate	USD 63 million	USD 63 million	2013 - 2017

Interest rate swaps contracted at 31 December 2010 were as follows:

	Notional value contracted	Amount pending	Maturity
Variable to fixed rate	ZAR 430 million	ZAR 275 million	2012
Variable to fixed rate	EUR 400 million	EUR 320 million	2017
Variable to fixed rate	USD 160 million	USD 114 million	2018
Variable to fixed rate	USD 63 million	USD 63 million	2017

- In September 2011, Acerinox, S.A. contracted an interest rate swap to hedge the interest rate on the Euros 76.13 million loan from Banco Santander. As a result, the interest rate (base rate) was fixed at 2.20%.

- In August 2011, Acerinox, S.A. contracted two interest rate swaps to hedge the interest rate on the Euros 20 million and Euros 50 million loans from Banco Sabadell, which fall due in 2013 and 2012. As a result, the interest rates (base rates) were fixed at 1.30% and 1.33%, respectively.

- In August 2011, Acerinox, S.A. arranged two interest rate swaps to hedge the interest rate on the Euros 20 million and Euros 35 million loans from Banco Popular, which fall due in 2013 and 2014, respectively. As a result, the interest rates (base rates) were fixed at 1.425% and 1.475%.

- In August 2011, Acerinox, S.A. arranged an interest rate swap to hedge the interest rate risk on the Euros 30 million loan from Banca March, which falls due in 2012. As a result, the interest rate (base rate) was fixed at 1.33%.

- In August 2011, Acerinox, S.A. arranged an interest rate swap to hedge the interest rate risk on the Euros 10 million loan from Banca Cívica. As a result, the interest rate (base rate) was fixed at 1.38%.

- In November 2010 Bahru Stainless Sdn Bhd took out a seven-year loan of US Dollars 63 million with the Bank of Tokyo Mitsubishi, with a grace period of three years. Nisshin Steel has guaranteed this loan. Bahru Stainless entered into a cross-currency swap to hedge the currency and interest rate risk of the loan, which had a total cost of 5.85% in Malaysian Ringgit as a result of this hedge.

- In May 2010, Acerinox entered into an interest rate swap with four Spanish financial institutions to hedge the interest rate risk on the Euros 400 million loan from the ICO (Instituto de Crédito Oficial) in 2007. Through this agreement Acerinox converted a variable-rate loan into a fixed-rate loan with a base rate of 2.38%, for the same amount and with the same repayment schedule as the ICO loan.

- Acerinox also entered into a cross-currency swap with four Spanish financial institutions in May 2010 to hedge the currency and interest rate risk on the US Dollars 160 million loan from the ICO. The debt was therefore converted from a variable-rate loan in US Dollars to a fixed rate loan in Euros. Following this transaction the base rate became 2.39% in Euros.

- Acerinox arranged loans of Euros 45 million from Banesto in March 2010 and Euros 30 million from Banco Santander in May 2010, with total fixed interest rates of 3.15% and 3.05%, respectively. In June 2011, the maturity of the Banesto loan was extended to March 2013 and the interest rate at year end was 3.60% (including the spread).

- At 31 December 2011 and 2010 the fixed interest rate of the derivative contracted to hedge the interest rate of the Rand 500 million loan extended by Nedbank to Columbus was 10.22%.

The fair value of financial swaps is based on the market value of equivalent financial instruments at the consolidated balance sheet date and amounts to Euros 10,492 thousand (Euros 1,931 thousand at 31 December 2010), of which Euros 758 thousand have been recorded under other non-current financial liabilities, Euros 17,919 thousand under other current financial liabilities and Euros 11 thousand under other current financial assets.

At 31 December 2010 and 2011 the derivatives contracted qualify as cash flow hedges and therefore the unrealised loss of Euros 13,216 thousand on their measurement at fair value has been recorded in the consolidated statement of comprehensive income (loss of Euros 13,495 thousand in 2010).

In 2011 an amount of Euros 480 thousand has been transferred from the consolidated statement of comprehensive income to profit and loss for the year (Euros 6,334 thousand in 2010).

The Group has documented the effectiveness of the derivatives contracted whereby they qualify for recognition as hedging instruments, as detailed in **note 2.9.5**. Hedging transactions were contracted for periods and amounts equivalent to the cash flows deriving from the associated loans.

9.2.7 Other information

At 31 December 2011 and 2010 there are no:

- financial assets pledged as security for liabilities or contingent liabilities
- guarantees received for financial or non-financial assets

See also details of guarantees in **note 15.**

NOTE 10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Movement in 2011 and 2010 is as follows:

(Expressed in thousands of Euros)

	2011	2010
Opening balance	102	157
Share of profits	-28	-63
Exchange gains/(losses)	-14	8
Balance at 31 December	60	102

The Group's investment in its associate, which is not a quoted company, and financial information in respect of this associate, is presented below:

(Expressed in thousands of Euros)

	Country	Assets	Liabilities	Equity	Income	Loss	% ownership
2011							
Betinoks	Turkey	539	298	241	2,138	-111	25%
2010							
Betinoks	Turkey	737	328	409	5,467	-252	25%

There are no significant contingent liabilities in these companies.

NOTE 11 INVENTORIES

El detalle de este epígrafe del balance de situación al 31 de diciembre es como sigue:

(Expressed in thousands of Euros)

	2011	2010
Raw materials and other supplies	306,805	374,762
Work in progress	206,477	235,400
Finished products	592,592	709,874
By-products, waste and recoverable products	13,013	16,443
Advances	541	179
TOTAL	1,119,428	1,336,658

The cost of goods sold is Euros 4,293 million in 2011 (Euros 4,056 million in 2010).

In 2011 the Group restated its inventories at net realisable value where this was lower than cost, writing down inventories by Euros 15,549 thousand. An adjustment of Euros 8,432 thousand was recorded in 2010.

At 31 December 2011 and 2010 no inventories are pledged as collateral to guarantee repayment of debts or commitments undertaken with third parties.

Commitments

At 31 December 2011 the consolidated Group has commitments to purchase raw materials for Euros 111,328 thousand (Euros 86,757 thousand in 2010). No firm sales commitments exist at that date, although there are firm orders for which the Group does not foresee any problems that could prevent delivery by the agreed dates.

The Company does not have any inventories with a turnover exceeding one year and therefore no borrowing costs have been capitalised.

Group companies have contracted insurance policies to cover the risk of damage to inventories. The coverage of these policies is considered sufficient.

NOTE 12 CASH AND CASH EQUIVALENTS

Details at 31 December are as follows:

(Expressed in thousands of Euros)

	2011	2010
Cash and banks	78,505	48,620
Current bank deposits	86,126	64,949
TOTAL	164,631	113,569

The effective interest rate on short-term bank deposits is 0.69% for the US Dollar and 2.06% for the Malaysian Ringgit (0.18% for the US Dollar and 2.05% for the Malaysian Ringgit in 2010). More than 85% of the short-term bank deposits are concentrated in the US (North American Stainless, Inc.) and Malaysia (Bahru Stainless, Sdn. Bhd.). The Group companies place the majority of their cash surpluses in deposits at less than one week at top tier banks. At 31 December 2011 and 2010 no bank balances are restricted due to being pledged to secure repayment of financing.

NOTE 13 EQUITY

13.1 Share capital and share premium

Movement in outstanding shares in 2011 and 2010 is as follows:

(Expressed in thousands of Euros)

	No. shares (in thousands)	Ordinary shares (in thousands)	Own shares (in thousands of Euros)	Share capital (in thousands of Euros)	Share premium (in thousands of Euros)
At 1 January 2010	**249,305**	**249,305**	**0**	**62,326**	**156,195**
Distribution of share premium					-24,931
At 31 December 2010	**249,305**	**249,305**	**0**	**62,326**	**131,264**
Distribution of share premium					-24,930
At 31 December 2011	**249,305**	**249,305**	**0**	**62,326**	**106,334**

Share capital of the parent company solely comprises ordinary shares. All the shares have the same rights with no statutory restrictions on their transferability.

At 31 December 2011 share capital comprises 249,304,546 ordinary shares (as in 2010) with a par value of Euros 0.25 each, subscribed and fully paid.

All the shares are quoted on the Madrid and Barcelona stock exchanges.

At 31 December 2011 and 2010 the only holders of 10% or more of the share capital of Acerinox, S.A. are Alba Participaciones, S.A. (24.24% in 2011 and 2010), Feynman Capital S.L. (Omega) (11.85% in 2011 and 11,665% en 2010) and Nisshin Steel Co. Ltd. (15.3% in 2011 y 2010).

At their annual general meetings on 9 June 2011 and 8 June 2010 the shareholders approved the refund to Company shareholders of capital contributions for 2011 and 2010, with a charge to the share premium of Euros 0.10 per share, for a total amount of Euros 24,930 thousand.

The share premium is subject to the same restrictions and may be used for the same purpose as the voluntary reserves of the parent company, including conversion into share capital.

13.2 Reserves

a) Retained earnings

Retained earnings include consolidated results for the year, reserves in consolidated companies and reserves of companies accounted for using the equity method, as well as parent company reserves other than those mentioned below.

Dividends distributed for 2009 and 2010 were those approved by the shareholders, irrespective of the date of payment, and therefore include the interim dividend paid during the prior year.

Details of reserves by Company are included in **note 13.4**.

There are no restrictions on the transfer of funds by any Group company, except for the non-distributable reserves required by applicable legislation. At 31 December 2011 reserves and retained earnings of the Group subject to restrictions amount to Euros 21,731 thousand (Euros 21,399 thousand at 31 December 2010).

The legal reserve, which is included under retained earnings in the statement of changes in equity, has been appropriated in compliance with article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital. At 31 December 2011 and 2010 the Company has appropriated to this reserve an amount equivalent to 20% of share capital, which is Euros 12,465 thousand.

The legal reserve is not distributable to shareholders and if used to offset losses, in the event that no other reserves are available, it must be replenished with future profits.

b) Revaluation reserve

As permitted by Royal Decree Law 7/1996 of 7 June 1996, containing emergency fiscal measures and actions to boost and deregulate the economy, the Company revalued its property, plant and equipment. The amount of the reserve reflects the revaluation surplus, net of capital gains tax of 3%.

The deadline for tax inspection was three years from 31 December 1996. Consequently, as no inspection took place, the aforementioned balance could be used to offset losses or increase the Company's share capital. As more than ten years have elapsed, Euros 16,592 thousand of the balance of the reserve has been released to freely distributable reserves, representing the depreciated or transferred revaluation surplus or assets disposed of or otherwise derecognised.

The balance on this account can only be distributed, either directly or indirectly, when the revaluation surplus has been realised.

c) Hedging reserve

The hedging reserve includes accumulated net changes in the fair value of cash flow hedging instruments related with highly probable future transactions.

d) Adjustment of available-for-sale assets to fair value

The Company has classified certain financial instruments as available-for-sale. According to measurement criteria any variations in the fair value of the aforementioned instruments are recognised directly in the consolidated statement of comprehensive income until the financial asset is impaired or derecognised. **Note 9.2.5** includes a detailed description of instruments classified as available-for-sale and their value.

13.3 Translation differences

Details of the movement in this account are included in the consolidated statement of changes in equity.

Details of accumulated translation differences by company at the 2011 and 2010 balance sheet dates are as follows:

(In thousands of Euros at 31 December 2011 and 2010)

GROUP COMPANIES	2011	2010
ACERINOX (SCHWEIZ) A.G.	1,040	951
ACERINOX ARGENTINA S.A.	-1,427	-1,141
ACERINOX AUSTRALASIA PTY.LTD.	150	124
ACERINOX BRASIL, LTDA	93	76
ACERINOX INDIA PTE LTD	-14	24
ACERINOX MALAYSIA SDN. BHD	-475	-285
ACERINOX METAL SANAYII VE TICARET L.S.	6	0
ACERINOX NORWAY A.S	51	40
ACERINOX PACIFIC LTD.	-2,741	-2,494
ACERINOX POLSKA,SP Z.O.O	-2,445	247
ACERINOX SCANDINAVIA AB	-1,500	-1,467
ACERINOX SOUTH EAST ASIA PTE.LTD.	115	113
ACERINOX SHANGAI CO., LTD.	1,844	1,116
ACERINOX U.K., LTD.	-5,003	-5,727
BAHRU STAINLESS, SDN. BHD	15,864	13,162
COLUMBUS STAINLESS INC.	-71,018	-27,005
D.A. ACERINOX CHILE S.A.	283	1,198
METALINOX COLOMBIA S.A.S	8	0
NORTH AMERICAN STAINLESS CANADA, INC	75	-999
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	1,393	703
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS, LTD	2	1
NEWTECINVEST AG	2,196	1,956
NORTH AMERICAN STAINLESS INC.	6,766	-37,568
YICK HOE METAL INDUSTRIES SDN BHD	-467	-250
SUBTOTAL	-55,204	-57,225

ASSOCIATES	2011	2010
BETINOKS PASLANMAZ ÇELIK A.S.	-52	-33
SUBTOTAL	-52	-33

TOTAL	-55,256	-57,258

13.4 Details of reserves, results and non-controlling interests

Details at 31 December 2011 and 2010 are as follows:

(Expressed in thousands of Euros)

	2011			2010		
	Reserves	Profit/(loss)	Non controlling interests	Reserves	Profit/(loss)	Non controlling interests
ACERINOX, S.A	878,251	-28,506		857,074	-8,343	
ACERINOX (SCHWEIZ) A.G.	3,733	-740		3,587	101	
ACERINOX ARGENTINA S.A.	4,135	377		3,411	725	
ACERINOX AUSTRALASIA PTY. LTD.	216	35		103	113	
ACERINOX BENELUX S.A. - N.V.	227	184		17	210	
ACERINOX BRASIL, LTDA	-41	-95		-63	22	
ACERINOX DEUTSCHLAND GMBH	-23,360	1,237		-27,325	3,965	
ACERINOX EUROPA S.A.U	-7,313	-19,646				
ACERINOX FRANCE S.A.R.L.	-11,228	120		-12,712	1,484	
ACERINOX ITALIA S.R.L.	-14,435	105		-18,566	4,131	
ACERINOX INDIA PTE LTD	147	-74		53	94	
ACERINOX MALAYSIA SDN. BHN	-481	-5,565		-7,423	6,942	
ACERINOX METAL SANAYII VE TICARET L.S.	0	-69				
ACERINOX NORWAY A.S	1,386	1,737		210	1,176	
ACERINOX PACIFIC LTD.	-16,188	-35		-16,341	153	
ACERINOX POLSKA, SP Z.O.O	-1,137	141		-1,073	-109	
ACERINOX SCANDINAVIA AB	-3,604	314		-2,682	-1,122	
ACERINOX SHANGAI CO., LTD.	1,070	333		-660	1,730	
ACERINOX SOUTH EAST ASIA PTE.LTD.	191	-196		274	-82	
ACERINOX U.K., LTD.	711	28		-227	938	
ACEROL LTDA.	-3,319	91		-3,870	550	
BAHRU STAINLESS, BDN. BHD	-6,691	-3,390	87,389	-4,007	-2,645	53,102
COLUMBUS STAINLESS (PTY) LTD.	104,136	-16,182	71,998	118,704	-14,726	91,565
D.A. ACERINOX CHILE S.A.	147	-1,189		585	-439	
INOX RE, S.A.	13,501	3,313		10,557	2,945	
INOXCENTER CANARIAS S.A.	2,343	-70	65	2,215	128	67
INOXCENTER S.A.	-8,261	-6,148	38	-8,476	215	196
INOXFIL S.A.	3,276	-612	22	3,872	-602	30
INOXIDABLES DE EUSKADI S.A.	2,576	-1,816		939	1,636	
INOXPLATE, LTDA.	-25	288		-244	219	
METALINOX BILBAO S.A.	17,618	67	534	16,099	1,518	533
METALINOX COLOMBIA S.A.S	0	2				
NORTH AMERICAN STAINLESS CANADA, INC	-943	2,446		-2,584	2,407	
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	-265	700		-865	1,191	
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	-15,813	15,812		-15,030	15,027	
NEWTECINVEST AG	2,321	-87		3,690	-1,368	
NORTH AMERICAN STAINLESS INC.	605,517	130,288		604,190	112,220	
ROLDAN S.A.	35,201	7,494	154	40,211	-2,606	208
YICK HOE METAL INDUSTRIES SDN BHD	-4,634	-6,938		363	-4,996	
SUBTOTAL	1,558,965	73,754	160,200	1,544,006	122,802	145,701
ASSOCIATES						
BETINOKS PASLANMAZ ÇELIK A.S.	-173	-28		-110	-63	
SUBTOTAL	-173	-28	0	-110	-63	0
					-63	0
TOTAL	1,558,792	73,726	160,200	1,543,896	122,739	145,701

13.5 Distribution of Profit

The board of directors of Acerinox, S.A. will propose to the shareholders at their general meeting that their remuneration for 2011 remain the same as in the prior year, i.e. Euros 0.45 per share. Of this figure, Euros 0.35 per share will be distributed with a charge to profit and Euros 0.10 per share with a charge to the share premium.

The directors of Acerinox, S.A. will also propose to the shareholders at their annual general meeting that the Company's profits be distributed as follows:

(Figures in Euros)

	2011
Basis of distribution:	
Profit for the year	92,633,313
Reserves	
Share premium	24,930,455
Distribution:	
Dividends to shareholders	112,187,046
Voluntary reserves	5,376,722
Dividend per share	**0.45**

On 15 December 2011 the Company's board of directors approved an interim dividend for 2011 of Euros 24,930 thousand, recognised under interim dividends in the balance sheet at 31 December 2011. This dividend was paid on 5 January 2012.

The provisional accounting statement prepared in accordance with article 277 of the Revised Spanish Companies Act demonstrating that sufficient cash was available for distribution of the interim dividend was as follows:

	Thousands of Euros	
Cash available at 30 September 2011		5,620
Plus:		
– Cash increases forecast between 30 September 2011 and 5 January 2012		
Proceeds from operating activities	12,100	
Proceeds from financial transactionss	115,181	127,281
Realisable		
Less:		
– Cash decreases forecast between 30 September 2011 and 5 January 2012		
Payments for		
Reimbursement of share premium to shareholders	24,930	
Financial transactions	10,447	
Operating activities	3,709	
		39,086
Forecasted cash available at 5 January 2012		93,815

The directors consider that Acerinox, S.A. will have sufficient cash flows for this dividend until December 2012, one year after the board of directors' approval of a dividend with a charge to profit for 2011.

13.6 Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year, excluding shares purchased and held by the Group.

(Expressed in thousands of Euros)

	2011	2010
Group profit for the year	73,726	122,739
Weighted average number of ordinary shares in circulation	249,304,546	249,304,546
Earnings per share (in Euros)	**0,30**	**0,49**

The Group has not issued any financial instruments that give access to capital or convertible debt and therefore diluted earnings per share are the same as basic earnings per share.

NOTE 14 DEFERRED INCOME

Movement in outright government grants, which include emission rights received free of charge (see **note 2.6.d**) and other capital grants, is as follows:

(Expressed in thousands of Euros)

	2011	2010
Balance at 1 January	**7,295**	**5,658**
Grants awarded	5,322	4,276
Taken to income	-7,126	-2,643
Translation differences	-1	4
Balance at 31 December	**5,490**	**7,295**

Deferred income includes grants received by North American Stainless, Inc. for investments in fixed assets, as well as amounts in respect of emission rights received free of charge under the national allocation plan which have not been used in the present year (see **note 7**).

The Group considers that it has met or will meet all the conditions for receipt of these grants in the period stipulated and therefore no significant contingencies exist in connection with the grants obtained.

NOTE 15 PROVISIONS AND CONTINGENCIES

Details of non-current provisions included in the balance sheets for 2011 and 2010 are as follows:

(Expressed in thousands of Euros)

	2011	2010
Employee benefits	10,420	10,971
Other provisions	3,571	3,620
TOTAL	**13,991**	**14,591**

15.1 Employee benefits

15.1.1 Defined contribution plans

In accordance with Spanish legislation, certain Group companies make contributions to pension plans managed by external institutions. An expense of Euros 7,102 thousand has been recognised for the year under personnel expenses in respect of such plans (Euros 9,775 thousand in 2010).

15.1.2 Defined benefit plans

Details of provisions for employee benefits, by type of commitment, are presented in the following table:

(Expressed in thousands of Euros)

	2011	2010
Pension plans	1,132	1,031
Early retirement benefits	275	299
Supplements	751	761
Post-employment benefits	8,262	8,880
TOTAL	10,420	10,971

15.2 Other provisions

Movement during 2011 is as follows:

(Expressed in thousands of Euros)

	Litigation	CO2	Other provisions	Total
At 31 December 2010	1,179	2,351	90	3,620
Provision	40	2,373		2,413
Application		-2,330	-90	-2,420
Reversal	-42			-42
At 31 December 2011	1,177	2,394	0	3,571

CO2

This includes the provisions for CO2 emissions during the year for which the emission allowances are pending delivery (see **note 7.1**).

Applications for the year mainly include the derecognition of emission rights for 2011, totalling Euros 2,330 thousand (Euros 2,453 thousand in 2010) (see **note 7.1**).

Litigation

On 14 January 1997 the taxation authorities issued assessments of additional income tax, VAT and personal income tax (withholdings) payable by the Company for the period from 1988 to 1992. These were primarily in relation to discrepancies in amortisation, provisions, tax deduction limits and obligations to make withholdings on account of certain export-related expenses. The Company did not accept the assessments and prepared the corresponding objections, which led to cancellation of the above-mentioned assessments and the issue of new assessments on 23 July 1997, as well as the preparation of new settlements by the Spanish Inspector of Taxes on 30 December 1997, which were appealed before the Central Administrative and Economic Court. The amounts upheld by this court were appealed before the Spanish High Court, the ruling from which partially upholding these amounts was appealed at the Supreme Court.

In 2010 the Supreme Court partially upheld the Company's claims. These additional taxes were demanded by the taxation authorities in that year, except those for 1992. The Company made provisions of Euros 28,964 million for these tax assessments plus late payment interest until 31 December 2009. Euros 3 million received from the taxation authorities in respect of one of the appealed assessments was recognised under current liabilities until finalisation of the appeals process.

The amounts payable and recoverable as a result of the settlements received during 2010 for the 1988, 1989, 1990 and 1991 assessments total Euros 19.7 million and Euros 0.5 million, respectively. The Company lodged various claims with the tax settlement agency generating further net interest income of Euros 105 thousand. The Company reversed the surplus provision, recognising income of Euros 12.6 million as other operating income in the consolidated income statement.

Details of the income items recognised in the 2010 income statement are as follows:

(Expressed in thousands of Euros)

	Provision at 31/12/09	Net finance income/expenses	Reversal of provisions	Total net amount payable
Provisions for liabilities and charges	28,964			
Current liabilities	3,029			
TOTAL LIABILITIES	31,993	105	12,632	19,256

One of the assessments issued by the taxation authorities was once again appealed by the Company.

As a result of the definitive ruling handed down by the Supreme Court on the 1992 tax inspection and the settlement thereof by the taxation authorities, and the claim filed with the settlement agency by Acerinox in relation to one of the prior rulings, in 2011 Acerinox recognised a total receivable of Euros 7.3 million under income for the year (Euros 2.7 million reflecting recoverable tax under income tax and Euros 4.6 million reflecting interest under finance income).

The Company had not recorded any provision in relation to the 1992 inspection pending settlement.

Upon completion of the legal procedures relating to this inspection, the Company recovered the bank guarantees extended to secure this debt.

15.3 Guarantees provided

At 31 December 2011 the Group has provided guarantees to third parties, mainly the government, for Euros 13 million (Euros 27.7 million in 2010). Group management does not expect that any significant liabilities will arise in connection with these guarantees.

NOTE 16 INCOME AND EXPENSES

16.1 Revenue

Details of revenues in 2011 and 2010 are as follows:

(Expressed in thousands of Euros)

	2011	2010
Sale of goods	4,669,108	4,498,252
Services rendered	3,136	2,215
Self-constructed assets	17,456	8,885
Operating lease revenue	689	543
Revenue from grants and subsidies	209	131
Revenue from disposal of property, plant and equipment	1,635	323
Revenue from subsidies of emission rights	5,491	2,320
Other revenue	29,259	20,618
TOTAL	4,726,983	4,533,287

The increase in self-constructed assets essentially reflects the capitalised expenses incurred on the construction of the factory in Malaysia.

16.2 Personnel expenses

Details of personnel expenses in 2011 and 2010 are as follows:

(Expressed in thousands of Euros)

	2011	2010
Salaries and wages	277,798	270,832
Social security	49,381	43,843
Contributions ot defined contribution plans	7,102	9,775
Termination benefits	423	656
Changes in provision for employee benefits	2,209	1,539
Other personnel expenses	19,295	19,490
TOTAL	356,208	346,135

The average headcount at 31 December 2011 and 2010, by professional category, is as follows:

	2011	2010
Graduates	837	949
Administrative staff	1,326	1,178
Operatives	5,268	5,297
TOTAL	7,431	7,424

A breakdown of employees, including directors, by gender at 31 December is as follows:

		2011	2010
Directors	Male	14	14
	Female	1	1
Senior management	Male	5	5
	Female	0	0
Graduates	Male	625	665
	Female	184	288
Administrative staff	Male	750	721
	Female	537	448
Operatives	Male	5,165	5,144
	Female	91	114
TOTAL		7,372	7,400

At 31 December 2011 the number of employees in Spain with at least 33% disability is 65 (63 male and 2 female).

16.3 Other operating expenses

Details are as follows:

(Expressed in thousands of Euros)

	2011	2010
Rentals	10,116	11,633
Selling expenses	148,455	166,643
Supplies	148,656	156,145
Maintenance	63,931	64,472
External services	31,378	29,567
Insurance	14,505	13,088
Other operating expenses	91,701	55,099
Impairment of intangible assets (CO2)	15,792	13,562
Taxes other than income	381	1,715
Sale of property, plant and equipment	3,117	0
Other expenses	653	412
TOTAL	528,685	512,336

Other operating expenses include Euros 2,603 thousand in bank commissions and charges for the administration of security deposits (Euros 2,310 thousand in 2010).

NOTE 17 NET FINANCING COSTS

Details are as follows:

(Expressed in thousands of Euros)

	2011	2010
Interest and similar income	8,018	2,153
Dividend income	180	97
Gain on measurement of financial instruments at fair value (exchange rate insurance)	25,845	138
Exchange gains/(losses)	-13,782	13,911
TOTAL FINANCE INCOME	**20,261**	**16,299**
Interest expense and similar charges	-63,630	-52,066
Loss on measurement of financial instruments at fair value (exchange rate insurance)	-15,046	-3,797
Impairment of investments	-1,366	
TOTAL FINANCE EXPENSE	**-80,042**	**-55,863**
NET FINANCE COSTS	**-59,781**	**-39,564**

NOTE 18 INCOME TAX

At 31 December 2011 the consolidated tax group comprises: Acerinox, S.A., Acerinox Europa S.A.U, Roldan, S.A., Inoxfil, S.A., Inoxcenter, S.A. and Inoxcenter Canarias, S.A. At 31 December 2010 the consolidated tax group comprised: Acerinox, S.A., Roldan, S.A., Inoxfil, S.A., Inoxcenter, S.A. and Inoxcenter Canarias, S.A.

The Spanish taxation authorities have been duly notified of the integration into the consolidated tax group of Acerinox Europa, S.A.U., a company incorporated on 1 December 2011 due to the spin-off of Acerinox, S.A.'s industrial activity line of business, and a solely-owned subsidiary of Acerinox S.A.

On 3 February 2012, before the statutory three-month period had elapsed, the Spanish taxation authorities were notified that the spin-off of the industrial line of business through the non-monetary contribution of the manufacturing activity of Acerinox, S.A. to the newly incorporated company, Acerinox Europa, S.A.U., would be availing of the special tax neutrality regime stipulated in chapter VIII, title VII of the Revised Income Tax Law

This transaction is a non-monetary contribution of a line of business, and as such it falls within the scope of article 83.3 and subsequent articles of chapter VIII, title VII of the Revised Income Tax Law, approved by Royal Decree Law 4/2004 of 5 March 2004.

On 3 December 2010, the merger of Acimetal, S.L., Inoxidables de Galicia, S.L.U. and Inoxmetal, S.L. with and into the company Inoxcenter, S.L., in which Acerinox, S.A. holds a 97.5% interest, was filed at the Barcelona Mercantile Registry. The merger took effect from 25 November 2010. The merger involved the transfer to Inoxcenter of all the assets and liabilities of the absorbed companies, which were dissolved as of 1 January 2010. The merger was one of the operations foreseen under the special system of cross-border mergers, spin-offs, asset contributions, exchanges of securities and changes of registered offices for European companies or cooperatives from a European Union member state, governed by chapter VIII, title VII of the Revised Income Tax Law, approved by Royal Decree Law 4/2004 of 5 March 2004. Pursuant to article 96.1 of the above-mentioned law, the merged companies expressly opted to apply the special system of cross-border mergers, spin-offs, asset contributions, exchanges of securities and changes of registered offices for European companies or cooperatives from a European Union member state in the merger project, respective corporate agreements and registration of the merger.

18.1 Income tax expense

Details of income tax expense are as follows:

(Expressed in thousands of Euros)

	2011	2010
Current tax	68,263	49,149
Deferred tax	-12,981	16,046
Total income tax	55,282	65,195

During the year the parent company received dividends from foreign subsidiaries totalling Euros 111.2 million. In accordance with the correspon-ding double taxation treaties, these dividends have been subject to withholdings at source amounting to Euros 11.2 million, recognised under other taxes in the income statement.

A reconciliation of the income tax expense recognised in the income statement and taxable income is presented below:

(Expressed in thousands of Euros)

	2011		2010	
Net profit for the year		73,726		122,739
Non-controlling interests		-7,533		-5,475
Income tax		55,282		65,195
Other taxes		11,151		10,060
Profit before tax		132,626		192,519
Income tax at the local tax rate	30,00%	39,788	30,00%	57,756
Effects on tax payable:				
Effect of tax rates of foreign companies		6,875		4,904
Non-deductible expenses		3,434		-985
Tax incentives not recognised in the income statement		-10,963		-2,097
Exempt income		6,157		-3,035
Prior years' adjustments		247		4,671
Adjustment of tax rates, deferred taxes		3,439		5
Others		6,305		3,976
Total income tax		55,282		65,195

In 2011 the tax rates applicable to certain Group companies have been amended in line with local legislation:

– Canada: the tax rate has been reduced from 30% in 2010 to 26.5% in 2011 and 25% in 2012.
– UK: the income tax rate has been reduced from 28% in 2010 to 26% for 2011 and thereafter.

18.2 Deferred taxes

Movement in deferred tax assets and liabilities is as follows:

(Expressed in thousands of Euros)

	2011		2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Balance at 1 January	148,620	236,783	153,964	205,286
Expense/(income) for the period	14,216	1,235	-8,284	7,763
Taxes recognised directly in equity	3,866	4,281	735	1,336
Changes in exchange rate	-93	1,441	2,713	20,349
Business combinations	0		0	
Transfers	-2,166	-2,166	-628	2,049
Other changes	119	-45	120	0
Balance at 31 December	164,562	241,529	148,620	236,783

Deferred tax assets and liabilities originated as follows:

(Expressed in thousands of Euros)

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Intangible assets	3,167	3,134	11,466	11,412	8,299	8,278
Property, plant and equipment	978	4	291,323	285,129	290,345	285,125
Financial assets	0	0	23,733	29,207	23,733	29,207
Inventories	1,755	3,545	-7	248	-1,762	-3,297
Other assets	0	30	272	250	272	220
Provisions	7,221	7,395	8,726	7,275	1,505	-120
Employee benefit plans	4,091	3,904	-352	-319	-4,443	-4,223
Financial liabilities	4,016	4,444	3	3	-4,013	-4,441
Other liabilities	0	0	513	89	513	89
Other tax deductions	33,056	24,516	0	0	-33,056	-24,516
Unused tax losses	204,426	198,159	0	0	-204,426	-198,159
Deferred tax assets / liabilities	258,710	245,131	335,677	333,294	76,967	88,163
Deferred tax assets, net of deferred tax liabilities	-94,148	-96,511	-94,148	-96,511	0	0
Deferred tax assets / liabilities	164,562	148,620	241,529	236,783	76,967	88,163

Deferred tax liabilities in connection with property, plant and equipment mainly arise from the different tax and accounting depreciation criteria permitted by legislation prevailing in certain countries. These liabilities essentially relate to North American Stainless and Columbus Stainless.

In accordance with Spanish tax legislation and the amendment introduced by Royal Decree Law 9/2011, losses declared may be carried forward to be offset against profits of subsequent accounting periods, the amount being distributed as considered appropriate. For the 2011, 2012 and 2013 tax periods, companies of the Spanish consolidated tax group may only offset losses against 50% of the profits generated in those periods. Losses are offset when the tax returns are filed, without prejudice to the taxation authorities' power of inspection. At 31 December 2011 and 2010, the Group has tax credits and deductions available as follows:

(Expressed in thousands of Euros)

Available through	2011	2010
1 to 5 years	2,275	19,513
6 to 10 years	235	0
10 to 15 years	39,811	105,102
15 to 20 years	73,729	1,590
No statute of limitations	88,376	71,954
TOTAL	204,426	198,159

The Spanish Group companies have taken into account the applicable tax amendments introduced by Royal Decree Law 9/2011 with regard to offsetting prior years' tax losses, the deductibility of goodwill and the amended tax rate for payment by instalments.

Amendments have also been introduced in other countries in relation to the deductibility of tax losses:

- In Italy losses may only be offset against a maximum of 60% of taxable income generated during the year, while the number of years over which prior years' tax losses may be offset has been extended from five years to indefinitely.

- In France the offset period for prior years' tax losses has been reduced from three years to one year, while the amount that may be offset against future taxable income has been limited to Euros 1 million plus 60% of the remaining unused taxable income.

The Group prepares five-year projections of profit and loss on an individual basis for all companies with available tax credits to determine whether the credits will be recoverable within the time frame specified under the applicable legislation, and never in a period exceeding that specified in the budget. The Group also assesses the existence of deferred taxes against which tax losses may be offset in the future. Based on these criteria, the directors consider that all capitalised tax credits are likely to be recovered with future tax profits, in a reasonable period not exceeding that permitted by the corresponding local authorities in each country.

The Group also has tax credits in respect of prior years' loss carryforwards of Euros 24,871 thousand which have not been capitalised.

The Group is currently preparing documentation to support its eligibility for certain tax benefits from the Malaysian government arising on investments in assets for the construction of the Bahru Stainless plant. These tax benefits would enable the company to reduce its taxable income once it starts generating a profit on its activities.

18.3 Current tax

At 31 December 2011 there is a current tax asset of Euros 8,305 thousand (Euros 14,266 thousand in 2010) and a current tax liability of Euros 2,637 thousand (Euros 10,893 thousand in 2010).

18.4 Tax inspections and years open to inspection

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period has elapsed.

At 31 December 2011 Acerinox, S.A. and the consolidated tax group companies have open to inspection by the taxation authorities all the main applicable taxes since 2007. The remaining Group entities have open to inspection the years within the prescription periods foreseen by respective local legislation. The directors of the Company and the subsidiaries do not expect that any significant additional liabilities would arise in the event of an inspection.

On 15 July 2009 notification was received that the taxation authorities would commence inspections of the following taxes for the companies Acerinox, S.A, Roldan, S.A and Inoxcenter, S.A.:

Tax	Periods
INCOME TAX	2004 to 2007
VALUE ADDED TAX	06/2005 to 12/2007
PROFESSIONAL/EARNED INC. WITHHOLDINGS/PAYMENTS ON ACCOUNT	06/2005 to 12/2007
CAPITAL GAINS WITHHOLDINGS/PAYMENTS ON ACCOUNT	06/2005 to 12/2007
NON-RESIDENT TAX WITHHOLDINGS ON ACCOUNT	06/2005 to 12/2007
ANNUAL DECLARATION OF OPERATIONS	2005 to 2007
SUMM. DECL. INTRA-COMMUNITY ACQUISITIONS AND SUPPLIES	2005 to 2007

On 6 June, the additional taxes raised were accepted and the tax inspection of 2004 to 2007 was completed. The impact on profit and loss for the year totals Euros 340 thousand (Euros 400 thousand reflecting borrowing costs capitalised under finance expenses and income of Euros 60 thousand due to the different tax rate, recognised under income tax). A payment of Euros 958 thousand has been made. The difference reflects temporary differences on amortisation and depreciation and environmental deductions.

On 24 October 2011 notification was received that the taxation authorities would be undertaking a partial inspection of anti-dumping duties for 2010 in Acerinox, S.A. At the date of preparation of these annual accounts the inspection is ongoing and no additional taxes have been raised or certification issued that would indicate possible obligations or contingencies for which a provision would be required.

On 3 June 2011 the parent company of the Acerinox, S.A. Group received Authorised Economic Operator (AEO) certification for customs simplification/protection and security.

The subsidiary Acerinox Italia is undergoing a tax inspection of 2007, 2008 and 2009. Although the tax inspection is still underway, based on the certifications and reports received, it is probable that the inspection will give rise to an adjustment with regard to transfer pricing on transactions between Acerinox Italia and the Group's manufacturing companies. As most of these transactions are with the resident companies in Spain, Acerinox S.A. and Roldán, S.A., any adjustment relating to transfer prices is protected by Convention 90/436/EEC on the elimination of double taxation in connection with the adjustment of profits of associated enterprises. This Convention ensures the elimination of double taxation due to transfer pricing adjustments within the European Union. Following negotiations between the Spanish and Italian taxation authorities, or as a result of an arbiter's decision, as applicable, this initial adjustment, or whichever adjustment is agreed, will therefore be neutralised by a contrary adjustment in the other member state. Although the financial effect due to the time elapsed until completion of the procedure is not specifically covered by the Convention, when Spain records an adjustment in favour of the tax payer, this includes accrued interest, or else another method is used to ensure that the financial effect does not entail a charge for the tax payer.

In 2010 a tax inspection of federal tax for 2009 commenced in North American Stainless. This inspection is now complete, although the outcome has not yet been approved by the company's board. No adjustments have come to light as a result of the inspection team's report.

In 2011 a tax inspection of 2008 and 2009 also commenced in the Group company Acerol Ltda. in Portugal. This inspection has given rise to a transfer pricing adjustment for sale-purchase transactions between Acerol, Ltda and the Group's plants, primarily Acerinox, S.A. and Roldan, S.A. The adjustment to taxable income amounts to Euros 10 million. However, as the subsidiary had tax losses of Euros 6.7 million pending offset, the amount paid totals Euros 708 thousand, of which Euros 32 thousand reflects interest. As most of these transactions are with the resident companies in Spain, Acerinox S.A. and Roldán, S.A., any adjustment relating to transfer prices is protected by the aforementioned Convention 90/436/EEC on the elimination of double taxation in connection with the adjustment of profits of associated enterprises. Following negotiations between the Spanish and Portuguese taxation authorities, or as a result of an arbiter's decision, as applicable, this initial adjustment will therefore be neutralised by a contrary adjustment in the other member state.

In 2011 a tax inspection commenced in the Group company Acerinox Deutschland, GmbH in Germany. This inspection is still at the preliminary stage.

On 26 May 2009 notification was received that the local authority of Álava would commence inspections of the following taxes for the company Inoxidables de Euskadi, S.A.U.:

Tax	Periods
INCOME TAX	2004 to 2007
VALUE ADDED TAX	2005 to 2008
WITHHOLDINGS AND PAYMENTS ON ACCOUNT	2005 to 2008

The inspection in Inoxidables de Euskadi, S.A.U. was concluded on 15 February 2010 without additional taxes being raised.

NOTE 19 RELATED PARTY BALANCES AND TRANSACTIONS

19.1 Identity of related parties

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

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

Transactions between the Company and its subsidiaries, which are related parties, are carried out 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 under market conditions.

19.2 Related party balances and transactions

a) Associates

No transactions were carried out with associates in 2010 or 2011.

b) Members of the board of directors and key management personnel

Remuneration received by the five members of senior management that do not hold positions on the board of directors of Acerinox, S.A. amounts to Euros 2,310 thousand in 2011, of which Euros 1,316 thousand reflect salaries, Euros 71 thousand are allowances and Euros 923 thousand are for other items. In 2010, the six members of senior management that do not hold positions on the board of directors received Euros 1,887 thousand, of which Euros 1,458 thousand reflect salaries, Euros 79 thousand are allowances and Euros 350 thousand are for other items.

In 2011 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, received Euros 2,277 thousand for fixed remuneration, allowances for attending board meetings and fixed and variable (based on profits from the prior year) salaries, of which Euros 1,283 thousand reflect salaries and fixed remuneration of board members, Euros 319 thousand are allowances and Euros 675 thousand are for other items. In 2010, the remuneration received totalled Euros 1,933 thousand, of which Euros 1,234 thousand reflected salaries and fixed remuneration, Euros 364 thousand were allowances and Euros 335 thousand were for other items.

Commitments of Euros 1,244 thousand in 2011 with all members of the board have been accounted for correctly and are adequately covered through insurance contracts (Euros 983 thousand in 2010). No commitments have been contracted with directors representing shareholders or independent directors of Acerinox, S.A. At 31 December 2011 no advances or loans have 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.

Details of interests held by members of the board of directors of the parent company or their related parties in the share capital of companies with statutory activities that are identical, similar or complementary to that of the parent company, as well as positions held and duties and activities performed in these companies, are as follows:

Director	Company	Number of shares	Positions and duties
Bernardo Velázquez Herreros	Acerinox Europa S.A.U	–	Chairman
Bernardo Velázquez Herreros	Bahru Stainless Sdn. Bhd.	–	Board member
Bernardo Velázquez Herreros	Inoxcenter, S.L.	–	Board member
Bernardo Velázquez Herreros	Columbus Stainless (Pty), Ltd.	–	Administrator (until December 2010)
Yukio Nariyoshi	Nisshin Steel Co., Ltd.	–	Board member and Vice-President
Ryo Hattori	Nisshin Steel Co., Ltd.	–	Director

The other directors have declared that at 31 December 2011 and during the year then ended they have not held any interests or positions or performed any duties, either on their own behalf or on behalf of third parties, in companies with statutory activities that are identical, similar or complementary to that of Acerinox, S.A. and subsidiaries, with the exception of Mr. Martínez Conde, who has disclosed his 1,000 shares in Arcelor Mittal and 50 of Aperam, and Mr. Prado Pérez de Seoane, who has disclosed his 400 shares in Arcelor Mittal and his 20 shares in Aperam.

All transactions carried out between members of the board of directors and the Company or Group companies in 2011 have been ordinary transactions under market conditions.

c) Significant shareholders

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

- Credit facilities with a limit of Euros 22.4 million, of which Euros 6 million have been drawn down
- Exchange rate insurance with a limit of Euros 15 million, of which Euros 0.45 million have been drawn down
- Guarantees up to a limit of Euros 13 million, of which Euros 0.49 million have been drawn down
- Factoring of receivables for Euros 4 million, of which Euros 2.23 million have been drawn down
- Confirming (reverse factoring) facilities for Euros 5 million, of which Euros 0.25 million have been drawn down
- Non-current loan of Euros 30 million, fully drawn down.

In 2010 the Group contracted the following financial transactions with Banca March, all of which were under market conditions:

- Credit facilities with a limit of Euros 20.4 million, of which Euros 15.31 million have been drawn down
- Exchange rate insurance with a limit of Euros 15 million, of which Euros 0 million have been drawn down
- Guarantees up to a limit of Euros 13 million, of which Euros 13.30 million have been drawn down
- Factoring of receivables for Euros 4 million, of which Euros 2.44 million have been drawn down
- Confirming (reverse factoring) facilities for Euros 4 million, of which Euros 1.19 million have been drawn down
- Non-current loan of Euros 30 million, fully drawn down.

Details of the Group's transactions with Banca March in 2011 and 2010 are as follows:

(Expressed in thousands of Euros)

	2011	2010
Interest expenses	1,244	925
Commission expenses		166
TOTAL	1,244	1,091

Details of the terms and conditions of outstanding balances reflected in the annual accounts for 2011 and 2010 are as follows:

1. Non-current loans

Contract date	17/12/2009
Amount	Euros 30 million
Term	3 years
Interest rate	3-month Euribor + 1.75%

In August 2011 an interest rate swap was arranged with Banca March to hedge the Euros 30 million loan. The swap has a fixed rate of 3% and expires on 17 December 2012.

2. Credit facilities in Euros

	2011	2010
Renewal date	30/06/2011	25/06/2010
Amount available	Euros 20 million	Euros 18 million
Term	1 year	1 year
Interest rate	3-month Euribor + 2.1%	3-month Euribor + 1.75%

3. Credit facilities in various currencies

	2011	2010
Renewal date	11/07/2011	25/06/2010
Amount available	Euros 2.4 million	Euros 2.4 million
Term	1 year	1 year
Interest rate	3-month Libor + 2.1%	3-month Libor + 1.75%

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

(Expressed in thousands of Euros)

	2011	2010
Purchase of goods	0	78
Sales of goods	12,072	9,628
Services rendered	47	106

Trade receivables from the aforementioned entities amount to Euros 913 thousand at 31 December 2011 and Euros 654 thousand at 31 December 2010.

The dividends received by Acerinox, S.A. from Nisshin Steel amount to Euros 178 thousand (Euros 96 thousand in 2010).

NOTE 20 AUDIT FEES

Details of fees and expenses accrued by KPMG International (principal auditor) and associate firms for services provided to the consolidated companies are as follows:

(Expressed in thousands of Euros)

2011	KPMG Auditores, S.L.	KPMG Europe, LLP	KPMG Internacional	TOTAL
Audit services	332	61	332	725
Tax advisory service	207	5	78	290
Other services	11	20	87	118
	550	86	497	1,133

2010	KPMG Auditores, S.L.	KPMG Europe, LLP	KPMG Internacional	TOTAL
Audit services	311	57	392	760
Tax advisory service	120	16	77	213
Other services	13	9	87	109
	444	82	556	1,082

The amounts detailed in the above table include the total fees for services rendered in 2011 and 2010, irrespective of the date of invoice.

Other audit firms invoiced the Group fees and expenses for audit services amounting to Euros 39 thousand in 2011 (Euros 18 thousand for audit services in 2010).

NOTE 21 SUBSEQUENT EVENTS

Syndicated loan in the USA

On 11 January, Acerinox, S.A. and North American Stainless entered into a syndicated financing agreement for US Dollars 482 million. This transaction has enabled the Group to achieve a three-fold objective: reduce its European banking exposure, reduce its average financing cost and extend its debt maturity dates.

The lead lending banks are as follows: BB&T Capital Markets, JP Morgan Chase Bank, Wells Fargo Bank and Fifth Third Bank. Ten US banks have participated in this financing transaction: BB&T, JP Morgan Chase Bank, Wells Fargo Bank, Fifth Third Bank, Regions Bank, US Bank National Association, BMO Harris Bank, The Huntington National Bank, PNC Bank National Association and The Bank of Kentucky.

European consolidation

In January, two of Acerinox's main competitors, Inoxum (ThyssenKrupp Inoxidable) and Outokumpu, announced a merger agreement whereby the latter is to immediately absorb the former and credit its shareholders a substantial amount in order to defray part of the debt undertaken. The agreement also includes a commitment to close down various manufacturing plants.

Acerinox sees this transaction in a favourable light and considers it a positive move for the industry which should not have a negative effect on the free market. Acerinox also considers that this concentration process will clarify the European scene and reduce the over-capacity currently prevalent in Europe.

Personnel restructuring

The Group has agreed to reduce its personnel in several trading subsidiaries, primarily in Spain, so as to bring its subsidiaries' capacity into line with market trends.

Negotiations for the collective labour agreement applicable to the Acerinox Europa plant

At the end of 2011, the manufacturing plant committee lodged a complaint concerning the 17th collective labour agreement in force at that time. This agreement had a limited validity period at December 2011.

Negotiations are currently underway to approve a new collective labour agreement.

Tax inspection

On 13 February 2012 notification was received that the taxation authorities will be undertaking an inspection of import taxes, VAT on imports and anti-dumping duties for 2009, 2010 and 2011 in Acerinox, S.A. and Acerinox Europa, S.A.U. This inspection will commence on 13 March.

04 Management Report of the Group Companies

1 Acerinox, S.A.

The Extraordinary General Shareholders Meeting of Acerinox S.A, held on 29th September 2011 resolved the creation of a new society, Acerinox Europa, S.A.U, to take on the management of production at the Campo de Gibraltar factory and the sales of its products, incorporating the service centres in Spain.

Once the separation has been made, Acerinox S.A will now focus on providing leadership and coordination of the different group activities, as well as being the holding company for the shares of all of the companies that comprise the Acerinox Group.

The accounting value of the assets transferred to Acerinox Europa, valued by an independent expert, amounts to 934 million euros.

At 31st December, after the segregation, the total assets of Acerinox S.A, are 2.305 million euros, its main magnitudes being a 1,677 million euros stake in subsidiary companies and 366 million euros in credit to Group companies.

The internal funds of the society total 982 million euros and the net financial debt is 839.7 million euros, which will be primarily directed at financing the Group.

The income obtained by the Acerinox S.A. in 2011 was 153.7 million euros, derived from dividends received as well as the redistribution of strategic and management costs to all societies within the Group.

The expenses at the end of the year principally refer to the personnel employed by the company and to financial and corporate costs.

The results after tax totalled 92.63 million euros.

RESULTS AS OF 31 DECEMBER 2011 OF ACERINOX, S.A.

(Million Euros)

	2011
Net turnover	153.7
Results before taxes	101.1
Depreciation	0.6
Results after taxes	92.6
Net cash flow	93.2

Award given for the Spanish International company by H.R. H the Asturias Prince to ACERINOX, S.A. Chairman, Mr. Rafael Naranjo

CAPITAL

As at 31st December 2011, share capitalisation is 62,326,136.50 euros and it is represented by 249,304,546 ordinary shares, each with a nominal value of 0.25 euros. All shares are officially traded on the Madrid and Barcelona Stock Exchanges and they are contracted on the Continuous Market.

At the close of 2011, the number of shares that the Acerinox Board of Directors directly represented rose to 59.60 percent of the share capital.

At the Annual General Shareholders Meeting held on 9th June 2011, 77.1% of the share capital (holders) with a right to vote were either present or represented. The Board of Directors obtained the representation of 76.72% of the shareholders of said capital.

In the Acerinox, S.A., Extraordinary General Shareholders Meeting held on 29th September 2011, the turnout of those present and represented was 74.45% of the share capital with the right to vote 74.30% of the share capital granted the Board of Directors their representation.

RISK MANAGEMENT

The Company's activities are exposed to various financial risks: market risk (currency risk, interest risk and price risk), credit risk and liquidity risk. The Company aims to minimize the potential adverse effect on its profits through the use of derivative financial instruments, where appropriate to the risks, and insurance.

The Company does not acquire financial instruments for speculative purposes.

MARKET RISK

Market risks occurs as a result of the variation in market prices, or by changes in the currency rate, , interest rate, or rate of international prices of raw material or other materials which can affect both the results of the company, as well as its equity or the value of its assets and liabilities.

1. CURRENCY RISK

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily the US Dollar. Foreign exchange risk arises from commercial transactions, financial and investment operations, and from translation of financial statements in functional currencies distinct from the consolidated Group's presentation currency.

To manage foreign exchange risks arising on commercial transactions, Group companies use forward currency sale or purchase contracts, contracted with Group Treasury, in accordance with policies approved by management.

The Company uses derivatives such as cross currency swaps to control currency risk for financial transactions.

Not all exchange rate insurance contracts entered into by the Company comply with criteria for cash flow hedge accounting. Those contracts which do not comply with these criteria have been accounted for as financial instruments at fair value through profit or loss.

The fair value of forward exchange contracts is their market price at the balance sheet date, which is the present value of the difference between the hedged price and the forward price for each contract.

Presenting results of year 2011

The Company hedges most of its financial and commercial transactions in foreign currency. At the beginning of each month and subject to fortnightly review, each company considers its loans in non-local currency, trade and supplier balances in foreign currency, the sales and purchases in foreign currency forecast for the period and exchange rate insurance coverage. The Company can consider commercial transactions to evaluate its total exposure when hedging financial transactions.

Finally, the Company is exposed to currency risk as a result of the translation to Euros of the individual financial statements presented in a functional currency other than the Group's presentation currency, particularly the US Dollar, the South African Rand and the Malaysian Ringgit. Sensitivity to changes in the value of these currencies against the Euro, with other variables remaining constant, is as follows:

As from 2011, due to the segregation of the Industrial activity, Acerinox, S.A. will reduce the exchange rate risk only to its financial activities.

2. INTEREST RATE RISK

The Group's financing comes from various countries and in different currencies (mainly the Euro and the Dollar), with different maturities and mostly referenced to a variable interest rate.

The Company financial liabilities and assets are exposed to fluctuations in interest rates. To manage this risk interest rate curves are regularly analyzed, and on occasion derivatives may be used. These derivatives take the form of interest rate swaps and meet the criteria for recognition as cash flow hedging instruments. The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account interest rates at that date and the credit worthiness of the swap counterparties.

In this sense, both in 2011 as in 2010 the Company has carried out different covers of interest rates for most of its loans.

Due to the international financial crisis and the distortions which it has introduced in the monetary markets, the Risk fees and the exchange rate differential have increased since 2009, even though during the last part of 2010 and during all of 2011, said increases have become stable. The Company has minimized this risk by means of balancing the long and short term debt.

The Euro's interest rates at short term, rose during the first half of 2011, maintained stable during the third quarter of the year and dropped noticeably during the last two months of the year, as a result to the risks of new recession in part of Europe. The levels of the end of 2011 continue to be higher to the lowest reached in the second quarter of 2010.

3. PRICE RISK

The Company is exposed to three types of risk based on price variations:

1. **Risk due to changes in the market price of securities held in quoted companies.**
   The risk of price fluctuations in quoted securities relates to the shares held by the Company in Nisshin Steel, which is traded on the Tokyo Stock Exchange. The Company has not hedged this risk with derivative financial instruments.

2. **Risk of changes in prices of raw materials.**
   The stainless steel market is characterized by healthy demand, which has grown at an annual rate of approximately 6% for over 50 years. Exceptionally the market shrank by 14.8% in 2007-2009 because of the worldwide economic recession, but recovered with growth of 25% in 2010, confirming in the middle term the mentioned annual rate. In 2011 the stainless steel market has increased a growth of 2.9%. The need for stainless in all the industrial applications and its presence in all the sectors guarantee this growth rate in the

coming years. With end consumer levels stable, control of this market for the most part by independent warehouses makes consumption appear volatile (in line with fluctuations in the quotation of nickel on the London Metal Exchange).

To reduce the risk deriving from majority control of the market by independent warehouses, considering their inventory stockpiling/realization policy, the Company has developed a sales network that enables it to supply customers on a continuous basis, by means of warehouses and service centers through which the Company's production is channeled. This policy has enabled the Group to achieve a significant market share in the end customer segment and, therefore, stabilize sales and reduce the risk.

Maintaining sufficient inventory levels in our warehouses entails the risk of overstatement of these inventories in relation to market price. The Company alleviates this risk by endeavoring to maintain control over inventory levels.

To resolve the risk posed by the volatility of raw materials, 85% of Company sales (i.e. all sales made in Europe, America and South Africa) are naturally hedged by applying an alloy surcharge that enables fluctuations in the quotation of nickel on the London Metal Exchange, as well as Euro/US Dollar fluctuations, to be passed on to customers when the order is being manufactured. With this hedge, a fluctuation of 10% in the quotation of nickel on the London Metal Exchange would alter the Company's gross margin on sales by only 1%.

The valuation of raw materials, work in progress and finished goods at average cost helps to reduce volatility of costs and, consequently, to decrease the impact of nickel price fluctuations on margins.

The Company's policy of firm orders naturally hedges the costs of raw materials, as all accepted orders have a known risk.

However, fluctuations in the price of nickel on the London Metal Exchange drive apparent consumer levels, based on warehouses' expectations and their consequent realization or accumulation of inventories.

The main risk continues to be the apparent volatility of consumer spending which, as an external factor, is beyond the Company's control. Efficient management of the aforementioned solutions for remaining risks makes it possible to reduce exposure to this risk as far as possible.

CREDIT RISK

Credit risk is defined as the possible loss that could be incurred through failure of a customer or debtor to meet contractual obligations.

The Company's exposure to credit risk is determined by the individual characteristics of each customer and, where applicable, by the country risk where the customer operates. Due to the diversity of its customers and the countries in which it operates, the Company does not have any concentrations of credit risk.

The Company hedges its commercial and political risks either through credit insurance companies, or through documentary credits and guarantees extended by first level banks in low-financial risk countries. Credit insurance covers 85% of commercial risks and 90% of political risks. The Group's main credit insurer has an A- credit rating by Standard & Poor's.

During 2011 indemnities of Euros 2,420 thousand have been collected in relation to the credit insurance policy (Euros 7 thousand in 2010).

A risk committee is responsible for monitoring the Group's credit risk policy. Where required, the committee also performs an individual analysis of customers' credit worthiness, establishing credit limits and payment conditions. New customers are analysed with the insurance company before general payment conditions are proposed. Payment in cash is required from customers that do not meet the necessary credit conditions.

The Company has long-standing commercial relationships with many of its customers. Payment delays give rise to special monitoring of future deliveries, payment conditions, credit limit reviews and credit enhancements, as appropriate.

Title retention clauses, in line with prevailing legislation in the customer's country of operation, enable goods to be recovered in the event of payment default.

On occasion the Company also uses other financial instruments to reduce credit risk, such as factoring operations. The Company derecognises factored assets when the risks and rewards of these assets have been substantially transferred. At 31st December 2011 Acerinox, S.A. has no factoring operations as the accounts receivables were transferred to Acerinox Europa S.A.U. due to the segregation of the industrial activity (43.146 thousand Euros in 2010).

The Company makes valuation adjustments to trade receivables where necessary, to make provision for bad debts in respect of past-due balances and when circumstances indicate doubtful collection.

The Group has individually deteriorated those financial assets which cannot be collected by the uncovered part.

Any advances to suppliers of fixed assets are hedged through guarantees issued by the supplier and confirmed by prestigious banks.

The Group only makes temporary cash deposits in banks with a rating of AA or higher. At 31 December 2011, the Group has cash and cash equivalents of Euros 3,802 thousand (Euros 1,397 thousand in 2010).

LIQUIDITY RISK

In an economic climate as complex as today's, with liquidity scarce and increasingly expensive, the Company ensures its solvency and flexibility through long-term loans and available financing.

Based on its cash flow estimates and considering its investment plans, the Company has sufficient funding to meet all of its commitments, and maintains sufficient balances available for drawdown from credit facilities to cover the possible risk. Consequently, in 2011 and 2010 no payment defaults have occurred on the principal of loans or loan interest.

CAPITAL MANAGEMENT

Capital management objectives are as follows:

- To safeguard the Company's capacity for sustained growth
- To provide appropriate shareholder remuneration
- To maintain an optimum capital structure

The Company manages its capital structure and makes adjustments based on changes in economic circumstances. To maintain and adjust its capital structure, the Company can adopt different policies relating to the payment of dividends, the reimbursement of share premium, share buy-backs, self-financing of investments, non-current borrowings, etc.

Capital structure is controlled using different ratios, such as the net financial debt/EBITDA ratio, understood to be the period necessary for the resources generated by the Company to cover the level of debt; or the gearing ratio, i.e. the relationship between net financial debt and equity of the Company. The debt ratio, "GEARING", up to 31 December 2011 is 85.53% (90.81 in 2010).

Net financial debt is taken to be the sum of current and non-current financial liabilities with credit institutions, less cash and cash equivalents. EBITDA reflects operating profit or loss less amortization, depreciation and valuation adjustments.

The net financial debt of the Company at 31st December is 839.7 million euros (919.9 in 2010). Acerinox, S.A. acts as financer of the Group, having the 85% of the Group's debt.

The EBITDA generated by the Company is 139.9 million Euros (158.8 million Euros in 2010). The ratio debt/EBITDA is 6 times (5.8 times in 2010).

The Company is not subject to strict capital management criteria. Considering its financial stability, it can adopt the most appropriate solution at any given moment to enable optimum management.

INSURANCE

Given that the Group's three integral flat product production plants and three long product production plants are located in different regions, an accident would not affect more than one-third of total production. This guarantees the continuity of the business, while adequate management of the remaining factories reduces the consequences of material damage to any of the facilities.

Sufficient coverage has been contracted for the Group's factories through property damage and loss of earnings insurance, which account for over 38% of the Acerinox Group's insurance expenditure.

The Company also includes a captive reinsurance company based in Luxembourg, Inox Re, which manages these risks by assuming a part as self-insurance and directly accessing the reinsurance market.

The Company has also contracted general liability, environmental, credit, transport, and group life and accident insurance to reduce its exposure to these different risks.

Imagen cortesía de TRAMEINSA

Stairs to the Deusto bridge (Vizcaya)

2 Acerinox Europa, S.A.U.

The Extraordinary General Meeting of Shareholders held on 29th September 2011 approved the segregation of Acerinox S.A. through a contribution of each industrial activity branch to a new company (Acerinox Europa S.A.U.), owned 100% by Acerinox, S.A. The segregated industrial activity branch comprises the production, distribution and logistics units of the stainless steel flat products elaborated in the integral mill, situated in the Campo de Gibraltar, as well as the service centers in Spain. This also includes the participation of the company Inoxidables de Euskadi, S.A.

On 1st December 2011, the incorporation of the society Acerinox Europa S.A.U. was entered into the Commercial Register.

The accounting value of the assets transferred total 934 million euros, and the amount of liabilities is 593 million euros, bringing the asset value of the new society to 341 million euros. This assessment has been approved by an independent expert appointed by the commercial register (Deloitte, S.L.)

Acerinox Europa S.A.U. constitutes a share capital of 62 million euros and an issue premium of 279 million euros.

The segregation was made retroactive to 1st January 2011, in accordance with legal provisions. This is why all comments referring to Acerinox Europa include the whole of the 2011 financial year.

Acerinox Europa was very much affected by European market lethargy and severely harmed by the economic crisis that marked the year.

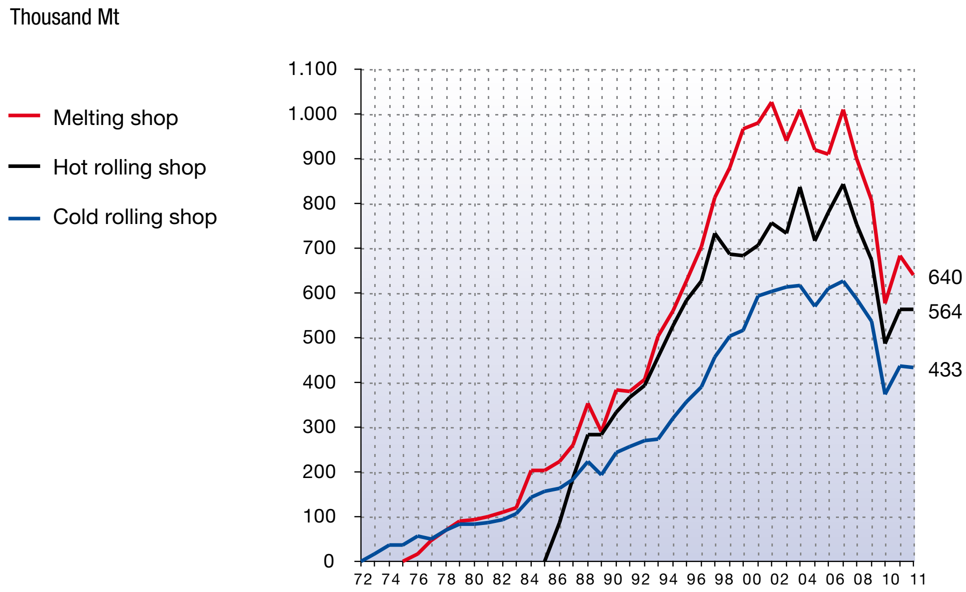
Signing of the script of Acerinox Europe incorporation

PRODUCTION

Production at the Campo de Gibraltar factory adapted itself at all times to the order book and the destocking strategy.

Production at the melting shop, 639.679 MT, was 6.3% lower than that of the previous year due to a lack of billet production as a consequence of the fire at Roldán.

Production Evolution at Campo de Gibraltar Factory



The hot rolling shop processed 564,046 MT, a marginally higher figure than (+0.2%) than 2010.

Cold rolled production, 433,063 MT was 1% lower.

WORKFORCE

As at 31st December 2011, the Acerinox Europa workforce numbered 2417 people, of which 232 were part-time workers (early retirees).

In June the Administration granted a Downsizing Plan for up to 50% of full time work in the factory at Campo de Gibraltar, in order to mitigate the effects of the annual economic cycle.

The request obtained the agreement and support of the majority of the workers in the factory, following due diligence and the necessary negotiations with trade union representatives. The plan, applied during the second half of the year permitted the Senior Management of the factory to regulate the level of production and work attendance in accordance with the order books.

HEALTH AND SAFETY AND ENVIRONMENTAL RESPONSIBILITY

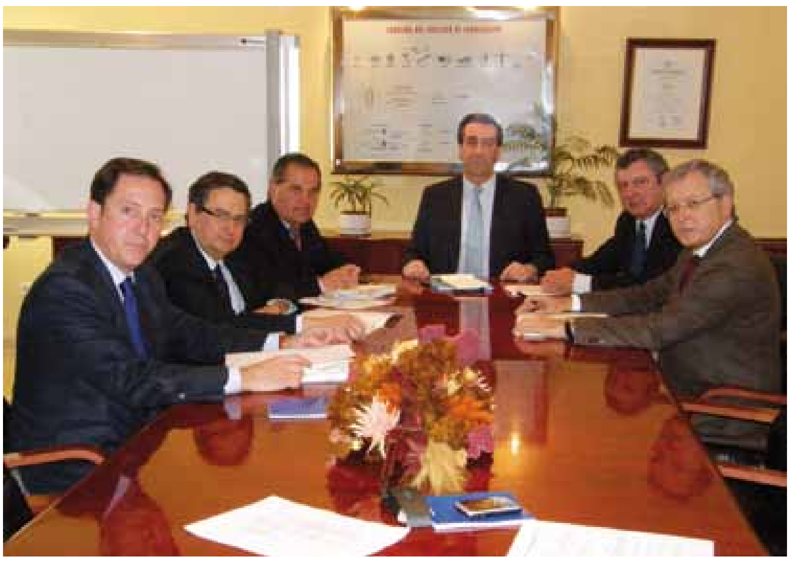
The ongoing Health and Safety policy adopted by Acerinox Europa has given rise to the results shown in the graph below. The number of incidents per hour has reduced by 51.8% in the last five years. In the same period the incidences of absenteeism due to sickness or accidents have been reduced by 31%.

Accident Rate Evolution of Acerinox Europa

During 2011, investments in environmental projects rose to 1,665,052 euros and some examples worthy of note are as follows:

- Improvement in the short-term storage of waste products.
- Expansion of con the control zone of automatic measuring equipment.
- Reduction of leakages in the steam and air networks.
- Optimization of the heat recovery boiler.
- The acquisition of fire-proof oil recycling facilities.

During the same period, environmental costs werd 15,519,172 euros. These figures give some insight into the efforts that organisation dedicates to these aspects.



First Board of Directors of Acerinox Europa

RESULTS

Acerinox Europa invoicing was for an amount of 1,414 million Euros. From this amount, 91.6%, 1,293 million Euros correspond to Europe and 8.4% to the rest of the world.

During the year Acerinox Europa obtained a positive EBITDA of 9 million euros.

RESULTS AS OF 31 DECEMBER 2011 OF ACERINOX EUROPA

(Million Euros)

	2011
Net turnover	1,413.6
Result before taxes	-37.9
Depreciation	29.8
Result after taxes	-25.9
Net cash flow	3.9

The result after taxes was a loss of 26 million euros.

The working capital at the end of the financial year totalled 354 million euros.

Malaysian technicans in Acerinox Europe

3 North American Stainless (NAS)

For another year, NAS has cemented not only its leadership of Acerinox but also its position as the most efficient stainless steel factory in the world.

Since 2010, the North American market, which is the leading market of Acerinox, has experienced a better relative performance in 2011 than that of the other world markets. In this environment the supreme efficiency of the Kentucky plant and its leadership position in the North American market have facilitated the achievement of record production results in all of its sections, and the third highest economic results in its history

PRODUCTION

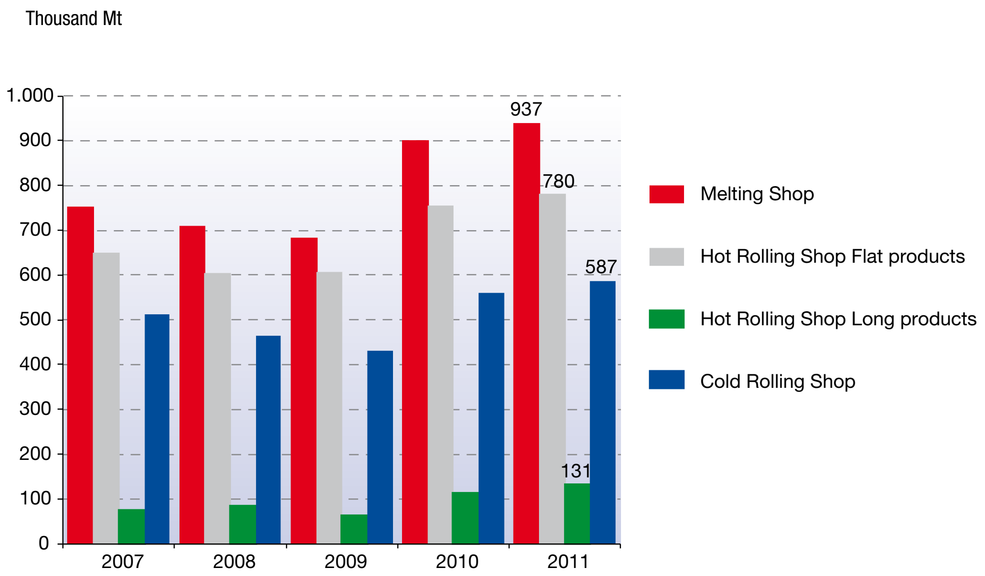
Melting shop production rose to 937,087 MT 4,2% higher than 2010.

In hot rolling, 779,623 MT were processed, denoting a 3.4% increase in relation to the figure achieved in 2010.

The results for cold rolling, 586,623 were 4.8% higher than those reached in 2010.

Hot rolling of long products was 131,016 MT, soaring 15% higher than the previous year.

Annual Producction in NAS



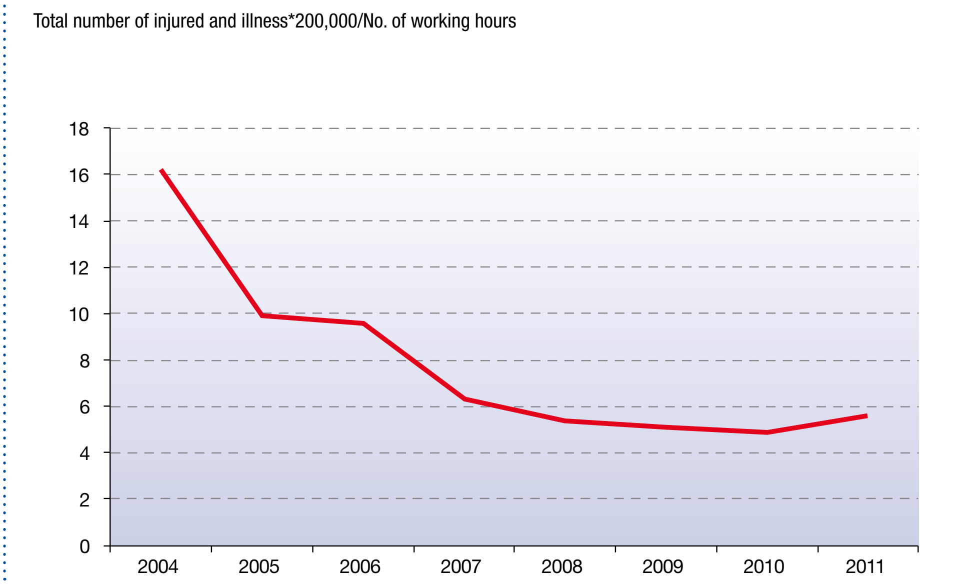
WORKFORCE

As at 31st December 2011, NAS had 1,372 employees. Of these, 1,296 were workers in the factory in Kentucky and 76 were employed in Service Centres and the commercial network in the USA, Canada and Mexico.

HEALTH AND SAFETY AND ENVIRONMENTAL RESPONSIBILITY

In 2011, the accident rate in NAS was 5.6% in comparison to 5.2% in 2010.

Accident Rate Evolution in NAS



North American Stainless strives to improve sustainability, reducing energy consumption while increasing material output, efficient environmental control and the implementation of recycling schemes. In order to heighten efficiency in environmental controls, residues/waste products are collected and reused wherever possible. In the case of North American Stainless, vapour emissions and slag dust are captured by a purifier and the dust is recovered for its subsequent reuse. All NAS employees are trained to recycle the different waste streams with the aim of improving sustainability and reducing the impact on the environment.

Cold rolling

RESULTS

The turnover of 3,061.2 million USD that NAS achieved during the year was 14.1% higher than that of 2010 and it is the second highest in its history, being surpassed only by the results in 2007, an exceptional year, when average prices were 37% higher.

RESULTS AS OF 31 DECEMBER 2011 OF NAS

(Million USD)

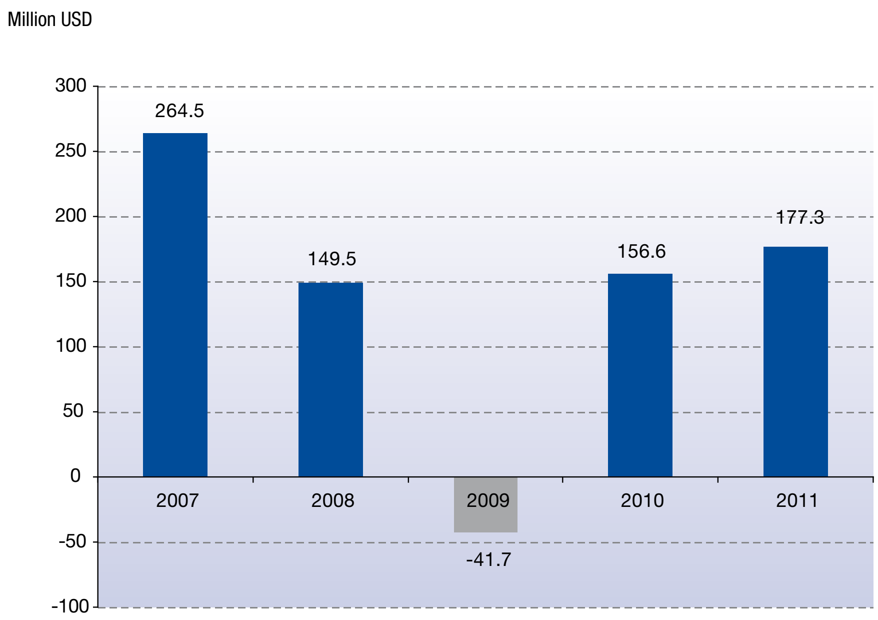
	2011	2010	Variation
Net turnover	3,061.2	2,681.0	14.2%
Result before taxes	286.8	239.3	19.9%
Depreciation	100.4	97.3	3.2%
Result after taxes	177.3	156.6	13.2%
Net cash flow	277.6	253.8	9.4%

The EBITDA generated in the year rises to 388 million USD.

The profit before taxes of 286.8 million USD is 19.9% higher than that obtained in 2010.

The result after taxes rises to 177.3 million USD.

NAS Evolution of the Result After Taxes



The vast magnitude of NAS's balance sheet demonstrates the soundness of the company:

- Accumulated investments amount to 2071 million USD.
- The company has a negative net debt of 13.6 million USD, or rather, it does not have indebtedness and it maintains its cash positions. The working capital at 31st December is 491.6 million USD. NAS's internal funds amount to 1,655.4 million USD.

4 Columbus Stainless Pty. Ltd.

In 2011, Columbus found itself affected once more by the circumstances intrinsic to its principal export markets.

- The sluggish nature of the European market, as previously described.
- Asian market, which despite having a good level of demand prevented a manufacturer as competitive as Columbus from increase its margins to benefit the order book due to the artificially low prices imposed by local manufacturers to gain market share.

These factors, linked with the strength of the Rand for almost the entire year, made it difficult for Columbus to demonstrate all of the improvements made in recent years.

The local South African market, however, has performed extremely well, having obtained new record sales.

The plans to improve competitiveness and excellence in Columbus have already begun to yield results and it is expected that these will continue to improve throughout 2012. The plans include the rationalisation of the workforce, the implementation of cost saving measures, and the improvement of yields and sales in new markets.

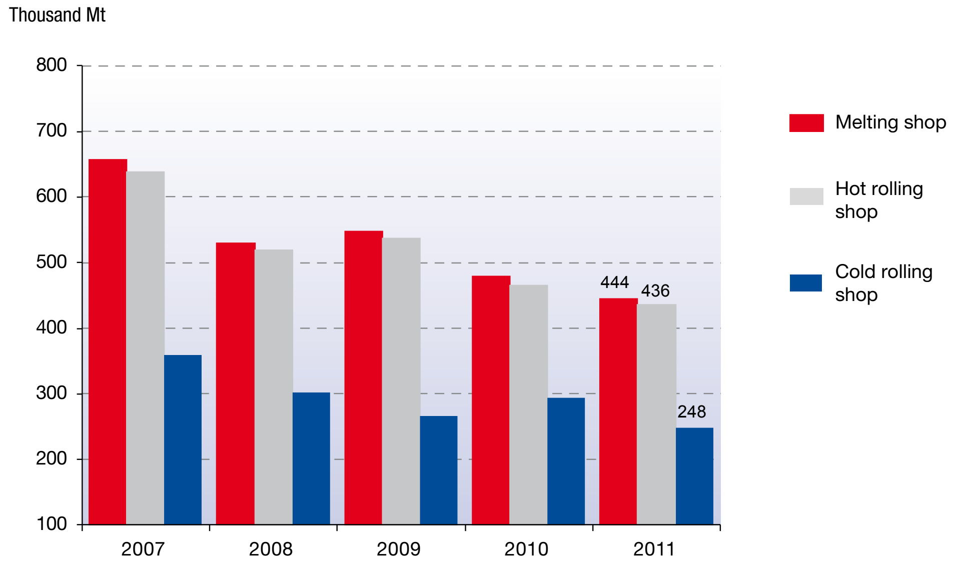
This competitiveness and ready access to liquid ferrochrome place Columbus in a strong position to face up to the challenges of the market. Moreover, it will make a vital contribution to the development of Bahru Stainless mill in Malaysia, by supplying black coil for its subsequent cold rolling.

Slab continuous casting

PRODUCTION

444,036 MT were produced in the plant, 7.2% less than in 2010. Hot rolling was 435,564 MT (-6.6%) and cold rold rolling 248,374 MT (-14.4%).

Annual Producction in Columbus



“Plate” production increased by 41.8%, reaching a figure of 59,922 MT.

WORKFORCE

As at 31st December 2011, the Columbus workforce numbered 1,708 employees, a figure which is 2.5% lower than 2010.

In accordance with the criteria stipulated by the South African Government in the “Employment Equity Act”, the ethnic makeup of the workforce is 49% Black, 49% White and 2% of Asian origin.

Celebrating having achieved 1.000.000 Mt of production 3Cr12

HEALTH AND SAFETY AND ENVIRONMENTAL RESPONSIBILITY

The safety trend which refers to both minor and serious injuries was positive, with a frequency index of 0.38.

Accident Rate Evolution in Columbus

The environment is duly controlled and we obtained a licence for the usage of water and an APPA (Atmospheric Pollution Prevention Act) certificate.

RESULTS

The net sales of Columbus were 8,035 million rands (802 million euros), 1% lower than the results of 2010 (-3.7% in euros, due to the depreciation of the Rand versus Euro).

RESULTS AS OF 31 DECEMBER 2011 OF COLUMBUS

(Million Euros)

	2011	2010	Variation
Net turnover	802.3	833.2	-3.7%
Result before taxes	-32.6	-24.5	32.8%
Depreciation	29.7	30.4	-2.2%
Result after taxes	-23.3	-17.6	32.5%
Net cash flow	6.4	12.8	-49.8%

The result after taxes was losses of 233.5 million rands (23.3 million euros). In 2010 losses amounted to 171 million rands (17.6 million euros).

5 Bahru Stainless, SDN. BHD.

For Bahru Stainless, 2011 has signified the culmination of Phase I with the succesful commissioning of its main equipment.

The ZM-1 mill processed its first coil in August.The remaining auxiliary lines came on stream in stages, and in December 2011, the Phase I of the project was concluded with the comissioning of the annealing and pickling line No.1/AP1.

The quality of the first coils produced was excellent which attests to the success of the Technical Assistance Program which brought together a collaboration of technical engineers from the three factories, Acerinox Europa, NAS and Columbus.

A total of 2,276 MT have been produced between the months of November and December.

The Finishing Shop, set up at the end of 2010, was operational throughout the year, processing material for Acerinox Malaysia and Yick Hoe Metals. Total production was 40,792 MT.

Likewise, The Tanjung Langsat Port has been operational throughout the year to receive raw materials, supplied mainly by Acerinox Europa and Columbus.

Bahru Stainless start up or operations

Laying foundations ZM-2

WORKFORCE

At the end of 2011, Bahru Stainless had 233 employees, of whom 219 were Malaysian citizens and 14 were expatriots. Throughout the year training programs were implemented both in Malaysia and in the factories in Spain, the USA and South Africa.

HEALTH AND SAFETY AND ENVIRONMENTAL RESPONSIBILITY

The Health and Safety at Work Plan has proved its effectiveness by not having a single serious accident to report during the reference period.There have only been minor injuries which have occurred due to carelessness at work. All of these have been fully investigated and the appropriate action taken to make staff more aware of the risks.

Similarly, “The Environmental Management Plan” has been presented and is in the process of being adopted at the end of this report.

Phase II of investments for an amount of 310 million USD, was approved in July 2010. The civil works and the construction of the foundations have been carried out throughout 2011. The most important equipment will be received during the first half of 2012 and it will be commissioned in the first quarter of 2013.

RESULTS

In 2011, Bahru Stainless has turned over 74.8 million ringgits (17.6 million euros), and as a result of expenses related the construction and set up of the mill, it had losses before tax of 21.4 million ringgits (5.1 million euros).

Visit of the Spanish ambassador in Malaysia, Spanish ambassador in Singapore and General Director of MITI in Malaysia

Foundation Phase II

Technical asístanse to Bahru Stainless staff

6 Roldan, S.A. and Inoxfil, S.A.

ROLDAN, S.A.

The results for 2011 can be considered to be satisfactory given the extraordinarily difficult circumstances the company had to deal with. During the first half-year period its activities were seriously limited by the fire in the rolling facilities on 20th November 2010 and during the rest of the year by the collapse of the market, especially in the last quarter.

In spite of this, decisive action and good management in rebuilding the damaged profile rolling mill, quick decision making, a strict savings plan, and the assistance of other group Companies made it possible to end the financial year with positive results

The insurance company indemnified Roldan for the damages incurred in the fire, and also for lost profits and extra costs incurred as a consequence.

Turnover for Roldan, S.A was 224 million euros, 21% less than in 2010. Nevertheless, the result before taxes was 8.2 million euros, only 12.8% lower than 2010.

Results as at 31 December 2011 of Roldan

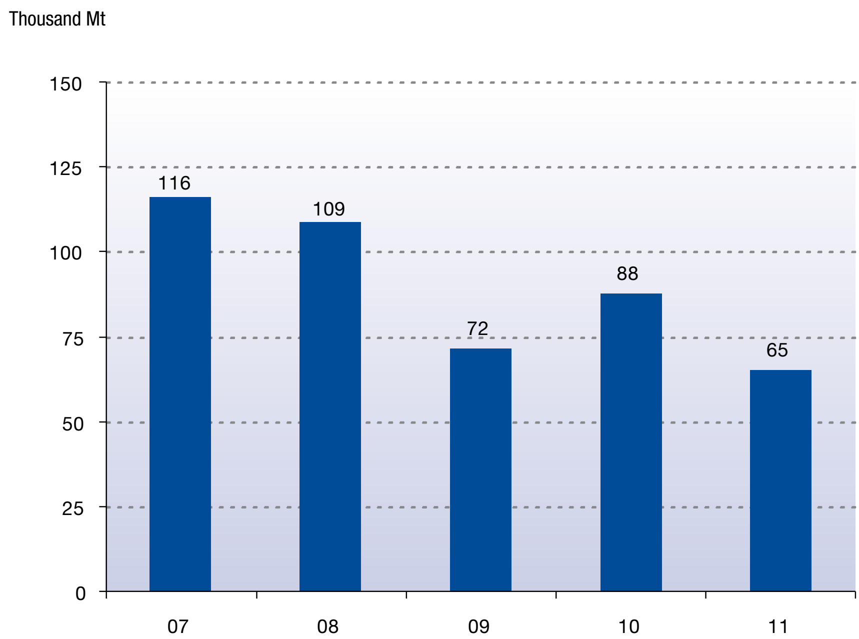
(Million Euros)

	2011	2010	Variation
Net turnover	224.1	283.1	-20.8%
Result before taxes	8.2	9.4	-13.3%
Depreciation	4.4	4.6	-4.8%
Result after taxes	6.7	10.3	-35.5%
Net cash flow	11.1	15.0	-26.0%

Hot rolling production amounted to 64,096 MT, and that of finished products was 65,460 MT.

Birds-eye view of Roldan Factory

Annual Producction in Roldan



INOXFIL, S.A.

In 2011, Inoxfil, S.A maintained positive results during the first half-year period only to reverse the trend during the third and especially the forth quarters of the year.

Production was 10,311 MT, which is a decline of 15% in relation to 2010.

The net result, -0.7 million euros, signifies a decrease of 33.3% in relation to the previous year.

Inoxfil Factory

7 Trading Companies

The business activity of the trading companies has been affected by the fragility of the European market, and the pressure prices being driven down Asia, magnified by a steady ten-month decline in the nickel price, which has affected stock valuation.

NATIONAL TRADING COMPANIES

The total sales of the national trading companies, amounting to 375.1 million euros, are 2.8% lower than 2010.

The net result added is a loss of 8 million euros versus a profit of 3.6 million euros shown in 2010.

These figures reflect the deterioration of the Spanish market which constitutes up to 9.6% of the total market.

OVERSEAS TRADING COMPANIES

The total sales of the overseas trading companies were 1,657 million euros, a figure that is down 2% on the previous year.

The added profit amounted to 8 million euros in comparison with 35 million euros in 2010, and this is a result of the transfer pricing policy adopted by Acerinox.

UK service center

Imagen cortesía de RESOLUR

Urban forniture in Santa Pola (Alicante)

05 Board of Directors, Committees and Senior Management

BOARD OF DIRECTORS

Chairman:
Mr. RAFAEL NARANJO OLMEDO

Chief Executive Officer:
Mr. BERNARDO VELÁZQUEZ HERREROS

Directors:
Mr. PEDRO BALLESTEROS QUINTANA
Mr. CLEMENTE CEBRIÁN ARA
Mr. MANUEL CONTHE GUTIÉRREZ
Mr. JOSÉ RAMÓN GUEREDIAGA MENDIOLA
Mr. ÓSCAR FANJUL MARTÍN
Mr. RYO HATTORI
Mr. LUIS LOBÓN GAYOSO
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN
Mr. BRAULIO MEDEL CÁMARA
Mr. YUKIO NARIYOSHI
Mrs. BELÉN ROMANA GARCÍA
Mr. DIEGO PRADO PÉREZ-SEOANE
Mr. MVULENI GEOFFREY QHENA

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ

EXECUTIVE COMMITTEE

Mr. RAFAEL NARANJO OLMEDO (Chairman)
Mr. ÓSCAR FANJUL MARTÍN
Mr. JOSÉ RAMÓN GUEREDIAGA MENDIOLA
Mr. RYO HATTORI
Mr. LUIS LOBÓN GAYOSO
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN
Mr. BERNARDO VELÁZQUEZ HERREROS

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Mr. JOSÉ RAMÓN GUEREDIAGA MENDIOLA (Chairman)
Mr. ÓSCAR FANJUL MARTÍN
Mr. BRAULIO MEDEL CÁMARA
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN (Secretary)

AUDIT COMMITTEE

Mrs. BELÉN ROMANA GARCÍA (Chairwoman)
Mr. PEDRO BALLESTEROS QUINTANA
Mr. CLEMENTE CEBRIÁN ARA
Mr. RYO HATTORI
Mr. DIEGO PRADO PÉREZ-SEOANE

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ

STEERING COMMITTEE

Mr. BERNARDO VELÁZQUEZ HERREROS
Chief Executive Officer

Mr. ANTONIO FERNÁNDEZ-PACHECO MARTÍNEZ
Managing Director

Mr. OSWALD WOLFE GÓMEZ
Commercial Director

Mr. JOSÉ LUIS MASI SAINZ DE LOS TERREROS
Chief Executive Officer of Acerinox Europa

Mr. MIGUEL FERRANDIS TORRES
Financial Director

Mr. LUIS GIMENO VALLEDOR
General Counsel

TOP EXECUTIVES OF THE INDUSTRIAL COMPANIES

Acerinox Europa, S.A.U.:
Mr. JOSÉ LUIS MASI SÁINZ DE LOS TERREROS

North American Stainless (NAS):
Mr. CRISTÓBAL FUENTES TOVAR

Columbus Stainless Pty. Ltd.:
Mr. DAVE MARTIN

Bahru Stainless Sdn. Bhd.:
Mr. LUCIEN MATTHEWS

Roldan, S.A.:
Mr. JORGE RODRÍGUEZ ROVIRA (Factory Director)

Inoxfil, S.A.:
Mr. ANGEL BRUÑÉN CEA

FIRST EXECUTIVES OF THE TRADING COMPANIES AND COMMERCIAL OFFICES

1. SPAIN

Grupinox:
Mr. DOMINGO NIEVES DÍAZ

Inoxidables de Euskadi, S.A.:
Mr. JOSÉ CRUZ DE VICIOLA GARCÍA

2. EUROPE

Acerinox Deutchland Gmbh:
Mr. JOACHIM MAAS

Acerinox Benelux SA-NU:
Mr. LUIS PABLO GONZÁLEZ ROBLES

Acerinox France Sarl.:
Mr. PHILIPPE AUDEON

Acerinox Italia Srl.:
Mr. GIOVANNI DI CARLI

Acerol Portugal:
Mr. ÁLVARO ARNÁIZ EGUREN

Acerinox Polska, SP. Z.O.O.:
Mrs. PILAR SENISE GARCIA

Acerinox Scandinavia, S.A.:
Mr. BENGT LAGERGREN

Acerinox Norway, A.S.:
Mr. JAN GJERLAUG

Acerinox Schweiz AG:
Mrs. HILDEGARD POITZ

Acerinox UK, Ltd.:
Mr. PABLO CANTLE CORNEJO

3. AMERICA

Acerinox Argentina, S.A.:
Mr. JOSÉ CARLOS RODRÍGUEZ ARANDA

Acerinox Brasil, Ltd.:
Mr. DANIEL SILLERO GÜNTHER

Acerinox Chile:
Mr. HERNÁN ORTEGA AVENDAÑO

Acerinox Colombia:
Mr. GONZALO DEL CAMPO BARCON

Acerinox, S.A. Perú, Commercial Office:
Mr. ALFREDO IPANAQUE

Acerinox, S.A. Venezuela, Commercial Office:
Mr. GONZALO DEL CAMPO

North American Stainless (NAS) Mexico:
Mrs. BARBARA THIRION

North American Stainless (NAS) Canada:
Mr. ROGER MANSFIELD

4. ASIA

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