Acerinox, S.A. and Subsidiaries

Consolidated Annual Accounts
31 December 2015

Consolidated Directors' Report
2015

(With Auditors' Report Thereon)

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

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

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the Shareholders of
Acerinox, S.A.

Report on the consolidated annual accounts

We have audited the accompanying consolidated annual accounts of Acerinox, S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2015 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

Directors' responsibility for the consolidated annual accounts

The Directors of the Company are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they present fairly the consolidated equity, consolidated financial position and consolidated financial performance of Acerinox, S.A. and subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions in the financial reporting framework that are applicable to the Group in Spain, and for such internal control that they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and that we plan and conduct our audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's Directors' preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual accounts taken as a whole

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and consolidated financial position of Acerinox, S.A. and subsidiaries at 31 December 2015 and their financial performance 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 reporting framework.

Report on other legal and regulatory requirements

The accompanying consolidated directors' report for 2015 contains such explanations as the Directors of Acerinox, S.A. consider relevant to the situation of the Group, its business performance 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 2015. 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.

(*Signed on the original in Spanish*)

Borja Guinea López

29 February 2016

ACERINOX, S.A. AND SUBSIDIARIES

Annual Accounts
of the Consolidated Group

31 December 2015

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

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CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED BALANCE SHEETS

(In thousands of Euros at 31 December 2015 and 2014)

	Note	2015	2014
ASSETS			
Non-current assets			
Goodwill	7	69,124	69,124
Other intangible assets	7	11,181	9,311
Property, plant and equipment	8	2,025,856	1,971,519
Available-for-sale financial assets	9	10,667	8,401
Deferred tax assets	17	188,891	192,130
Other non-current financial assets		11,811	6,032
TOTAL NON-CURRENT ASSETS		**2,317,530**	**2,256,517**
Current assets			
Inventories	10	824,929	851,698
Trade and other receivables	9	470,367	466,091
Other current financial assets	9	15,497	84,576
Current tax assets	17	17,394	18,390
Cash and cash equivalents	11	479,955	738,368
TOTAL CURRENT ASSETS		**1,808,142**	**2,159,123**
TOTAL ASSETS		**4,125,672**	**4,415,640**

Notes 1 to 20 form an integral part of the consolidated annual accounts.

(In thousands of Euros at 31 December 2015 and 2014)

	Note	2015	2014
EQUITY AND LIABILITIES			
Equity			
Subscribed capital	12	66,677	65,426
Share premium	12	81,403	81,403
Reserves	12	1,525,178	1,431,935
Profit for the period	12	42,891	136,329
Translation differences	12	212,879	18,048
Parent shares	12	-1	0
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		**1,929,027**	**1,733,141**
Non-controlling interests	12	94,277	112,552
TOTAL EQUITY		**2,023,304**	**1,845,693**
Non-current liabilities			
Deferred income	13	7,513	6,430
Issue of bonds and other marketable securities	9	123,931	124,050
Loans and borrowings	9	617,230	895,958
Non-current provisions	14	13,698	13,706
Deferred tax liabilities	17	227,167	213,285
Other non-current financial liabilities	9	6,054	22,758
TOTAL NON-CURRENT LIABILITIES		**995,593**	**1,276,187**
Current liabilities			
Issue of bonds and other marketable securities	9	1,653	
Loans and borrowings	9	447,887	334,079
Trade and other payables	9	641,726	915,596
Current tax liabilities	17	1,092	35,997
Other current financial liabilities	9	14,417	8,088
TOTAL CURRENT LIABILITIES		**1,106,775**	**1,293,760**
TOTAL EQUITY AND LIABILITIES		**4,125,672**	**4,415,640**

Notes 1 to 20 form an integral part of the consolidated annual accounts.

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

2. CONSOLIDATED INCOME STATEMENTS

(Expressed in thousands of Euros)

	Note	2015	2014
		-	-
Revenues	**15**	4,221,426	4,380,289
Other operating income	15	13,017	17,285
Self-constructed non-current assets	15	18,888	15,993
Changes in inventories of finished goods and work in progress		-19,783	38,203
Supplies		-3,000,348	-3,102,614
Personnel expenses	15	-368,176	-347,164
Amortisation and depreciation	7,8	-163,684	-150,345
Other operating expenses	15	-580,452	-553,960
RESULTS FROM OPERATING ACTIVITIES		**120,888**	**297,687**
Finance income	16	4,292	5,301
Finance costs	16	-51,175	-61,802
Exchange losses	16	62,400	-63,988
Fair value measurement of financial instruments	16	-59,509	66,577
Share of profit of equity-accounted investees			1
PROFIT FROM ORDINARY ACTIVITIES		**76,896**	**243,776**
Income tax	17	-45,589	-118,311
Other taxes	17	-4,989	-2,778
PROFIT FOR THE PERIOD		**26,318**	**122,687**
Attributable to:			
NON-CONTROLLING INTERESTS		**-16,573**	**-13,642**
NET PROFIT ATTRIBUTABLE TO THE GROUP		**42,891**	**136,329**
Basic and distributed earnings per share (in Euros)	12.7	0.16	0.53

Notes 1 to 20 form an integral part of the consolidated annual accounts.

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3. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of Euros)

	Note	2,015	2,014
A) PROFIT FOR THE YEAR		**26,318**	**122,687**
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
I. Measurement of financial instruments			
1. Available-for-sale financial assets	9.2.5	1,991	-745
2. Other income/expense			
II. Cash flow hedges	9.2.6	15,323	26,236
III. Translation differences	12.4	193,394	236,779
IV. Actuarial gains and losses and other adjustments	14.1	188	-1,685
V. Tax effect		-4,426	-7,902
B) TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		**206,470**	**252,683**
AMOUNTS TRANSFERRED TO THE INCOME STATEMENT			
I. Measurement of assets and liabilities			
1. Measurement of financial instruments			
2. Other income/expense			
II. Cash flow hedges	9.2.6	-8,412	-22,770
III. Translation differences			
IV. Actuarial gains and losses and other adjustments			
V. Tax effect		2,161	6,905
C) TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		**-6,251**	**-15,865**
TOTAL COMPREHENSIVE INCOME		**226,537**	**359,505**
a) Attributable to the Parent		**244,523**	**362,992**
b) Attributable to non-controlling interests		**-17,986**	**-3,487**

Notes 1 to 20 form an integral part of the consolidated annual accounts.

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(Expressed in thousands of Euros)

		Equity attributable to shareholders of the Parent												
	Notes	Subscribed capital	Share premium	Retained earnings (including profit for the year)	Property, plant and equipment revaluation reserves	Cash flow hedge reserves	Available-for-sale asset fair value reserve	Actuarial valuation reserves	Translation differences	Interim dividend	Own shares	TOTAL	Non-controlling interests	TOTAL EQUITY
Equity at 31/12/2013		64.287	81.403	1.512.909	5.242	-11.936	-6.675	398	-208.583	0	0	1.437.045	116.180	1.553.225
Adjustments to correct errors	2.19			-10.435								-10.435		-10.435
Adjusted equity at 31/12/2013		64.287	81.403	1.502.474	5.242	-11.936	-6.675	398	-208.583	0	0	1.426.610	116.180	1.542.790
Profit for 2014				136.329								136.329	-13.642	122.687
Measurement of available-for-sale assets (net of tax)	9.2.5						-475					-475		-475
Cash flow hedges (net of tax)	9.2.6					1.687						1.687	7	1.694
Actuarial valuation of employee benefit commitments	14.1							-1.180				-1.180		-1.180
Translation differences	12.4								226.631			226.631	10.148	236.779
Income and expense recognised in equity		0	0	0	0	1.687	-475	-1.180	226.631	0	0	226.663	10.155	236.818
Total comprehensive income		0	0	136.329	0	1.687	-475	-1.180	226.631	0	0	362.992	-3.487	359.505
Capital increase	12.1	1.139		-1.199								-60		-60
Distribution of dividends	12.2			-56.135								-56.135		-56.135
Transactions with shareholders		1.139	0	-57.334	0	0	0		0	0	0	-56.195	0	-56.195
Acquisition of own shares	12.1										-1	-1		-1
Disposal of own shares	12.1										1	1		1
Acquisition of non-controlling shares from non-controlling interests				-955								-955	-141	-1.096
Other movements				689								689		689
Equity at 31/12/2014		65.426	81.403	1.581.203	5.242	-10.249	-7.150	-782	18.048	0	0	1.733.141	112.552	1.845.693
Profit for 2015				42.891								0	-16.573	-16.573
Measurement of available-for-sale assets (net of tax)	9.2.5						1.494					1.494		1.494
Cash flow hedges (net of tax)	9.2.6					5.204						5.204	-8	5.196
Valoración actuarial compromisos	14.1							103				103	32	135
Translation differences	12.3								194.831			194.831	-1.437	193.394
Income and expense recognised in equity		0	0	0	0	5.204	1.494	103	194.831		0	201.632	-1.413	200.219
Total comprehensive income		0	0	42.891	0	5.204	1.494	103	194.831		0	244.523	-17.986	226.537
Capital increase (scrip dividend)	12.1	1.251		-1.344								-93		-93
Distribution of dividends (scrip dividend)	12.2		0	-47.836								-47.836		-47.836
Transactions with shareholders		1.251	0	-49.180	0	0	0	0	0		0	-47.929	0	-47.929
Acquisition of own shares	12.1										-1	-1		-1
Disposal of own shares	12.1										0	0		0
Acquisition of non-controlling shares from non-controlling interests	5.2			-1.241								-1.241	-289	-1.530
Other movements				534								534		534
Equity at 31/12/2015		66.677	81.403	1.574.207	5.242	-5.045	-5.656	-679	212.879	0	-1	1.929.027	94.277	2.023.304

Notes 1 to 20 form an integral part of the consolidated annual accounts.

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(Expressed in thousands of Euros)

		2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES	**Notes**		
Profit before tax		**76,896**	**243,776**
Adjustments for:			
Amortisation and depreciation	**7 and 8**	163,684	150,345
Impairment		3,705	-4,555
Change in provisions		-1,373	1,909
Grants recognised in the income statement	**13**	-2,772	493
Gains/losses on disposal of fixed assets	**8**	-185	-1,747
Change in fair value of financial instruments		36,733	-37,974
Finance income	**16**	-4,292	-5,191
Finance costs	**16**	51,175	61,802
Other income and expense		-36,520	62,664
Changes in working capital:			
Increase/decrease in trade and other receivables		155,849	-4,048
Increase/decrease in inventories		48,753	-82,630
Increase/decrease in trade and other payables		-334,126	-174,740
Other cash flows from operating activities			
Interest paid		-49,452	-62,018
Interest received		3,869	5,191
Income tax paid		-94,520	-103,392
NET CASH FROM OPERATING ACTIVITIES		**17,424**	**49,885**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		-68,863	-77,894
Acquisition of intangible assets		-1,255	-996
Acquisition of non-controlling shares from non-controlling interests	**5**	-1,022	-1,094
Acquisition of other financial assets		-345	-1,294
Proceeds from sale of property, plant and equipment		1,338	3,720
Proceeds from sale of intangible assets		2	
Proceeds from sale of other financial assets		2,139	171
Dividends received		423	111
Other amounts received/paid for investments			
NET CASH USED IN INVESTING ACTIVITIES		**-67,583**	**-77,276**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of own equity instruments	**12**	-93	-60
Acquisition of own shares	**12**	-1	-1
Disposal of own shares	**12**	0	1
External financing received		157,452	801,600
Repayment of interest-bearing liabilities		-334,806	-650,363
Dividends paid	**12**	-47,836	-56,135
Distribution of share premium			
Contribution from non-controlling shareholders			
NET CASH FROM/USED IN FINANCING ACTIVITIES		**-225,284**	**95,042**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**-275,443**	**67,651**
Cash and cash equivalents at beginning of year	**11**	738,368	629,602
Effect of exchange rate fluctuations		17,030	41,115
CASH AND CASH EQUIVALENTS AT YEAR END	**11**	**479,955**	**738,368**

Notes 1 to 20 form an integral part of the consolidated annual accounts.

CONTENTS: NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

6. NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

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

NOTE 1 – GENERAL INFORMATION

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

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

Registered office: 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 shareholdings in companies with the same or similar statutory activities. The Group's principal activity, conducted through its subsidiaries, is the manufacture, transformation and marketing of stainless steel products. The Acerinox Group is one of the main steel manufacturers in the world. It 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 that makes flat steel and currently has cold rolling production lines. The Group also has a network of sales subsidiaries in Spain and abroad that sell all its products as their main activity. Details of all the companies included in the Acerinox consolidated Group are provided in **note 5**, as well as the activities they carry out. The Parent's principal activity 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 activities within the Group.

Financial year: the financial year of Acerinox, S.A. and all the Group companies is the twelve-month period 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 29 February 2016.

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 interpretations (IFRIC) as adopted by the European Union (hereinafter IFRS-EU) and other applicable provisions in the financial reporting framework.

The annual accounts for 2015 have been prepared using the same accounting principles (IFRS-EU) as for 2014, except for the standards and amendments adopted by the European Union mentioned below, which are obligatory as of 1 January 2015, and which have not had a significant impact on the Group.

The standards taking effect from 1 January 2015 are the following:

- IFRIC 21 Levies. Effective for annual periods beginning on or after 1 January 2014. However, effective for periods beginning on or after 17 June 2014 in the EU. This interpretation has no impact on these financial statements.

The following are standards or interpretations already adopted or pending adoption by the European Union that will be obligatory in the coming years and are expected to have a greater impact on the Group:

- IFRS 9 - Financial Instruments. This standard will be applicable for years commencing on or after 1 January 2018. Pending adoption by the European Union. This standard reduces the number of financial instrument categories to two: amortised cost and fair value. This standard also stipulates that debt instruments may only be classified as at amortised cost when they are payments of principal and interest, so all other debt should be recognised at fair value. The Group will need to adapt the classification of its financial instruments as a result. Changes in the value of available-for-sale financial assets are to be recognised as changes in equity, and not transferred to profit or loss, even if the assets are impaired. The standard also proposes significant changes in terms of aligning hedge accounting and risk management, defining a target-based approach and eliminating inconsistencies and shortfalls in the existing model. Some aspects of the measurement of equity instruments have also been modified. The Group is assessing the impact of this standard, although it is not expected to have a significant impact on the Group's assets and liabilities.

- IFRS 15 - Revenue from Contracts with Customers. Effective for periods beginning on or after 1 January 2018. Pending adoption by the EU. The Group is assessing the impact of this standard, although it is not expected to have a significant impact on the Group's assets and liabilities.
- IFRS 16 Leases. The main impact of this standard is that a lease contract is considered as a right to use the asset identified in the contract, thus it should be recognised as an asset and the debt for future payments as a liability. Effective for periods beginning on or after 1 January 2019. The Group is assessing the impact of this standard, which is not expected to be significant. Pending adoption by the EU.

No disclosures or accounting principles have been applied in advance.

2.2 Basis of presentation of the consolidated annual accounts

The accompanying consolidated annual accounts have been prepared by the directors of the Parent to present fairly the Group's consolidated equity and consolidated balance sheet at 31 December 2015 and 2014, as well as the consolidated results of its operations and changes in consolidated equity and consolidated cash flows for the years then ended.

The 2015 annual accounts include comparative figures for the prior year.

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

The preparation of the consolidated annual accounts under IFRS-EU requires the Parent's management to make judgements, estimates and assumptions that affect the application of accounting policies and, therefore, the amounts reported in the consolidated balance sheet and the consolidated income statement. These estimates are based on past experience and other factors considered appropriate. The Group may amend these estimates in light of subsequent events or changes in circumstances. The aspects that involve a greater degree of judgement in the application of IFRS-EU or for which the estimates made are significant for the preparation of the consolidated annual accounts are detailed in **note 3**. Qualitative and quantitative details of the risks assumed by the Group which could have an effect on future years are provided in **note 4**.

The accompanying consolidated annual accounts have been prepared on the basis of the individual accounting records of the Company and the subsidiaries 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 2014 were approved by the shareholders at their annual general meeting held on 3 June 2015. The Group's consolidated annual accounts for 2015 are currently pending approval by the shareholders. The directors of the Company consider that these consolidated annual accounts will be approved with no changes by the shareholders at their annual general meeting.

2.3 Going concern assumption and accruals 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 Consolidation principles

a) Subsidiaries

Subsidiaries are entities over which the Company either directly or indirectly exercises control. The Company exercises control over a subsidiary when it is exposed, or has rights, to variable returns and has the ability to affect those returns through its power over the subsidiary. Furthermore, the Company is understood to have power over a subsidiary when it has existing substantive voting rights that give it the ability to direct the financial and operating activities and policies of the subsidiary.

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

The Group has considered potential voting rights in assessing its level of control over Group companies.

The subsidiaries' accounting policies have been adapted to Group accounting policies.

The Acerinox Group's consolidated subsidiaries at 31 December 2015 and 2014 are listed in **note 5**.

b) Non-controlling interests

Non-controlling interests are shareholders that exercise no control over the Company. They represent the portion of the Group's profit or loss and net assets attributed to non-controlling interests. The portion of the Group's net assets attributed to non-controlling interests are disclosed in consolidated equity separately from that attributable to the shareholders of the Parent. Non-controlling interests' share in consolidated profit or loss for the year and in consolidated total comprehensive income for the year are also disclosed separately in the consolidated income statement and in the consolidated statement of comprehensive income.

Non-controlling interests in the subsidiaries acquired are recognised at the acquisition date at the proportional part of the fair value of the identifiable net assets.

Profit and loss and each component of other comprehensive income are allocated to equity attributable to shareholders of the Parent and to non-controlling interests in proportion to their investment, even if this results in the non-controlling interests having a deficit balance. Agreements entered into between the Group and non-controlling interests are recognised as a separate transaction.

c) Business combinations

The Group applies the acquisition method for business combinations.

No business combinations took place in 2015 or 2014.

d) Associates

Associates are entities over which the Group has significant influence in financial and operating decisions, but not control or joint control.

The financial statements of associates are included in the consolidated annual accounts using the equity method. The Group's share of the profit or loss of an associate from the date of acquisition is recognised with a credit or debit to share in profit/loss for the year of equity-accounted investees in the consolidated income statement.

Losses of an associate attributable to the Group are limited to the value of its net investment, as the Group has not acquired any legal or constructive obligations.

The Group has no significant investments in associates.

e) Balances and transactions eliminated on consolidation

Balances and transactions between Group companies and the resulting unrealised gains or losses with third parties are eliminated on consolidation.

2.5 Translation differences

i) Functional and presentation currency

The annual accounts of each Group company are expressed in the currency of the underlying economic environment in which the entity operates (functional currency). The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros, the Parent's functional and presentation currency.

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 reporting date are translated at the closing exchange rate prevailing at that date. Any exchange differences that may arise from translation are recognised in profit or 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 measured at fair value are translated to the functional currency using the exchange rate prevailing at the date on which fair value was determined. Exchange gains and losses on non-monetary items measured at fair value are recorded as a part of the gain or loss on the fair value of the item.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occur.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into functional currency of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

iii) Translation of foreign operations

The financial statements of Group companies that are stated in a currency other than the presentation currency have been translated to Euros as follows: assets and liabilities are translated at the closing rate prevailing at the reporting date; income and expenses are translated at the average exchange rate for the period; and exchange differences are recognised separately in equity under translation differences.

The Group has applied the exemption permitted by IFRS 1, First-time Adoption of International Financial Reporting Standards, relating to accumulated translation differences. Consequently, translation differences recognised in the consolidated annual accounts generated prior to 1 January 2004 are recognised in retained earnings. Furthermore, the Group did not apply IAS 21 The Effects of Changes in Foreign Exchange Rates retrospectively to goodwill arising on business combinations that occurred before the date of transition to IFRS. Consequently, goodwill is considered as an asset of the acquirer not the acquiree, and is therefore not subject to variations due to exchange rate fluctuations affecting the acquiree.

For presentation of the consolidated statement of cash flows, cash flows, including the comparative balances of foreign subsidiaries, are translated into Euros applying the same criteria as that used to translate the financial statements.

No Group companies operate in hyperinflationary economies.

2.6 Intangible assets

a) Goodwill

Business combinations are accounted for by applying the acquisition method. Goodwill represents the positive difference between the cost of acquisition and the Group's share of the fair value of the acquiree's identifiable net assets (assets, liabilities and contingent liabilities) at the acquisition date.

Due to the application of the exemption permitted by IFRS 1, goodwill on acquisitions completed prior to the transition to IFRS is recognised at historical cost, less accumulated amortisation following generally accepted accounting principles in Spain at the acquisition date. As none of the adjustments stipulated in IFRS 1 were required, this amount was considered the deemed cost of goodwill at the transition date.

After initial recognition, goodwill is measured 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**).

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

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 is expensed in the consolidated income statement when incurred.

When research findings are applied to produce new products or to substantially improve existing products and processes, the associated development costs are 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 non-current assets in the consolidated income statement. The expenditure capitalised includes the cost of materials, direct labour and directly attributable overheads.

Expenditure on activities for which the costs attributable to the research phase are not clearly distinguishable from costs associated with the development stage of intangible assets is recognised in the consolidated income statement.

Capitalised development costs are not amortised while the project is underway. 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 that led to the capitalisation of the project expenditure, the unamortised balance is expensed in the year the changes arise.

c) Computer software

Computer software licences are capitalised at the cost of acquiring the licence and preparing the specific program for use.

Computer software maintenance or development costs are charged as expenses when incurred. Costs that are directly associated with the production of identifiable and unique computer software packages by the Group are recognised as intangible assets provided that they are likely to generate economic benefits that exceed the associated costs for more than one year. Capitalised expenses comprise direct labour costs and directly attributable overheads.

d) Emission allowances

CO_2 emission allowances are recognised as intangible assets and measured at cost of acquisition. Allowances acquired free of charge under the National Allocation Plan pursuant to Law 1/2007 of 9 March 2007 are initially measured at market value at the date received. At the same time, a grant is recognised for the same amount under deferred income.

Emission allowances are not amortised, but rather are expensed when used.

At year end, the Group assesses whether the carrying amount of the allowances exceeds their market value in order to determine whether there are indications of impairment. If there are indications, the Group determines whether these allowances will be used in the production process or earmarked for sale, in which case the necessary impairment losses would be recognised. Provisions are released when the factors leading to the valuation adjustment have ceased to exist.

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

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

In the case of swaps of emission allowances, given that all of the Group's allowances were acquired free of charge, the accounting treatment applied by the Group is that of non-commercial swaps. The Group derecognises allowances surrendered at their carrying amount and recognises those received at their fair value when received. The difference between both values is recognised as deferred income.

Detailed information on emission allowances received and consumed in 2015 and 2014, as well as the swap performed in the year, is included in **note 7** Intangible assets.

e) Amortisation

Intangible assets with finite useful lives are amortised by allocating the depreciable amount of an asset on a systematic basis over its useful life. Intangible assets are amortised from the date they become available for use.

Goodwill and development expenditure on work in progress are tested annually for impairment.

Estimated useful lives are as follows:

- Industrial property: 5 years
- Computer software: 2-5 years

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

Residual values, amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Changes to initially established criteria are accounted for as a change in accounting estimates.

2.7 Property, plant and equipment

a) Owned assets

Property, plant and equipment are recognised at cost or deemed cost, less accumulated depreciation and any accumulated impairment losses.

The cost of self-constructed assets is determined using the same principles as for an acquired asset, while also considering the criteria applicable to production costs of inventories. The production cost is capitalised by allocating the costs attributable to the asset to self-constructed non-current assets in the consolidated income statement.

Borrowing costs directly linked to financing the construction of property, plant and equipment are capitalised as part of the cost until the asset enters service. The Group also capitalises certain borrowing costs incurred on loans that are not directly designated to finance the investments, applying a capitalisation rate to the amounts used to finance these assets. This capitalisation rate is calculated based on the weighted average of the borrowing costs incurred on loans received by the Company other than those specifically allocated to finance the assets. The amount of borrowing costs capitalised never exceeds the amount of borrowing costs incurred during the period.
The cost of property, plant and equipment includes major repair costs, which are capitalised and depreciated over the estimated period remaining until the following major repair.

Subsequent to initial recognition of the asset, only improvement costs incurred which will generate probable future profits and for which the amount may reliably be measured are capitalised. Costs of periodic servicing of property, plant and equipment are recognised in profit and loss as incurred.

Spare parts are carried as inventory unless the Group expects to use them over 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 a spare part is written off when it is used to replace a damaged part. Spare parts of property, plant and equipment are classified under technical installations and machinery in the breakdown provided in **note 8.**

b) Investment property

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

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

As investment property represents only a minor proportion of the Group's assets, it is included within property, plant and equipment. Details are, however, provided in the notes.

Lease income is recognised using the criteria described in note **2.17 b**).

c) Depreciation

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life. The depreciable amount is the cost or deemed cost of an asset, less its residual value. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Changes to initially established criteria are accounted for as a change in accounting estimates.

Land is not depreciated.

Property, plant and equipment are depreciated over the following estimated useful lives:

- Buildings: 10-50 years
- Technical installations and machinery: 3-30 years
- Other property, plant and equipment: 2-10 years

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 at each reporting date to determine whether there are any indications of impairment. If any such indication exists, the Group estimates the recoverable amount of the asset.

The recoverable amount of goodwill, which is not amortised, and of intangible assets not yet available for use is estimated at each reporting date, unless prior to this date there were indications of a possible loss in value, in which case these are tested for impairment.

Impairment losses are recognised whenever the carrying amount of the asset, or its corresponding cash-generating unit, exceeds its recoverable amount. Impairment losses are expensed in the income statement.

The recoverable amount of the assets is the higher of their fair value less costs to sell and their value in use. Value in use is the present value of estimated cash flows, applying a discount rate that reflects the current market valuation of the time value of money and the specific risks of the asset in question. 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.

Details of the variables and assumptions used by the Group to calculate value in use and identify cash-generating units are provided in **notes 7.2** and **8.1**.

Except in the case of goodwill, impairment losses recognised in prior years are reversed through the income statement provided that 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 (net of amortisation or depreciation) that the asset would have had if no impairment loss had 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, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, is recognised in profit or loss.

The measurement criteria applied to the financial assets held by the Group in 2015 and 2014 are detailed below.

a) Financial assets at fair value through profit or loss

Derivative financial instruments, except those that are designated as hedges and qualify for recognition as such, are included in this category.

The derivative financial instruments included in this category are classified as current assets and measured at fair value. Transaction costs directly attributable to the acquisition are recognised as an expense.

Changes in fair value are recorded under revaluation of financial instruments at fair value 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 they are not due to mature within 12 months of the reporting date. These investments are initially recognised at the fair value of the consideration given, including transaction costs directly attributable to the purchase, and subsequently measured at amortised cost using the effective interest method.

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

Trade receivables are included in this category, recognised at their nominal value, which is the same as their fair value, as generally they accrue no interest. In cases where the Group considers that amounts will not be collected when due, the provision for bad debts reduces the balance of trade receivables. The Group analyses trade receivables on an individual basis, although in general, all balances past due by more than 180 days or when the debtor has been declared insolvent are considered as impaired.

Discounted notes and factored trade receivables are recognised until maturity under both trade receivables and current loans and borrowings, unless the risks and rewards associated with these assets have been substantially transferred, in which case they are derecognised.

c) Available-for-sale financial assets

The Group classifies in this category non-derivative financial instruments that are designated as available for sale or which do not qualify for recognition in the previous categories. They are initially recognised at fair value plus transaction costs directly attributable to the purchase. After initial recognition financial assets classified in this category are measured at fair value provided this can be measured reliably, recognising the gain or loss in the consolidated statement of comprehensive income.

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

Equity investments included in this category whose market value cannot be reliably defined are measured at acquisition cost, as permitted by IFRS-EU, less any impairment losses.

When available-for-sale financial assets are sold, the cumulative gains or losses from changes in fair value recognised in the consolidated statement of comprehensive income are transferred to the consolidated income statement.

When a decline in the 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 cumulative loss is reclassified from equity to the income statement. This amount is calculated as the difference between the acquisition cost and the current fair value, less any previously recognised impairment. Any impairment losses recognised in the income statement in relation to these assets are reversed against equity rather than through profit and loss. Any subsequent increase in fair value is recognised under valuation adjustments in the consolidated statement of comprehensive income.

At the end of each reporting period the Group assesses whether there is objective evidence of impairment. Objective evidence of impairment exists when there is a significant or prolonged decline in the listed price of an investment below its cost. To determine whether this is the case, the Group examines the historical listed prices of its securities and how long they have been trading below cost.

2.9.3 Financial liabilities

For measurement purposes, financial liabilities are classified into the following categories:

a) Debts and payables

The financial liabilities classified in this category are initially recognised at cost, which is the same as their 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 cost is recognised in profit or loss. However, trade payables falling due in less than one year that have no contractual interest rate and are expected to be settled in the short term are measured at their nominal amount.

This category also includes the bonds issued by the Group.

The Group has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under trade and other payables until they are settled or repaid or have expired.

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, simultaneously, a 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.

These are recognised at fair value. Changes in fair value are recognised in profit or loss.

2.9.4 Hedge accounting

Derivative financial instruments are initially recognised at cost of acquisition, which coincides with their fair value. They are subsequently recognised at fair value.

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

The Group only undertakes cash flow hedges.

At the inception of the hedge the Group formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and until it expires. A hedge is considered as highly effective if it offsets the changes in cash flows attributable to the hedged risk throughout the period for which it was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis).

The Group prospectively discontinues the accounting of fair value hedges when the hedging instrument expires, is sold or the hedge no longer meets the criteria for hedge accounting. In these cases, the cumulative gain or loss on the hedging instrument that has been recognised in equity is recorded in profit or loss.

2.9.5 Determination of fair value

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

LEVEL 1: includes financial instruments for which the fair value is determined by reference to quoted prices on active markets.
LEVEL 2: includes financial instruments for which the fair value is determined based on observable market variables, other than quoted prices.
LEVEL 3: includes financial instruments for which the fair value is determined based on unobservable variables.

2.10 Inventories

Inventories are initially measured at cost of acquisition or production. Valuation allowances are made and recognised as an expense in the income statement when the cost of acquisition or production of inventories exceeds the net realisable value.

Net realisable value is the expected selling price of these goods less costs to sell.

Any write-downs 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 method.
- 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.

The cost of underutilisation of operating capacity is not included in the value of finished goods and work in progress.

The Group uses the same cost model for all inventories of the same nature and with a similar use.

The net realisable value for finished goods is the estimated selling price in the ordinary course of business, less costs to sell. In the case of work in progress the estimated costs of completion are also deducted from this price.

Raw materials are not written down below cost if the finished goods in which they will be used are expected to be sold at or above 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 that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

In the consolidated statement of cash flows, the Group classifies interest paid and received as cash flows from operating activities, while dividends received are considered cash flows from investing activities and dividends paid are classified as cash flows used in financing activities.

2.12 Grants

2.12.1 Capital grants

Capital grants are those received by the Group for the acquisition of property, plant and equipment and intangible assets. They are recognised as deferred income in the balance sheet. They are initially recognised at the original amount awarded when there is reasonable assurance that this will be received and that the Group will comply with the conditions attached. Subsequently, they are taken to the income statement on a straight-line basis over the useful lives of the assets for which the grants were received, except for those relating to CO_2 emission allowances, which are taken to income in line with the recognition of the corresponding greenhouse gas emission expense.

2.12.2 Operating grants

Operating grants are those received to finance specific expenses. They are recognised as income when the expenses are incurred.

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 these 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 bargaining agreements prevailing in certain Group companies. Accrued commitments are calculated as the present value of the accumulated benefits accrued by personnel until the reporting date, using actuarial assumptions. Calculations are made 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 on retirement.
- Other post-employment commitments: certain Group companies provide 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 this is applicable.

Defined benefit liabilities recognised in the consolidated balance sheet reflect the present value of defined benefit obligations at the reporting date, minus the fair value at that date of plan assets. The Group recognises changes in the actuarial value of obligations in comprehensive income.

The actuarial value of the commitments is calculated by an independent expert. The valuation is performed using the Projected Unit Credit method, taking into account mortality tables and estimates of future increases in medical costs.

When plan assets include insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of the insurance policies is considered equal to the present value of the related obligations.

c) Share-based payments

The Group does not have any share-based payment 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 will be required to settle the obligation; and
(iii) A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated.

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

The Group classifies assets and liabilities in the consolidated balance sheet as current and non-current. Assets and liabilities are considered current when the Group expects to settle, realise, sell or consume them in its normal operating cycle, they are held primarily for the purpose of trading, it expects to realise or settle them within twelve months after the reporting date or they are cash or cash equivalents.

2.16 Income taxes

The income tax expense for the year comprises current tax 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 reporting 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 using the tax rates (and laws) enacted or substantively enacted at the reporting date that are expected to apply to the period when the asset is realised or the liability settled.

The effect on deferred tax assets and liabilities 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. Deferred tax assets in respect of temporary differences are recognised only to the extent that it is probable that future taxable income will be available against which the asset can be utilised.

Deferred tax assets are reduced when it is no longer considered probable that sufficient future taxable income will be generated or there are no deferred tax liabilities against which the assets can be offset. Reductions are reversed if there is renewed expectation that sufficient taxable income will be available against which the derecognised balance can be utilised.

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

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

Certain companies in the consolidated Group have reserves that could be subject to taxation if they were distributed. The Group has not recognised any tax effect in this respect as these reserves are not expected to be distributed in the foreseeable future.

The Parent has filed consolidated tax returns since 1998. As agreed by the shareholders at an annual general meeting held on 28 May 2003, Acerinox, S.A. and some of the Spanish-domiciled subsidiaries form part of a consolidated tax group on an indefinite basis, with the exception of Metalinox Bilbao, S.A.U. and Inoxidables de Euskadi, S.A.U., which file tax returns separately. At 31 December 2015 and 2014 the consolidated tax group comprises Acerinox, S.A., Acerinox Europa, S.A.U, Roldán, S.A., Inoxfil, S.A., Inoxcenter, S.L.U. and Inoxcenter Canarias, S.A.U.

2.17 Income

a) Sales of goods and rendering of services

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

Revenue is recognised net of taxes, returns and discounts that the Group considers probable at the date the revenue is recognised, and after the elimination of intra-Group sales.

b) Lease income

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

c) Income from dividends

Dividend income is recognised when the Group's right to receive it is established.

2.18 Environmental issues

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

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

The Group has not recognised any environmental provisions.

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

2.19 Changes in accounting estimates and policies, and correction of errors

The Group applies IAS 8 to recognise changes in accounting estimates and accounting policies and to correct errors. The Group recognises changes in accounting estimates in the period in which they occur. Accounting errors are corrected in the year in which they occurred, restating the comparative information presented in the financial statements. Changes in accounting policies are applied retrospectively, adjusting the opening balances of the equity items affected.

In 2015 the Group has restated the comparative figures for 2014 to correct accumulated depreciation in respect of certain items of property, plant and equipment. This amount results from a standardisation adjustment made during the transition to international accounting standards that was not reversed in subsequent years. Consequently, the opening balances at 1 January 2014 have been restated, resulting in a reduction in the balances of property, plant and equipment, deferred tax liabilities and reserves of Euros 14 million, Euros 4 million and Euros 10 million, respectively. This adjustment represents an immaterial percentage of 0.5% of assets and liabilities and has no impact on the profit for 2015 or 2014. Therefore basic and diluted earnings per share are not affected.

NOTE 3 – ACCOUNTING ESTIMATES AND JUDGEMENTS

Accounting estimates and judgements are assessed constantly and based on past experience and other factors, including expectations of future events that are considered reasonable.

The Group makes estimates and judgements related to future events. The resulting accounting estimates could differ from actual results. In accordance with IAS 8 on Accounting Policies, Changes in Accounting Estimates and Errors, changes in accounting estimates are recognised prospectively in the Group's financial statements.

The Group's main estimates are as follows:

a) Impairment of goodwill and other non-financial assets

The Group tests goodwill annually for impairment, in accordance with the accounting policy described in note **2.8**.

The Group reviews property, plant and equipment at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, the Group estimates the recoverable amount of the asset.

The recoverable amount of a cash-generating unit (CGU) is determined based on its value in use. These calculations are made using reasonable assumptions based on past returns and future production and market development expectations. **Notes 7.2 and 8.1** include details of the analyses conducted by the Group in 2015 and 2014.

b) Useful lives of plant and equipment

Group management determines the estimated useful lives and corresponding depreciation charges for its plant and equipment based on expert valuations. 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 and non-strategic assets which have been abandoned or sold.

Estimated useful lives remain unchanged both in 2015 and 2014.

c) Fair value of derivatives or 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 reporting date, and provided that financial information is available to carry out this valuation. **Note 9.2.1** contains additional information on financial instruments measured in accordance with these assumptions.

d) Provisions

As mentioned in **note 2.14**, provisions recognised in the consolidated balance sheet reflect the best estimate at the reporting date of the amount expected to be required to settle a liability, provided that the materialisation of this outflow of resources is considered probable. Changes in foreseen circumstances could cause these estimates to vary and would be reviewed if necessary.

e) 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.

f) Recoverability of available tax loss carryforwards and deductions

The Group regularly evaluates its available tax credits through projections of profit and loss approved by management, to conclude as to whether they will be recoverable in the future. The Group takes into account the limitations to offsetting tax bases as stipulated in certain legislation. Details of the basis on which the Group assesses the recoverability of tax credits are provided in **note 17.2**.

The judgements and accounting estimates used by the Group in 2015 and 2014 are the same as in prior years.

NOTE 4 – FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to various financial risks: market risk (currency risk, interest rate 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.

4.1 Market risk

Market risk arises from variations in market prices due to exchange rate or interest rate fluctuations or changes in the price of raw and other materials, which can affect a company's results and equity as well as the values of its assets and liabilities.

4.1.1 Currency risk

The Group operates internationally and is therefore exposed to foreign currency risk, especially with regard to the US Dollar. Currency risk arises from commercial transactions, financing and investment operations, and from translation of financial statements in functional currencies other than the Group's presentation currency (Euro).

In order to control currency risk associated with commercial transactions, Group entities use forward currency sale or purchase contracts negotiated with the Group's Treasury Department in accordance with policies approved by management.

The Group also uses derivatives such as cross-currency swaps to control currency risk in financing operations.

The Group hedges most of its financial and commercial transactions in currencies other than the functional currency of each country. At the beginning of each month and subject to fortnightly review, each company considers its loans in non-local currency, trade receivables and supplier balances in foreign currency, the sales and purchases in foreign currency forecast for the period and exchange rate insurance coverage. The Group may take commercial and finance transactions as a whole into account when evaluating its total exposure for the purpose of hedging transactions in foreign currency.

Not all of the exchange rate insurance contracts entered into by the Group qualify for cash flow hedge accounting as established in **note 2.9.4**. Contracts that do not comply with these criteria have been accounted for as financial instruments at fair value through profit or loss.

In general, financial instruments designated to hedge exposure to currency risk arising from commercial transactions are not recognised as hedging instruments. However, those designated as a hedge of foreign currency risk arising from financial transactions qualify for recognition as hedging instruments.

The fair value of forward exchange contracts is their market price at the reporting date, which is the present value of the difference between the insured price and the forward price of each contract.

Note 9.2.6 includes details of financial instruments contracted by the Group to hedge this type of risk at 31 December 2015 and 2014.

As most commercial transactions in currencies other than the functional currency of the Company are hedged, any fluctuation in exchange rates that could affect assets or liabilities denominated in foreign currency would be offset by a fluctuation for the same amount in the derivative contracted.

Lastly, the Group is exposed to currency risk as a result of the translation to Euros of the individual financial statements of companies whose functional currency differs from the Group's presentation currency, particularly the US Dollar and the South African Rand.

Based on the exchange rates of these currencies against the Euro at the end of 2015, sensitivity to changes in exchange rates, with other variables remaining constant, is as follows:

(Expressed in thousands of Euros)

	Profit and loss		**Equity**	
	10% appreciation	**10% depreciation**	**10% appreciation**	**10% depreciation**
31 December 2015				
USD	4,076	-3,335	182,533	-149,345
ZAR	1,537	-1,257	19,385	-15,860
31 December 2014				
USD	16,442	-13,452	158,537	-129,712
ZAR	240	-197	21,340	-17,460

4.1.2 Interest rate risk

The Group's financing comes from various countries and in different currencies (mainly the Euro, the US Dollar and the South African Rand), with a range of maturity dates and mostly variable interest rates.

The Group's financial liabilities and financial assets are exposed to fluctuations in interest rates. To manage this interest risk rate, curves are analysed regularly and derivatives are used. These derivatives take the form of interest rate swaps and qualify 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 reporting date, taking into account interest and exchange rates at that date and the credit risk associated with the swap counterparties.

The Group has therefore hedged the interest rate risk on the majority of its non-current loans in recent years. **Note 9.2.6** includes details of the financial instruments arranged by the Group to hedge this type of risk at 31 December 2015 and 2014.

Risk premiums and credit spreads increased between 2009 and the end of 2013 as a result of the international financial crisis and money market turbulence. Since then, the Acerinox Group has witnessed a considerable improvement. The Group has minimised exposure to this risk by ensuring that its non-current borrowings exceed its current borrowings.

Regarding Group sensitivity to interest rates, had interest rates on the loan balances outstanding at the reporting date been 100 basis points higher, with all other variables remaining constant, consolidated profit after tax would have been Euros 5.03 million lower (3.65 million euros lower in 2014). The effect on the Group's equity of higher interest rates across the entire curve would have been a net decrease of Euros 0.79 million (Euros 5.86 million increase in 2014), as the higher borrowing costs would not have been offset by increases in the values of its interest rate hedging derivatives held at the reporting date.

4.1.3 Price risk

The Group is exposed to three types of price risk:

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

The risk of price fluctuations in listed 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** provides details of the impact of the fluctuations in listed securities during the year.

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 11.8% in 2007-2009 because of the worldwide economic recession, but recovered with growth of 26.4% in 2010. The aforementioned annual growth rate is therefore expected to prevail in the medium term.. 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. Although end consumption continues to grow steadily, the fact that this market is largely controlled by independent wholesalers leads to volatility in apparent consumption, reflecting their expectations regarding nickel price trends in the London Metal Exchange (LME) and their ensuing strategies to stockpile or realise inventories.

To counter the risk derived from the fact that independent wholesalers, control the majority of the market, the Acerinox Group has developed a sales network that enables it to supply end 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 among end customers and, therefore, stabilise sales and reduce this risk. The recent investments made in the Pinto (Madrid) service centre and the newly opened sales branches in Russia, Thailand, the Philippines, Taiwan, Indonesia, Vietnam and Dubai are examples of this strategy.

Maintaining sufficient inventory levels in warehouses entails the risk that these inventories might be recognised above their market price. The Group alleviates this risk by maintaining strict control over inventory levels

To counter the risk posed by the volatility of raw materials, 90% of Group sales (i.e. all sales made in Europe, America and South Africa) are naturally hedged by applying an alloy surcharge, which allows the Group to pass on any nickel price fluctuations occurring on the London Metal Exchange during production of the order, as well as Euro/US Dollar exchange rate fluctuations, to customers. With this hedge, a fluctuation of 10% in the price of nickel on the London Metal Exchange would alter the Group's gross margin on sales by less than 1%.

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

The Group's policy of taking firm orders naturally hedges the costs of raw materials, as all accepted orders have a known risk. The Group has also made considerable efforts to reduce its production cycle to two weeks. Keeping strict control over inventories and adapting production to market circumstances help to alleviate the risk of raw material price fluctuations.

The aforementioned factors (an own sales network, controlled inventory levels, alloy surcharges, average cost valuations, shortening of the production cycle and a policy of acceptance of short-term orders) help to reduce exposure to the main risk, namely the cyclical nature of apparent consumption due to the volatility of raw materials. As this is a factor beyond this Group's control, effective risk management is not always sufficient to eliminate its impact. In 2015, the uninterrupted decline in the price of nickel by 42% has led independent wholesalers to reduce their inventories, which has affected the flow of orders from manufacturers. Twelve months of uninterrupted decline in the price of this raw material has had an impact on profit margins in the industry worldwide. Had the Group not implemented such a strategy in managing this risk, the damage would have been far greater, as seen in other manufacturers.

4.2 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 risk corresponding to the country where the customer operates. Due to the diversity of its customers and the countries in which it operates, credit risk is not concentrated in any individual customer, sector or geographical region.

The Group hedges its commercial and political risks either through credit insurance companies, or through letters of credit and bank guarantees extended by banks of recognised solvency located in countries with low financial risk. Credit insurance covers between 85% and 90% of declared commercial risks, depending on the country in which the customer is located and the insurance company, and 90% of political risks. The Group's main credit insurer has an A3 credit rating from Moody's and an "A (excellent)" rating from A.M. Best.

In 2015 pay-outs of Euros 1,674 thousand have been collected under the credit insurance policy (Euros 2,798 thousand in 2014).

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

The risk committee comprises representatives from the sales, financial and legal departments. The risks of the companies that make up the Acerinox Group are analysed and information is in turn received from the respective risk committees of Bahru Stainless, Columbus, NAS or Grupinox (which represents the sales network in Spain).

Among other duties, the risk committee reviews the status of past-due debts, monitors sales with excessive exposure, and approves internal loans or, depending on the amount, requests approval from the steering committee.

The Group has long-standing commercial relationships with many of its customers. In the event of a late payment, the Group monitors future deliveries and payment terms closely, reviews credit limits and improves existing measures as appropriate.

Where permitted under local legislation in the country in which the customer operates, retention of title clauses are used to secure recovery of goods in the event of default on payment.

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 mitigate the risk of bad debts or provide for past-due balances, or when circumstances indicate that collection is doubtful. In general, the Group recognises impairment on receivables aged over 180 days or when the debtor has filed for insolvency. Details of movement in impairment of trade receivables are provided in **note 9.2.2**.

At 31 December 2015, consolidated trade receivables amount to Euros 439,537 thousand (Euros 443,565 thousand in 2014). Revenues for 2015 total Euros 4,221,426 thousand (Euros 4,380,289 thousand in 2014). Credit risk insurance has been contracted for 55% of consolidated net sales, (50% in 2014). Cash conditions exist for 2% (2% in 2014). Confirmed letters of credit or guarantees are used to hedge credit risk in 2% of consolidated net sales (2% in 2014). Domestic sales by North American Stainless Inc., which have a collection period of under 30 days, account for 37% of consolidated net sales (45% in 2014).

The ageing analysis of receivables is as follows:

(Expressed in thousands of Euros)

	2015	% of payables	2014	% of payables
Outstanding	366,051	83%	345,102	78%
Less than 30 days	49,622	11%	73,555	17%
30-60 days	8,950	2%	11,923	3%
60-90 days	3,801	1%	2,055	0%
Over 90 days	11,113	3%	10,930	2%
TOTAL	**439,537**	**100%**	**443,565**	**100%**

The Group has made provisions for Euros 9,815 thousand (Euros 10,487 thousand in 2014) of which the entire amount is for balances aged more than 90 days. Total known write-offs during the year amount to 0.01% of sales.

Most of the Group's past-due receivables are insured and generally reflect customary delays in trading activity (67% of past-due receivables are aged less than 30 days). At 15 February, over 73% of the above past-due debt has been collected (85% in 2014).

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.

Any advances to suppliers of property, plant and equipment or intangible assets are hedged through bank guarantees issued by the supplier and confirmed by banks of recognised solvency.

4.3 Liquidity risk

Although access to liquidity has improved considerably over the last two years, the Group ensures its solvency and flexibility through long-term loans and financing facilities for amounts exceeding the quantities required at any time.

The Group's cash is centrally managed to optimise resources. The Group's net debt is primarily concentrated within the Parent (more than 80% of total gross borrowings 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 2015 and 2014 no payment defaults occurred on the principal of loans or loan interest on the Group's financing.

At year end the Group has been granted current and non-current financing totalling Euros 1,788 million and facilities for factoring without recourse for Euros 420 million. At 31 December 2015 drawdowns comprised Euros 1,191 million from financing facilities and Euros 100 million from factoring facilities. In 2014, the Group had current and non-current financing facilities of Euros 1,909 million and facilities for factoring without recourse of Euros 480 million. Total drawdowns comprised Euros 1,354 million from financing facilities and Euros 251 million from factoring facilities. At 31 December 2015 cash and cash equivalents amount to Euros 480 million (Euros 738 million in 2014).

The high levels of bank borrowings to guarantee mid-term liquidity along with the ongoing effort to reduce working capital continues to provoke high levels of cash in the Group. The cash balances are available and there is no restriction on their use.

Cash deposits are always short-term – never exceeding three months – and with banks of recognised solvency.

In April 2015, Columbus Stainless Ltd signed a financing agreement (a Borrowing Base Facility) for ZAR 3,500 million with ten financial institutions. Through this transaction, some inventories (raw materials, work in progress and finished products) and some trade receivables are pledged as collateral for this financing. Details of this loan are provided in note 9.2.4.

In July 2014 a non-extinctive novation was signed for the Euros 370 million syndicated factoring agreement arranged between Acerinox Europa S.A.U. and a number of trading subsidiaries of Acerinox S.A. This novation extended the expiry and amended the economic conditions of the factoring facility. Through this agreement, various Group subsidiaries factor invoices to end customers in several European countries. The syndicate is led by Banco Santander and the other participants are Santander de Factoring y Confirming S.A. E.F.C., Banca March S.A., Caixabank S.A., Popular de Factoring S.A. E.F.C., Bankinter S.A., Banco Sabadell S.A. and Banco Marocaine Du Commerce Exterieur Internacional S.A.

In order to diversify the sources of its financing and extend its debt maturities, in July 2014 the Group filed a base prospectus for the issuance of fixed-income securities of Acerinox S.A. for a maximum notional amount of Euros 500 million at the Spanish National Securities Market Commission. Since then, Acerinox S.A. has carried out two issues through this prospectus: the first issue of Euros 75 million was placed by Deutsche Bank AG, London Branch, in July 2014 with a term of ten years, whilst the second was placed by Banco Bilbao Vizcaya Argentaria, S.A. for a total of Euros 50 million in December 2014 with a term of four years.

An analysis of the Group's payment obligations at the 2015 close is as follows:

	Amount at 31/12/2015	Future cash flow maturities	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Non-current payables	741,161	-802,383	-6,511	-9,946	-261,876	-434,050	-90,000
Current payables	449,540	-457,682	-313,381	-144,301			
Suppliers and other payables	620,244	-620,244	-620,244				
FINANCIAL DERIVATIVES							
Hedged using interest rate swaps and cross-currency swaps	20,450	20,140	4,051	2,326	12,489	1,274	0
Export exchange rate insurance	-12,385	252,441	252,441				
Import exchange rate insurance	-1,130	666,468	666,468				
TOTAL	**1,817,881**	**-941,260**	**-17,176**	**-151,921**	**-249,387**	**-432,776**	**-90,000**

Payables to public entities are not included in suppliers and other payables.

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

This item does not include approved investments not capitalised under property, plant and equipment under construction at the reporting date.

4.4 Capital management

The aims of the capital management policy are:

- To safeguard the Company's capacity for sustained growth

- To provide appropriate returns to shareholders
- 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, it can adopt different policies relating to the payment of dividends, the reimbursement of the 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, plus notes issued, less cash and cash equivalents. EBITDA reflects operating profit or loss before amortisation, depreciation and changes in trade provisions.

The ratio of net financial debt to EBITDA is 2.48x, and although this is higher than in 2014 (1.36x), the Group amply complies with all the covenants governing Group borrowings, as detailed in note 9.2.4.

Investments in 2015 totalled Euros 67.6 million (Euros 77.3 million in 2014), reducing cash by Euros 50.2 million due to the rise in working capital (Euros 129.5 million). As a result, net financial debt has grown by 15.4% to Euros 710.75 million (Euros 615.72 million) since last year. However, due to its strong position in terms of liquidity, the Group has made less use of instruments such as factoring and reverse factoring to finance its working capital.

The Group's gearing ratio is 35.1% (33.2% in 2014), below the average ratio for the past five years.

With a view to diversifying its sources of financing, the Group's South African subsidiary, Columbus Ltd. Pty., has signed a syndicated financing agreement (Borrowing Base Facility) for up to ZAR 3,500 million (Euros 275 million) over a three-year period **(Note 9.2.4)**.

The volume of investments continues to be in line with the Group's strategic plan. The Group did not base its 2008-2020 strategic plan, which was recently revised for the period 2016-2020, on opportunistic criteria, but rather on industrial rationale and long-term efficiency, meaning that, its financial position permitting, the Group can keep to this plan even when the economic climate is unfavourable.

The total remuneration offered to shareholders was Euros 0.45 per share in 2015 (as in 2014). Nevertheless, at the ordinary annual general meeting held on 3 June 2015, for the third year running the shareholders approved a scrip dividend – also known as a flexible dividend – in which Acerinox shareholders were able to choose between cash and new shares. Through this decision the Company abided by its traditional policy of maintaining shareholder remuneration. The dividend finally paid amounted to Euros 47.84 million.

On 20 July, 5,005,253 new Acerinox shares, created as a result of shareholders representing 59.3% of the Company's share capital opting to receive their dividend in the form of shares, began trading. Acerinox, S.A.'s share capital is currently represented by 266,707,393 shares.

4.5 Insurance

As the Group's four integrated flat product production plants (including one under construction) 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 co-ordination between 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 material damage and loss-of-profit insurance policies, which account for over 54.74% of the Acerinox Group's insurance expenditure. All assets under construction are covered by both the insurance policies taken out by the respective suppliers in addition to a global building and assembly policy.

The Group also has a captive reinsurance company based in Luxembourg, Inox Re, which manages these risks by assuming a part as self-insurance and accessing the reinsurance market directly.
The Acerinox Group has also arranged general liability, environmental, credit, transport, and group life and accident insurance policies to reduce its exposure to these different risks.

NOTE 5 – SCOPE OF CONSOLIDATION

5.1 Subsidiaries and associates

At 31 December 2015 and 2014, in addition to Acerinox, S.A., the Acerinox consolidated group includes 40 fully consolidated subsidiaries and one equity-accounted associate.

Investments in subsidiaries and associates in 2015 are as follows:

	2015				
		INTEREST			
FULLY CONSOLIDATED COMPANIES	COUNTRY	COST (in thousands of Euros)	% OWNERSHIP	COMPANY HOLDING INVESTMENT	AUDITORS
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 DE EUSKADI S.A.U	
ACERINOX AUSTRALASIA PTY. LTD.	Sydney, Australia	385	100%	ACERINOX S.A	
ACERINOX BENELUX S.A. - N.V.	Brussels, Belgium	209	100%	ACERINOX S.A	KPMG
ACX DO BRASIL REPRESENTAÇOES, LTDA	Sao Paulo, Brazil	373	100%	ACERINOX S.A	
		0	0.001%	INOXIDABLES DE EUSKADI S.A.U	
ACERINOX CHILE, S.A.	Santiago de Chile, Chile	7,545	100%	ACERINOX S.A	KPMG
ACERINOX COLOMBIA S.A.S	Bogota, Colombia	68	100%	ACERINOX S.A	
ACERINOX DEUTSCHLAND GMBH	Langenfeld, Germany	45,496	100%	ACERINOX S.A	KPMG
ACERINOX EUROPA, S.A.U	Algeciras, Spain	341,381	100%	ACERINOX S.A	KPMG
ACERINOX FRANCE S.A.S	Paris, France	18,060	99.98%	ACERINOX S.A	KPMG
		0	0.02%	INOXIDABLES DE EUSKADI S.A.U	
ACERINOX INDIA PVT LTD	Mumbai, India	155	100%	ACERINOX S.A	Mehta Chokshi & Shah
ACERINOX ITALIA S.R.L.	Milan, Italy	78,844	100%	ACERINOX S.A	Collegio Sindicale - Studio Revisori Associatti
ACERINOX MALAYSIA SDN. BHD	Johor, Malaysia	4,752	100%	ACERINOX S.C. MALAYSIA SDN. BHD	KPMG
ACERINOX METAL SANAYII VE TICARET L.S.	Gumussuyu/Beyoglu, Turkey	150	99.73%	ACERINOX S.A	
		0	0.27%	INOXIDABLES DE EUSKADI S.A.U	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai, United Arab Emirates	10	100%	ACERINOX S.A	Al Sharid Auditing and Management Consultancy
ACERINOX NORWAY A.S	Oslo, Norway	13	100%	ACERINOX S.A	
ACERINOX PACIFIC LTD.	Wanchai, Hong Kong	5,262	100%	ACERINOX S.A	KPMG
ACERINOX POLSKA, SP Z.O.O	Warsaw, Poland	25,174	99.98%	ACERINOX S.A	KPMG
		4	0.02%	INOXIDABLES DE EUSKADI S.A.U	
ACERINOX RUSSIA LLC	Saint Petersburg, Russia	98	95.00%	ACERINOX S.A	
		5	5.00%	ACERINOX SCANDINAVIA AB	
ACERINOX SCANDINAVIA AB	Malmo, Sweden	31,909	100%	ACERINOX S.A	KPMG
ACERINOX S.C. MALAYSIA SDN. BHD	Johor, Malaysia	37,556	100%	ACERINOX S.A	KPMG
ACERINOX SHANGAI CO., LTD.	Shanghai, China	6,347	100%	ACERINOX S.A	Shanghai Shenzhou Dalong
ACERINOX (SEA), PTE LTD.	Singapore, Singapore	193	100%	ACERINOX S.A	KPMG
ACERINOX U.K, LTD.	Birmingham, United Kingdom	28,444	100%	ACERINOX S.A	KPMG
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	Maia, Portugal	15,828	100%	ACERINOX S.A	KPMG
BAHRU STAINLESS, SDN. BHD	Johor, Malaysia	171,769	67%	ACERINOX S.A	KPMG
COLUMBUS STAINLESS (PTY) LTD.	Middelburg, South Africa	279,615	76%	ACERINOX S.A	KPMG
CORPORACIÓN ACERINOX PERU S.A.C	Lima, Peru	58	100%	ACERINOX S.A	
INOX RE, S.A.	Luxembourg	1,225	100%	ACERINOX S.A	KPMG
INOXCENTER CANARIAS, S.A.U	Telde (Gran Canaria), Spain	270	100%	INOXCENTER	KPMG
INOXCENTER, S.L.U	Barcelona, Spain	17,758	100%	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	KPMG
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Maia, Portugal	13,743	100%	ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	KPMG
METALINOX BILBAO, S.A.U	Galdácano (Vizcaya), Spain	3,718	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	28,800	100%	NORTH AMERICAN STAINLESS INC.	KPMG
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca (N.L.), Mexico	18,948	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	17,404	99.76%	ACERINOX S.A	KPMG

		INTEREST		
ASSOCIATES	COUNTRY	COST (in thousands of Euros)	% OWNERSHIP	COMPANY HOLDING INVESTMENT
BETINOKS PASLANMAZ ÇELIK A.S.	Turkey	313	25%	ACERINOX S.A

The activities of the Group companies are as follows:

- Acerinox, S.A.: holding company of the Acerinox Group. The Company renders legal, accounting and advisory services to all the Group companies and carries out financing activities within the Group.
- Acerinox Europa, S.A.U.: manufacture and marketing of flat stainless steel products.
- North American Stainless, Inc.: manufacture and sale of flat and long stainless steel products.
- Columbus Stainless (PTY), Ltd.: manufacture and sale of flat stainless steel products.
- Bahru Stainless, Sdn, Bhd: manufacture and sale of flat stainless steel products.
- Roldán, S.A.: manufacture and sale of long stainless steel products.
- Inoxfil, S.A.: manufacture and sale 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: sale of stainless steel products.

Investments in subsidiaries and associates in 2014 are as follows:

	2014				
		INTEREST			
FULLY CONSOLIDATED COMPANIES	COUNTRY	COST (in thousands of Euros)	% OWNERSHIP	COMPANY HOLDING INVESTMENT	AUDITORS
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 DE EUSKADI S.A.U	
ACERINOX AUSTRALASIA PTY. LTD.	Sydney, Australia	385	100%	ACERINOX S.A	
ACERINOX BENELUX S.A. - N.V.	Brussels, Belgium	209	100%	ACERINOX S.A	KPMG
ACX DO BRASIL REPRESENTAÇOES, LTDA	Sao Paulo, Brazil	373	100%	ACERINOX S.A	
		0	0.001%	INOXIDABLES DE EUSKADI S.A.U	
ACERINOX CHILE, S.A.	Santiago de Chile, Chile	7,545	100%	ACERINOX S.A	KPMG
ACERINOX COLOMBIA S.A.S	Bogota, Colombia	68	100%	ACERINOX S.A	
ACERINOX DEUTSCHLAND GMBH	Langenfeld, Germany	45,496	100%	ACERINOX S.A	KPMG
ACERINOX EUROPA, S.A.U	Algeciras, Spain	341,381	100%	ACERINOX S.A	KPMG
ACERINOX FRANCE S.A.S	Paris, France	18,060	99.98%	ACERINOX S.A	KPMG
		0	0.02%	INOXIDABLES DE EUSKADI S.A.U	
ACERINOX INDIA PVT LTD	Mumbai, India	155	100%	ACERINOX S.A	Mehta Chokshi & Shah
ACERINOX ITALIA S.R.L.	Milan, Italy	78,844	100%	ACERINOX S.A	KPMG
ACERINOX MALAYSIA SDN. BHD	Johor, Malaysia	4,752	100%	ACERINOX S.C. MALAYSIA SDN. BHD	KPMG
ACERINOX METAL SANAYII VE TICARET L.S.	Gumussuyu/Beyoglu, Turkey	150	99.73%	ACERINOX S.A	
		0	0.27%	INOXIDABLES DE EUSKADI S.A.U	
ACERINOX MIDDLE EAST DMCC (DUBAI)	Dubai, United Arab Emirates	10	100%	ACERINOX S.A	Al Sharid Auditing and Management Consultancy
ACERINOX NORWAY A.S	Oslo, Norway	13	100%	ACERINOX S.A	KPMG
ACERINOX PACIFIC LTD.	Wanchai, Hong Kong	5,261	100%	ACERINOX S.A	KPMG
ACERINOX POLSKA, SP Z.O.O	Warsaw, Poland	25,174	99.98%	ACERINOX S.A	KPMG
		4	0.02%	INOXIDABLES DE EUSKADI S.A.U	
ACERINOX RUSSIA LLC	Saint Petersburg, Russia	98	95.00%	ACERINOX S.A	
		5	5.00%	ACERINOX SCANDINAVIA AB	
ACERINOX SCANDINAVIA AB	Malmo, Sweden	31,909	100%	ACERINOX S.A	KPMG
ACERINOX S.C. MALAYSIA SDN. BHD	Johor, Malaysia	37,556	100%	ACERINOX S.A	KPMG
ACERINOX SHANGAI CO., LTD.	Shanghai, China	6,347	100%	ACERINOX S.A	Shanghai Shenzhou Dalong
ACERINOX (SEA), PTE LTD.	Singapore, Singapore	193	100%	ACERINOX S.A	KPMG
ACERINOX U.K, LTD.	Birmingham, United Kingdom	28,444	100%	ACERINOX S.A	KPMG
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	Maia, Portugal	15,828	100%	ACERINOX S.A	KPMG
BAHRU STAINLESS, SDN. BHD	Johor, Malaysia	171,769	67%	ACERINOX S.A	KPMG
COLUMBUS STAINLESS (PTY) LTD.	Middelburg, South Africa	279,615	76%	ACERINOX S.A	KPMG
CORPORACIÓN ACERINOX PERU S.A.C	Lima, Peru	58	100%	ACERINOX S.A	
INOX RE, S.A.	Luxembourg	1,225	100%	ACERINOX S.A	KPMG
INOXCENTER CANARIAS, S.A.U	Telde (Gran Canaria), Spain	270	100%	INOXCENTER	KPMG
INOXCENTER, S.L.	Barcelona, Spain	16,657	98.3%	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	KPMG
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	Maia, Portugal	14,843	100%	ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	KPMG
METALINOX BILBAO, S.A.	Galdácano (Vizcaya), Spain	3,289	98.3%	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	28,800	100%	NORTH AMERICAN STAINLESS INC.	KPMG
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	Apodaca (N.L.), Mexico	18,948	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	17,404	99.76%	ACERINOX S.A	KPMG

ASSOCIATES	COUNTRY	INTEREST		COMPANY HOLDING INVESTMENT
		COST (in thousands of Euros)	% OWNERSHIP	
BETINOKS PASLANMAZ ÇELIK A.S.	Turkey	313	25%	ACERINOX S.A

5.2 Changes in the consolidated Group

The only change in the consolidated Acerinox Group in 2015 was the acquisition in January of the remaining non-controlling interest of 1.67% in the Spanish trading companies Inoxcenter, S.L.U. and Metalinox Bilbao, S.A.U., giving Acerinox, S.A. a 100% stake in these two companies. These shares were purchased for Euros 1,530 thousand, of which Euros 508 thousand had not been paid up at 31 December 2015. The difference between the acquisition price and the carrying amount of the non-controlling interest was taken to equity (Euros 1,241 thousand).

Changes in the consolidated Group during 2014 were as follows:

Inoxcenter, S.L. and Metalinox Bilbao, S.A.

On 5 July 2014 Acerinox, S.A. acquired a non-controlling interest of 0.86% in the Spanish trading companies Inoxcenter, S.L. and Metalinox Bilbao, S.A. As a result, non-controlling interests decreased from 2.5% in 2013 to 1.67% in 2014. These shares were purchased for Euros 1,082 thousand. The difference between the acquisition price and the carrying amount of the non-controlling interest was taken to equity (Euros 955 thousand).

Roldan, S.A.

In 2014, 559 shares in Roldan were acquired from non-controlling shareholders. The stake acquired represented 0.02% of the share capital. These shares were purchased for Euros 13 thousand.

5.3 Capital increases and reductions

In 2015 the Parent, Acerinox, S.A., waived a loan granted to its 100% investee, Group company Acerinox Pacific Ltd. This loan amounted to Euros 15.9 million. This loans was waived to redress the Company's equity balance. This transaction has no impact on the consolidated financial statements.

Group company in Portugal, Inoxplate Lda, a 100% investee of Portuguese Group company Acerol Ltda has reimbursed in 2015 the supplementary contributions of Euros 1,100 thousand from its parent.

On 27 February 2014 Acerinox, S.A. received a partial repayment of Euros 21,110 thousand from Acerinox Italia for the portion of the supplementary contribution made in 2009 to redress this company's equity.

5.4 Impairment of investments

The Parent has tested its investments in Group companies for impairment at 31 December 2015 and 2014 to determine whether their carrying amount exceeds the recoverable amount.

In 2015, impairment equivalent to the amount of the waived loan mentioned in the preceding note, Euros 15.9 million, was recognised. The impairment tests conducted in 2014 indicated that the cost of the investment in Acerinox Pacific, Ltd. exceeded its recoverable amount, so impairment of Euros 5.6 million was recognised.

It has not been necessary to recognise additional impairment of investments in 2015. Details of the carrying amounts of investments in Group companies are included in **note 5.1**

Based on the recoverable amounts determined for Inoxcenter and Acerol, the impairment losses recorded in 2012 on these investments totalling Euros 7.3 million and Euros 1.9 million, respectively, were reversed in 2014.

This impairment does not have an impact on consolidated results as these companies are fully consolidated.

NOTE 6 – SEGMENT REPORTING

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

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

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

The "unallocated" segment reflects the activities of the holding company and activities that cannot be allocated to specific operating segments.

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

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

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

6.1 Operating segments

Segment results for the year ended 31 December 2015 are as follows:

(Expressed in thousands of Euros)

	2,015					
	Flat products	**Long products**	**Other**	**Unallocated**	**Adjustments**	**Total**
Income statement						
Revenues	3,832,314	582,930	14,377	3,032	-179,322	4,253,331
Inter-segment sales	-167,667	-11,655	0	0	179,322	0
Total revenues	**3,664,647**	**571,275**	**14,377**	**3,032**	**0**	**4,253,331**
Gross operating profit/loss	244,523	53,874	1,924	-15,749	0	284,572
Depreciation and amortisation	-146,878	-16,042	-182	-582	0	-163,684
Share of profit of equity-accounted investees	0	0	0	0	0	0
Finance income	2,821	130	197	1,144	0	4,292
Finance costs	-18,625	-654	-343	-31,553	0	-51,175
Exchange losses	1,949	53	3	886	0	2,891
Profit before tax	**83,790**	**37,361**	**1,599**	**-45,854**	**0**	**76,896**
Income tax	-50,438	-12,033	-399	12,292	0	-50,578
Consolidated profit/loss for the period	**33,352**	**25,328**	**1,200**	**-33,562**	**0**	**26,318**
Attributable to:						
Non-controlling interests	-16,561	-12	0	0		-16,573
Net profit/loss attributable to the Group	**49,913**	**25,340**	**1,200**	**-33,562**	**0**	**42,891**
Balance sheet						
Segment assets	3,546,367	359,138	20,688	199,479	0	4,125,672
Unallocated assets	0	0	0	0	0	0
Total consolidated assets	**3,546,367**	**359,138**	**20,688**	**199,479**	**0**	**4,125,672**
Segment liabilities	1,010,393	42,775	16,185	1,033,015		2,102,368
Unallocated liabilities						0
Total consolidated liabilities (excluding equity)	**1,010,393**	**42,775**	**16,185**	**1,033,015**	**0**	**2,102,368**
Property, plant and equipment	**1,873,853**	**136,499**	**4,750**	**10,754**	**0**	**2,025,856**
Investments in property, plant and equipment and i	**90,228**	**2,653**	**15**	**1,115**	**0**	**94,011**

Unassigned liabilities essentially comprise the Parent's financial debt.

2014 figures are as follows:

(Expressed in thousands of Euros)

	2,014					
	Flat products	**Long products**	**Other**	**Unallocated**	**Adjustments**	**Total**
Income statement						
Revenues	3,918,205	667,559	7,519	4,060	-183,776	4,413,567
Inter-segment sales	-171,902	-11,874	0	0	183,776	0
Total revenues	**3,746,303**	**655,685**	**7,519**	**4,060**	**0**	**4,413,567**
Gross operating profit/loss	376,337	86,396	3,181	-17,882	0	448,032
Depreciation and amortisation	-135,038	-14,590	-171	-546	0	-150,345
Share of profit of equity-accounted investees	0	0	0	1	0	1
Finance income	2,290	27	18	2,966	0	5,301
Finance costs	-22,480	-618	-342	-38,362	0	-61,802
Exchange losses	3,194	-148	-1	-456	0	2,589
Profit before tax	**224,303**	**71,067**	**2,685**	**-54,279**	**0**	**243,776**
Income tax	-99,613	-27,897	-2,056	8,477	0	-121,089
Consolidated profit/loss for the period	**124,690**	**43,170**	**629**	**-45,802**	**0**	**122,687**
Attributable to:						
Non-controlling interests	-13,633	-10	1	0		-13,642
Net profit/loss attributable to the Group	**138,323**	**43,180**	**628**	**-45,802**	**0**	**136,329**
Balance sheet						
Segment assets	3,523,274	347,853	20,274	524,239	0	4,415,640
Unallocated assets	0	0	0	0	0	0
Total consolidated assets	**3,523,274**	**347,853**	**20,274**	**524,239**	**0**	**4,415,640**
Segment liabilities	1,313,040	44,319	16,047	1,200,019		2,573,425
Unallocated liabilities						0
Total consolidated liabilities (excluding equity)	**1,313,040**	**44,319**	**16,047**	**1,200,019**	**0**	**2,573,425**
Property, plant and equipment	**1,818,643**	**137,567**	**4,296**	**11,013**	**0**	**1,971,519**
Investments in property, plant and equipment and i	**70,385**	**2,306**	**9**	**962**	**0**	**73,662**

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

6.2 Geographical segments

The flat and long stainless steel product segments are managed at worldwide level. Revenue from geographical segments is presented on the basis of customer location. Segment assets are determined by geographical location.

Data relating to geographical segments in 2015 is presented below:

Expressed in thousands of Euros)

	2015						
	Spain	Rest of Europe	Americas	Africa	Asia	Other	Total
Revenue by destination of goods	423,273	1,181,103	1,927,101	226,149	452,391	11,409	**4,221,426**
Segment assets by origin	994,154	378,355	1,449,763	401,576	901,571	253	**4,125,672**
Property, plant and equipment at origin	237,830	72,980	841,308	130,947	742,779	12	**2,025,856**
Investments in property, plant and equipment and intangible assets at origin	32,345	318	32,060	6,497	22,792	0	**94,011**

2014 figures are as follows:

(Expressed in thousands of Euros)

	2014						
	Spain	Rest of Europe	Americas	Africa	Asia	Other	Total
Revenue by destination of goods	395,328	1,151,440	2,225,060	221,305	360,086	27,070	**4,380,289**
Segment assets by origin	1,329,030	382,468	1,405,694	457,167	841,077	204	**4,415,640**
Property, plant and equipment at origin	253,334	76,734	802,204	171,257	667,967	23	**1,971,519**
Investments in property, plant and equipment and intangible assets at origin	17,641	1,138	9,502	6,087	39,293	0	**73,662**

The Group sells its products in more than 80 countries spanning five continents. The following countries accounted for more than 5% of total consolidated sales in 2015 or 2014: the United States, 38.23% (42.36% in 2014); Spain, 10.13% (8.91% in 2014); Germany, 7.28% (7.49% in 2014); and South Africa, 4.99% (5.19% in 2014).

No single transaction with an external customer exceeds 10% of the Group's consolidated revenues for 2015 or 2014.

NOTE 7 – INTANGIBLE ASSETS

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

(Expressed in thousands of Euros)

COST	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Balance at 1 January 2014	**7,680**	**24,312**	**23,195**	**55,187**	**69,124**
Acquisitions	1,228	0	1,052	2,280	
Transfers	0	0	82	82	
Disposals	-1,886	0	-310	-2,196	
Translation differences	0	0	217	217	
Balance at 31 December 2014	**7,022**	**24,312**	**24,236**	**55,570**	**69,124**
Acquisitions	3,002	0	1,259	4,261	
Transfers	0	0	57	57	
Disposals	-1,826	0	-1,184	-3,010	
Translation differences	0	0	-401	-401	
Balance at 31 December 2015	**8,198**	**24,312**	**23,967**	**56,477**	**69,124**

ACCUMULATED AMORTISATION AND IMPAIRMENT	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Balance at 1 January 2014	**2,835**	**24,310**	**21,397**	**48,542**	**0**
Charge	0	0	667	667	
Reversals of impairment	-2,835	0	0	-2,835	
Disposals	0	0	-310	-310	
Translation differences	0	0	195	195	
Balance at 31 December 2014	**0**	**24,310**	**21,949**	**46,259**	**0**
Charge	0	0	605	605	
Disposals	0	0	-1,184	-1,184	
Translation differences	0	0	-384	-384	
Balance at 31 December 2015	**0**	**24,310**	**20,986**	**45,296**	**0**

CARRYING AMOUNT	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Cost at 31 December 2013	7,680	24,312	23,195	55,187	69,124
Accumulated amortisation and impairment	-2,835	-24,310	-21,397	-48,542	
Carrying amount at 31 December 2013	**4,845**	**2**	**1,798**	**6,645**	**69,124**
Cost at 31 December 2014	7,022	24,312	24,236	55,570	69,124
Accumulated amortisation and impairment	0	-24,310	-21,949	-46,259	
Carrying amount at 31 December 2014	**7,022**	**2**	**2,287**	**9,311**	**69,124**
Cost at 31 December 2015	8,198	24,312	23,967	56,477	69,124
Accumulated amortisation and impairment	0	-24,310	-20,986	-45,296	
Carrying amount at 31 December 2015	**8,198**	**2**	**2,981**	**11,181**	**69,124**

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

Research and development and innovation (R&D&I) costs directly recognised as expenses for the year and taken to the income statement amount to Euros 16,488 thousand (Euros 16,101 thousand in 2014).

At 31 December 2015 the Group has not entered into any contracts to acquire intangible assets (no contracts entered into at 31 December 2014).

7.1 Emission allowances

On 15 November 2013 the Spanish Cabinet approved Acerinox Europa, S.A.U.'s definitive allocation of free-of-charge greenhouse gas emission allowances for the 2013-2020 period, 1,867,754 allowances in total, which are distributed by year as follows:

2013	2,014	2,015	2,016	2017	2018	2019	2020
248,936	244,613	240,239	235,818	231,350	226,839	222,272	217,687

The following allowances were allocated to the Group company Roldan, S.A.:

2013	2,014	2,015	2,016	2017	2018	2019	2020
26,857	26,391	25,919	25,442	24,960	24,473	23,980	23,486

Movement in emission allowances in 2015 and 2014 is as follows:

	Number of allowances	Value (in thousands of Euros)
Balance at 31/12/2013	**795,490**	**7,680**
Allocation for the year	278,583	1,228
Disposals	-198,862	-1,886
Balance at 31/12/2014	**875,211**	**7,022**
Allocation for the year	266,158	1,860
Swap	153,284	1,142
Sale	-249	-2
Disposals	-231,405	-1,824
Balance at 31/12/2015	**1,062,999**	**8,198**

Group company Acerinox Europa has carried out a swap of emission allowances whereby Acerinox sold 249 emission allowances for Euros 2 thousand and simultaneously acquired 153,284 emission reduction units (ERUs) for that same amount. It then exchanged the 153,284 ERUs for the same number of emission allowances (EUAs), recognising the new allowances at their fair value at the date of the swap (Euros 1,142 thousand).

In 2015, CO_2 emissions were made requiring 254,345 allowances, which will be surrendered in 2016 (231,405 in 2014, surrendered in 2015). The Group has not sold its surplus allowances.

Present conditions pose no significant risk of a shortfall in emission allowances for the 2013-2020 period.

Disposals for the year are allowances surrendered for CO_2 emissions in the prior year. This information has been audited and approved by an independent expert.

At 31 December 2015 the emission allowances held have a fair value of Euros 8,748 thousand (Euros 6,337 thousand at 31 December 2014). In 2014 the Group released the Euros 2,835 thousand provision existing at 31 December 2013. As explained in the relevant measurement standard of the Group's annual accounts, the release carried out during the year had no impact on the income statement. This reversal was recognised in the income statement under other operating income.

The expense for the year in respect of CO_2 emissions totals Euros 1,937 thousand in 2015 (Euros 1,827 thousand in 2014) and is included under other operating expenses. This is the value of the allowances surrendered in the year, equivalent to the market value of these allowances when allocated.

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

No significant contingency exists in respect of fines over emissions.

7.2 Goodwill impairment testing

At 31 December 2015, goodwill totals Euros 69 million and mainly relates to 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 manufactures and sells flat products only.

The recoverable amount of a CGU is determined based on its value in use. These calculations are based on cash flow projections from the financial budgets approved by management over a period of five years. Cash flows beyond this five-year period are extrapolated using the estimated growth rates indicated below. The growth rate does not exceed the average long-term growth rate 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 determined budgeted gross margins based on past experience and forecast market performance. The weighted average growth rates are consistent with the forecasts included in industry reports. The discount rates used are pre-tax values and reflect specific risks related to the relevant segments.

With economic cycles increasingly difficult to anticipate, particularly in the stainless steel markets, where visibility has diminished significantly over recent years, the projections for each year have reflected these circumstances, as well as management's best estimates. Key assumptions such as exchange rates and raw material prices are, therefore, extrapolated using highly conservative criteria, referring at all times to the most recent market values.

In 2015 Columbus Stainless, Ltd improved significantly on the budgeted profit forecast drawn up in the previous year, posting a pre-tax profit of ZAR 358.77 million (ZAR 68.48 million in 2014). The Company is confident that the flows to perpetuity will materialise, mainly in terms of its use of production capacity and margins, while still applying prudent criteria to the growth rate (g): estimated growth rates for the country and industry have been used, even though average growth over recent years has been much greater (around 6%, as is mentioned further on).

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

	2015	2014
Budgeted EBIT margin (*)	5.5 %	4.9 %
Weighted average growth rate (**)	2.5 %	2.5 %
Discount rate applied (***)	11.7 %	11.3 %

(*) EBIT margin, considered equivalent to operating

(as a percentage of revenue)

(**) Used to extrapolate cash flows beyond the budgeted

The discount rate applied (weighted average cost of capital or WACC) is 11.7%. It is calculated taking as reference the interest rates on South African sovereign debt (ten-year swap on the South African Rand), a market risk premium of 5% and the capital structure of similar companies.

When calculating the terminal value, repayments are considered equal to investments and the change in working capital is calculated as the value of the last projected year, 2020, 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%. In 2015 the global stainless steel market continued to consolidate the historical market growth rate of close to 6% (1950-2015 period). Apparent consumption of stainless steel in the South African market has grown by 1.9% in 2015 vis-à-vis 2014 (-4.6%). Although Columbus's local sales were lower, they were more than offset by the rise in exports, resulting in an overall increase of 1.5% in turnover in 2015 compared with 2014.

2015 was a very encouraging year for Columbus Stainless, Ltd, which began a return to sustained profitability in the second half of 2014, after having been affected by the crisis for a number of years. Intelligent management of the country's situation and the weakness of the currency (Rand), the rise in sales in strategic markets for the Group, the supply of semi-products to Bahru Stainless, Sdn Bhd, the Group's factory in Malaysia, increased penetration in the Middle East and participation in several high-profile projects have all contributed to this positive trend. The Company’s budgets reflect these factors as well as a gradual increase in sales to Bahru Stainless, Sdn Bhd, as the Malaysian factory achieves higher utilisation of its present installed production capacity.

Other relevant key assumptions are the Euro-Rand exchange rate (14,2862) and the price of raw materials (11.000 USD/Tn), which are established when drawing up the budget. Both assumptions are extrapolated applying very conservative criteria and are held constant over the period analysed. The variables used in 2014 were an exchange rate of 14.03553 ZAR to the Euro and 16,500 USD/Tn for the price of raw materials.

The impairment test performed at 31 December 2015 reveals that the recoverable amount of goodwill exceeds its carrying amount by Euros 66 million (Euros 172 million in 2014). The discount rate (WACC), the growth rate (g) and the budgeted EBIT margin are considered key assumptions in the impairment test.

Following a sensitivity analysis entailing different scenarios, impairment of the recoverable amount would only occur by increasing the discount rate (WACC) by 22.3% (more than 39% in 2014). In the case of the growth rate (g), even with a growth rate of 0%, the discount rate (WACC) would have to increase by 12.6% for the recoverable amount to begin to show impairment.

The EBIT margin would have to fall 22.5% (27% in 2014) to 4.2% (3.6 in 2014), with the other two assumptions remaining constant, for any impairment to occur.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and movement in 2015 and 2014 are shown in the following table:

(Expressed in thousands of Euros)

COST	Land and buildings	Technical installations and machinery	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
Balance at 31 December 2013	**661,119**	**2,781,626**	**116,996**	**498,918**	**4,058,659**
Additions	888	18,572	1,743	50,179	71,382
Transfers	45,313	347,159	-34,617	-357,937	-82
Disposals	-4,008	-11,498	-1,729	-4	-17,239
Translation differences	39,106	189,413	3,281	67,552	299,352
Balance at 31 December 2014	**742,418**	**3,325,272**	**85,674**	**258,708**	**4,412,072**
Additions	1,652	18,592	2,389	67,115	89,748
Impairment	-16	-184			-200
Transfers	379	11,153	1,377	-12,966	-57
Disposals	-418	-19,603	-1,977	0	-21,998
Translation differences	37,967	146,392	1,941	29,073	215,373
Balance at 31 December 2015	**781,982**	**3,481,622**	**89,404**	**341,930**	**4,694,938**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Land and buildings	Technical installations and machinery	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
Balance at 31 December 2013	**266,310**	**1,823,168**	**90,284**	**0**	**2,179,762**
Charge	15,254	126,816	7,608	0	149,678
Transfers	29	19,591	-19,620	0	0
Disposals	-2,689	-3,430	-2,948	0	-9,067
Translation differences	12,515	104,470	3,195	0	120,180
Balance at 31 December 2014	**291,419**	**2,070,615**	**78,519**	**0**	**2,440,553**
Charge	16,746	141,236	5,097	0	163,079
Transfers	-1,198	-1,334	2,532	0	0
Disposals	-237	-8,626	-1,887	0	-10,750
Translation differences	10,872	63,142	2,186	0	76,200
Balance at 31 December 2015	**317,602**	**2,265,033**	**86,447**	**0**	**2,669,082**

CARRYING AMOUNT	Land and buildings	Technical installations and machinery	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
Cost at 31 December 2013	661,119	2,781,626	116,996	498,918	4,058,659
Accumulated depreciation and impairment	-266,310	-1,823,168	-90,284	0	-2,179,762
Carrying amount at 31 December 2013	**394,809**	**958,458**	**26,712**	**498,918**	**1,878,897**
Cost at 31 December 2014	742,418	3,325,272	85,674	258,708	4,412,072
Accumulated depreciation and impairment	-291,419	-2,070,615	-78,519	0	-2,440,553
Carrying amount at 31 December 2014	**450,999**	**1,254,657**	**7,155**	**258,708**	**1,971,519**
Cost at 31 December 2015	781,982	3,481,622	89,404	341,930	4,694,938
Accumulated depreciation and impairment	-317,602	-2,265,033	-86,447	0	-2,669,082
Carrying amount at 31 December 2015	**464,380**	**1,216,589**	**2,957**	**341,930**	**2,025,856**

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

As explained in note 2.1, the Group has restated the 2014 opening balances to reflect adjustments to depreciation effective retroactively.

Property, plant and equipment under construction

Details of the investments classified under this heading are as follows:

(Expressed in thousands of Euros)

	2015	2014
Buildings	64,890	52,190
Technical installations and machinery	265,586	205,223
Other property, plant and equipment	1,307	1,228
Advances	10,147	67
TOTAL	**341,930**	**258,708**

Property, plant and equipment under construction at the factory in Malaysia accounts for Euros 302 million of the total (Euros 251 million in 2014), Euros 25 million represents North American Stainless' investment in a new cold-rolling mill and a bright annealing (BA) line, which is expected to come into service in Spring 2017, and Euros 14 million for Acerinox Europa, which has also approved a new investment in a fifth annealing and pickling line and a seventh cold-rolling mill, which are expected to start operating at the end of 2017.

During 2014, on completion of the start-up period, phase I investments made by the Group company Bahru Stainless, Sdn Bhd, were reclassified from work in progress to finished goods. The amount reclassified in this company is Euros 349 million. This reclassification increased the cumulative depreciation since that year by Euros 15 million.

Assets located outside Spain

Details of assets located outside Spain are as follows:

(Expressed in thousands of Euros)

	2015		2014	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and buildings	520,768	-162,232	482,175	-138,551
Technical installations and machinery	2,356,807	-1,256,454	2,198,073	-1,082,279
Other property, plant and equipment	43,700	-42,334	41,027	-37,373
Property, plant and equipment under construction	327,771	0	255,112	0
TOTAL	**3,249,046**	**-1,461,020**	**2,976,387**	**-1,258,203**

Changes in accounting estimates

Estimated useful lives remained unchanged in 2015 and 2014.

Guarantees

At 31 December 2015 and 2014 none of the Group's assets has been pledged to secure loans and borrowings.

Commitments

At 31 December 2015 the Group has entered into contracts to purchase new equipment and facilities amounting to Euros 154,781 thousand (Euros 71,095 thousand at 31 December 2014), of which Euros 62,622 thousand are for new investments by North American Staunless, Euros 78,865 thousand are for Acerinox Europa and Euros 11,508 thousand are for investments in the new Malaysian plant (Euros 62,530 thousand in 2014).

Capitalised borrowing costs

Borrowing costs of Euros 7,377 thousand have been capitalised in 2015 (Euros 6,577 thousand in 2014). The capitalisation rate in 2015 was 3.85% (4.36% in 2014).

Asset disposals

A loss of Euros 332 thousand on the sale of property, plant and equipment or removal of assets from service has been recorded under other operating expenses in the 2015 income statement (Euros 229 thousand in 2014).

The gain on the sale of property, plant and equipment or the removal of assets from service totals Euros 517 thousand and is recognised under other operating income in the 2015 income statement (Euros 1,977 thousand in 2014).

Environment

Property, plant and equipment held to minimise the environmental impact of the Group's activities and to protect and improve the environment at 31 December 2015 and 2014 are as follows:

(Expressed in thousands of Euros)

	2015		2014	
Nature and use	**Gross value**	**Accumulated depreciation**	**Gross value**	**Accumulated depreciation**
Water treatment	90,759	-51,025	80,711	-40,322
Acid neutralisation	41,789	-25,181	33,860	-17,286
Gas emission treatment	75,210	-62,434	55,544	-42,441
Automatic additions systems	8,459	-5,585	8,082	-5,205
Other items	121,346	-76,261	146,448	-91,311
Total	**337,563**	**-220,486**	**324,645**	**-196,565**

In 2015 and 2014 the Group received no grants for investment in infrastructure aimed at protecting the environment.

In 2015 the Group incurred environment-related ordinary expenses of Euros 109,674 thousand (Euros 99,342 thousand in 2014).

At 31 December 2015 and 2014 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

Group property, plant and equipment not used in ordinary activities include several industrial bays, all of which are classified as investment property. Details and valuation of this property are provided in the section on investment property.

One of the production lines of the Group company Columbus Stainless (Pty) Ltd. has ceased to be used for production given its age and low productivity. Its net carrying amount is Euros 200 thousand, which the Group has impaired in full.

Other Information

At 31 December 2015 and 2014 there are no litigation cases, seizures or similar measures that may affect items of property, plant or equipment.

The Group companies have taken out insurance policies to cover the risk of damage to their property, plant and equipment. The coverage of these policies is considered sufficient.

Investment property

Investment property includes Group-owned buildings not occupied by the Group which are held to earn a return, either through rentals or through capital appreciation and subsequent disposal of the buildings.

The Group currently holds several industrial bays in Spain amounting to Euros 3,390 thousand that are classified as investment property. They are owned by the companies Acerinox Europa S.A.U. and Inoxcenter, S.L.U. In 2015, an industrial bay belonging to Group company Acerinox UK and amounting to Euros 4,024 thousand was reclassified to this category. None of these buildings is currently leased. The Parent, Acerinox, S.A., leases out several storeys in a building which it owns and which has a carrying amount of Euros 3,253 thousand. Income from these leases amounted to Euros 150 thousand in 2015 (Euros 152 thousand in 2014). The associated operating expenses, including maintenance and repairs, amounted to Euros 53 thousand (Euros 48 thousand in 2014). The lease contract signed between Acerinox, S.A. and the lessee includes a yearly increase in line with the CPI and expires on 31 December 2016.

Details of movements in investment property in 2015 and 2014 are as follows:

(Expressed in thousands of Euros)

COST	2015	2014
Beginning balance	**12,610**	**7,346**
Additions	0	0
Transfers	4,427	5,264
Disposals	-323	0
Cost at 31 December	**16,714**	**12,610**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	2015	2014
Beginning balance	**5,677**	**3,572**
Charge	166	167
Transfers	403	1,938
Disposals	-193	0
Accumulated depreciation at 31 December	**6,053**	**5,677**

CARRYING AMOUNT	2015	2014
Cost at 31 December	16,714	12,610
Accumulated depreciation and impairment	-6,053	-5,677
Carrying amount at 31 December	**10,661**	**6,933**

In 2014, the industrial bays belonging to the aforementioned Spanish Group companies Inoxcenter, S.L.U. and Acerinox Europa were reclassified to this category as these properties ceased to be used for production activities and were earmarked for lease or sale. The carrying amount of the properties transferred totalled Euros 3,326 thousand.

In 2015, two industrial bays classified in this category and with a net carrying amount of Euros 130 thousand were sold. Proceeds from the sale totalled Euros 545 thousand, on which the Group recognised a capital gain of Euros 411 thousand, as reflected in the income statement under other operating income.

At 31 December 2015 investment property has a total market value of Euros 20,055 thousand (Euros 17,333 thousand in 2014) and a carrying amount of Euros 10,661 thousand (Euros 6,933 thousand in 2014). Consequently no impairment has been recognised.

8.1 Impairment

As established in IAS 36, and as mentioned in the accounting policies for the Acerinox Group's consolidated annual accounts (**note 2.8**), the Group assesses whether there are any indications of impairment of the assets at each year end. The value of an asset is impaired when its carrying amount exceeds its recoverable amount. The Group considers that indications of impairment exist when, among other things, a company has incurred a loss. In 2015 there are indications of impairment in the companies Roldan, S.A. and Inoxfil S.A.

The recoverability of the assets of Bahru Stainless, Sdn. Bhd. has also been assessed. The start-up of the Phase II equipment is going ahead as planned and the expected levels of activity have still not been reached given its current installed capacity. The combination of this situation with low prices in the local Malaysian market and in the rest of Asia has resulted in repeated losses and a need to perform impairment tests.

As detailed below, the results of this analysis do not indicate a need to make any valuation adjustments to the assets.

Property, plant and equipment and intangible assets represent 51% of the Group's assets. A breakdown of these figures by company shows that 93% of the Group's assets (both property, plant and equipment and intangibles) are located in the factories, with the remaining 7% held by its 34 other trading subsidiaries.

Subsidiaries	**% of property, plant and equipment**
ACERINOX EUROPA , S.A.U.	8.57%
ROLDAN S.A.	0.99%
INOXFIL S.A.	0.17%
NORTH AMERICAN STAINLESS INC.	40.62%
COLUMBUS STAINLESS PTY Ltd	6.46%
BAHRU STAINLESS	36.20%
Rest of subsidiaries	6.99%
TOTAL	100.00%

The majority of assets do not generate cash inflows independently, as the whole production process needs to be completed. Impairment has therefore not been estimated on an individual basis, but by allocating the assets to cash-generating units. In the case of plants, the smallest cash-generating units that can be considered encompass each plant as a whole.

The recoverable amount of the items has been determined based on their value in use.

Value in use of the assets of Bahru Stainless Sdn Bhd., Roldan, S.A. and Inoxfil S.A. was 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). The following points were taken into consideration when calculating the discount rate:

1. The financing structure based on market participant assumptions.
2. The cost of debt is obtained using the applicable market risk-free rate plus a spread of 2%.
3. The risk-free rate is based on that applied to ten-year bonds.
4. The risk premium has been estimated at 5%.

Future cash flows were estimated considering:

a) Reasonable assumptions and management's best estimate of the economic conditions that will exist over the remaining useful life of the asset, based on information available at the analysis date.

b) Five-year projections that reflect the financial and macroeconomic circumstances and those of the stainless steel market itself, adapted to the operating environment of each CGU analysed. The different parameters used (expected growth, use of installed production capacity, prices, working capital items, etc.) are therefore projected considering historical figures, particularly the last year closed, as well as targets set by management.

   With economic cycles increasingly difficult to anticipate, particularly in the stainless steel markets, where visibility has diminished significantly over recent years, the projections for each year have reflected these circumstances, as well as management's best estimates. Key assumptions such as exchange rates and raw material prices are, therefore, extrapolated using highly conservative criteria, referring at all times to the most recent market values at the time of the study.

   The Company is confident that the flows to perpetuity will materialise, mainly in terms of its use of production capacity and margins, while still applying prudent criteria to the growth rate (g). Estimated growth rates for the country and industry in which each CGU is present have been used, in addition to those for the markets to which most of their output is exported.

c) Estimated projections for years beyond the period covered, calculated by extrapolating the previous projections using a growth rate of 2.5% in the case of Bahru Stainless Sdn. Bhd and 2% for Roldán, S.A. and Inoxfil, S.A.. Note that the historical growth rate for the global stainless steel market remains close to 6% (1950-2015 period).

No impairment has been recognised on property, plant and equipment during the year (with the exception of that mentioned in the note on property, plant and equipment not used in ordinary activities), as the enterprise value, calculated applying the discounted free cash flow method, exceeds the carrying amount of the Group's operating assets.

Bahru Stainless Sdn. Bhd

The impairment test performed at 31 December 2015 reveals that the recoverable amount of goodwill exceeds its carrying amount by Euros 175 million. The discount rate (WACC), 8.1%, the growth rate (g), 2.5%, and the budgeted EBIT margin, 3.4%, are considered key assumptions in the impairment test.

Following a sensitivity analysis entailing different scenarios, impairment of the recoverable amount would only occur by increasing the discount rate (WACC) by 24.5%. In the case of the growth rate (g), even with a growth rate of 0%, the discount rate (WACC) would have to increase by 4.3% for the recoverable amount to begin to show impairment.

The EBIT margin would have to fall 30.5% to 2.4%, with the other two assumptions remaining constant, for impairment to occur.

Roldán, S.A.

The impairment test performed at 31 December 2015 reveals that the recoverable amount of goodwill exceeds its carrying amount by Euros 147 million (Euros 107 million in 2014). The discount rate (WACC), 7.12% (8% in 2014) the growth rate (g), 2% (2% in 2014) and the budgeted EBIT margin, 4.5% (4.1% in 2014) are considered key assumptions in the impairment test.

According to the sensitivity analysis performed, impairment of the recoverable amount would only occur by increasing the discount rate (WACC) by more than 2.7 times, while simultaneously bringing the growth rate (g) down to zero.

The EBIT margin would also have to fall 72.4% to 1.2%, with the other two assumptions remaining constant, for any impairment to occur.

Inoxfil, S.A.

The impairment test performed at 31 December 2015 reveals that the recoverable amount of goodwill exceeds its carrying amount by Euros 7 million (Euros 11 million in 2014). The discount rate (WACC), 7.12% (8% in 2014), the growth rate (g), 2% (2% in 2104) and the budgeted EBIT margin, 2.7% (4% in 2014) are considered key assumptions in the impairment test.

The sensitivity analysis performed indicates that impairment of the recoverable amount would only occur by increasing the discount rate (WACC) by 51.4%. In the case of the growth rate (g), even with a growth rate of 0%, the discount rate (WACC) would have to increase by 43.9% for the recoverable amount to begin to show impairment.

The EBIT margin would also have to fall 38.9% to 1.6%, with the other two assumptions remaining constant, for any impairment to occur.

NOTE 9 – FINANCIAL INSTRUMENTS

9.1 General considerations

A financial instrument is a contract that gives rise to a financial asset in one company and, simultaneously, a financial liability or an equity instrument in another company. The Group recognises a financial instrument in its balance sheet when it becomes party to the contract or legal transaction.

9.2 Categories of financial assets and financial liabilities

At year end the Group's financial assets are as shown below:

(In thousands of Euros)

Classes / Categories	Non-current financial instruments: Equity instruments 2,015	2,014	Debt securities 2,015	2,014	Loans, derivatives and other 2,015	2,014	Current financial instruments: Equity instruments 2,015	2,014	Debt securities 2,015	2,014	Loans, derivatives and other 2,015	2,014
Loans and receivables					2,436	6,032					469,893	476,547
Held-to-maturity investments												
Assets available for sale												
- At fair value	10,382	8,391										
- At cost	285	10										
Assets at fair value through profit or loss												
- Held for trading											633	52,503
- Other												
Hedging derivatives					9,375	0					15,338	21,617
TOTAL	**10,667**	**8,401**	**0**	**0**	**11,811**	**6,032**	**0**	**0**	**0**	**0**	**485,864**	**550,667**

At year end the Group's financial liabilities are as shown below:

(In thousands of Euros)

Classes	Non-current financial instruments						Current financial instruments					
	Loans and borrowings		Bonds and other marketable securities		Derivatives and other		Loans and borrowings		Bonds and other marketable securities		Derivatives and other	
Categories	**2,015**	**2,014**	**2,015**	**2,014**	**2,015**	**2,014**	**2,015**	**2,014**	**2,015**	**2,014**	**2,015**	**2,014**
Debts and payables	617,230	895,958	123,931	124,050	2,062	2,582	447,887	334,079	1,653		641,726	915,596
Liabilities at fair value through profit or loss												
- Held for trading											14,072	7,655
- Other												
Hedging derivatives					3,992	20,176					345	433
TOTAL	**617,230**	**895,958**	**123,931**	**124,050**	**6,054**	**22,758**	**447,887**	**334,079**	**1,653**	**0**	**656,143**	**923,684**

9.2.1 Determination of fair value

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

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

Details at 31 December 2015 and 2014 are as follows:

(In thousands of Euros)

	2.015			2014		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Available-for-sale financial assets	10,382			8,391		
Financial derivatives (assets)		25,346			74,120	
TOTAL	**10,382**	**25,346**	**0**	**8,391**	**74,120**	**0**
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial derivatives (liabilities)		18,409			28,264	
TOTAL	**0**	**18,409**	**0**	**0**	**28,264**	**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, interest rate spreads and credit risk of both the Group and its counterparty, i.e. the financial institution with which it operates.

9.2.2 Trade and other receivables

Details at 31 December are as follows:

(In thousands of Euros)

	2015	2014
Trade receivables	439,537	443,565
Personnel	369	394
Public entities	23,356	20,051
Other receivables	8,011	3,636
Prepayments	8,909	9,292
Impairment of bad debts	-9,815	-10,847
TOTAL	**470,367**	**466,091**

Impairment of bad debts corresponds entirely to trade receivables. Movements in this account are as follows:

(In thousands of Euros)

	2015	2014
Initial balance	**10,847**	**10,219**
Charge	648	2,175
Application	-1,150	-965
Reversal	-489	-705
Translation differences	-41	123
Balance at 31 December	**9,815**	**10,847**

Impairment losses have been included under other operating expenses in the income statement.

No interest was accrued on impaired financial assets in 2015 or 2014.

No allowances have been made for bad debts with related parties in 2015 or 2014.

At 31 December 2015 certain Group companies had receivables factored without recourse totalling Euros 99,912 thousand with financial institutions in exchange for cash. This amount was equal to 85%-90% of the total amount of the factored invoices, depending on the conditions of the credit insurance coverage (Euros 251,277 thousand in 2014). These amounts have been derecognised as they meet the conditions specified in IAS 39 regarding the transfer of risks and rewards.

9.2.3 Trade and other payables

Details at 31 December 2015 and 2014 are as follows:

(In thousands of Euros)

	2015	2014
Suppliers and trade payables	568,929	844,631
Personnel	24,712	24,536
Suppliers of fixed assets	21,174	7,824
Tax and Social Security	21,482	24,680
Other payables	708	2,932
Current provisions	4,721	10,993
TOTAL	**641,726**	**915,596**

In compliance with the disclosure requirements of the Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016, the average payment period for suppliers of the Spanish companies in the Acerinox Group, having eliminated the payments made to Group companies, is as follows:

(In thousands of Euros)

	2015	2014
	Days	**Days**
Average payment period to suppliers	79 days	88 days
Payments made ratio	82 days	90 days
Outstanding payments ratio	45 days	79 days
	Amount	**Amount**
Total payments made	1,607,137	1,448,509
Total outstanding payments	176,420	294,468

The table includes payments made to any Spanish or foreign suppliers; it does not reflect payments to Group companies.

9.2.4 Loans and borrowings and bond issues

Details of financial debt at 31 December 2015 and 2014, including loans and borrowings and bonds issued by the Group during the year, are as follows:

(In thousands of Euros)

	Non-current		Current	
	2015	2014	2015	2014
Bonds issued	123,931	124,050	1,653	
Loans and borrowings	617,230	895,958	447,887	334,079
Total financial debt	**741,161**	**1,020,008**	**449,540**	**334,079**

Details of the maturity of outstanding debt at 31 December 2015 are as follows:

(In thousands of Euros)

	2016	2017	2018	2019	2020 and subsequent years	TOTAL
Financial debt	449,540	250,964	401,762	8,957	79,478	1,190,701
Total financial debt	**449,540**	**250,964**	**401,762**	**8,957**	**79,478**	**1,190,701**

2014 figures are as follows:

(In thousands of Euros)

	2015	2016	2017	2018	2019 and subsequent years	TOTAL
Financial debt	334,079	297,010	238,863	395,700	88,435	1,354,087
Total financial debt	**334,079**	**297,010**	**238,863**	**395,700**	**88,435**	**1,354,087**

Debt by currency is as follows:

(In thousands of Euros)

	Non-current loans		Current loans	
	2015	2014	2015	2014
EUR	609,006	790,816	206,684	137,367
USD	132,155	229,192	173,820	111,616
ZAR	0	0	69,022	77,468
MYR	0	0	14	7,628
TOTAL	**741,161**	**1,020,008**	**449,540**	**334,079**

Details of debt by interest rate are as follows:

(In thousands of Euros)

	Non-current loans		Current loans	
	2015	2014	2015	2014
Fixed	213,200	231,399	18,200	3,199
Variable	527,961	788,609	431,340	330,880
TOTAL	**741,161**	**1,020,008**	**449,540**	**334,079**

Borrowings at fixed interest rates reflect only loans originally arranged at fixed rates with credit institutions, and do not include borrowings for which interest rates have been fixed by contracting derivatives.

As the majority of bank debt was extended at variable interest rates, its fair value is the same as its amortised cost. Nevertheless, the fair value of fixed-rate loans and borrowings and private placements is Euros 235,885 thousand at 31 December 2015. The fair value of these borrowings at 31 December 2014 was Euros 239,145 thousand.

Variable interest rates on loans are reviewed at least once a year.

At 2015 year end the Group's Euro-denominated financing instruments, Euros 814 million in total, have a weighted average cost, before hedging, of 2.11%, while the average pre-hedging cost of borrowings in US Dollars, amounting to US Dollars 334 million, is 2.33%. In 2014, the Group's Euro-denominated borrowings, Euros 929 million in total, bore an average cost of 2.15%, while the average cost of borrowings in US Dollars, amounting to US Dollars 387 million, was 1.57%.

The Group has arranged interest rate swaps whereby it can exchange the variable interest rates on its borrowings for fixed interest rates, as described in **note 9.2.6**.

At 31 December 2015 accrued interest of Euros 2,266 million is payable (Euros 2,960 thousand in 2014).

Total borrowing costs calculated using the effective interest rate on loans at amortised cost amount to Euros 2,243 thousand (Euros 2,291 thousand in 2014).

At 31 December 2015 the Group has credit facilities with financial institutions with a maximum available limit of Euros 1,788 million, of which Euros 1,191 million were drawn down. In 2014 the maximum available limit was Euros 1,909 million, of which Euros 1,354 million had been drawn down.

Certain Group companies have contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under trade and other payables until they are settled or repaid or have expired

In April 2015, Columbus Stainless Ltd signed a financing agreement (a Borrowing Base Facility) for ZAR 3,500 million with ten financial institutions. Through this transaction, some inventories (raw materials, work in progress and finished products) and some trade receivables are used as collateral to secure this financing. The amount of financing available through this contract primarily depends on Columbus's current assets at any given time. The amount drawn down at 31 December 2015 amounted to ZAR 1,170 million (Euros 69 million). This contract provides Columbus with financing of its working capital for a three-year period. Deutsche Bank AG, Amsterdam Branch, acted as the Co-ordinating Mandated Lead Arranger for this transaction, whilst Deutsche Bank AG, Johannesburg Branch, Bankinter, Banco Bilbao Vizcaya Argentaria, S.A., and FirstRand Bank Limited were the Mandated Lead Arrangers. Other participating banks included Banco Santander S.A., Banco de Sabadell S.A., London Branch, Nedbank Limited, CaixaBank, S.A., HSBC Bank Plc, Johannesburg Branch and Investec Bank Limited.

In order to diversify the sources of its financing and extend its debt maturities, in July 2014 the Group filed a base prospectus for the issuance of fixed-income securities of Acerinox S.A. for a maximum notional amount of Euros 500 million at the Spanish National Securities Market Commission. Since then, Acerinox S.A. has carried out two issues through this prospectus: the first issue of Euros 75 million was placed by Deutsche Bank AG, London Branch in July 2014 with a term of ten years, whilst the second was placed by Banco Bilbao Vizcaya Argentaria, S.A. for a total of Euros 50 million in December 2014 with a term of four years and variable interest of 3-month Euribor + 1.75%.

Additionally, taking advantage of financial institutions' improved liquidity and the more favourable economic conditions, in 2014 Acerinox S.A. signed new loan agreements or renegotiations of existing loans for a total of Euros 457 million, in 14 operations with relationship banks, including Banco Santander, Banco Popular, Banco Sabadell, Caixabank, Kutxabank, Bankinter, Unicaja and Banca March.

In July 2014 a non-extinctive novation was also signed for the Euros 370 million factoring agreement arranged between Acerinox Europa S.A.U., a number of trading subsidiaries of Acerinox S.A. and a syndicate of financial institutions in April 2013. This novation extended the expiry and amended the economic conditions of the factoring facility. Through this agreement, various Group subsidiaries factor invoices without recourse of end customers in several European countries. The syndicate is led by Banco Santander and the other participants are: Santander de Factoring y Confirming S.A. E.F.C., Banca March S.A., Caixabank S.A., Popular de Factoring S.A. E.F.C., Bankinter S.A., Banco Sabadell S.A. and Banco Marocaine Du Commerce Exterieur Internacional S.A.

In 2014 the ZAR 300 million loan extended by Standard Bank to Columbus Stainless was repaid in full and also the ZAR 397 million loan extended by IFC (World Bank Group) in 2009.

The refinancing of debt arranged by the Group in 2014 basically involved extending maturity dates and cutting spreads. Given the resulting variations, the Group has recognised the effects of these new agreements as if they were new loans, therefore it has simultaneously recognised the cancellation and new loans. The implicit costs derived from the valuation of these loans at amortised cost amounted to Euros 505 thousand, which were taken to the consolidated income statement in 2014.

Non-current borrowings subject to covenants

At the 2015 reporting date several loans are subject to covenants. These loans include the Borrowing Base Facility arranged by Columbus Steel in 2015, the syndicated loan signed in the United States in 2012 by Acerinox, S.A. and North American Stainless Inc., the loans taken out by Acerinox, S.A. in 2007 and 2008 from the ICO (Spain's Official Credit Institute) in both Euros and US Dollars, as well as financing covered by export credit agencies signed by Acerinox S.A., with Banco Santander and OeKB (Oesterreichische Kontrollbank AG), as well as with Deutsche Bank and JBIC (Japan Bank for International Cooperation).

The most significant of the financial ratios stipulated in these loan agreements refer to the "debt/capitalisation" and interest coverage ratios of North American Stainless Inc., in the case of the syndicated loan in the United States, maintenance of minimum equity levels in the case of Columbus and to "net financial debt/EBITDA", "EBITDA/finance costs" and "net financial debt/equity ratios" in the case of the other financing arrangements mentioned above.

At 2015 year end (as in 2014) Acerinox, S.A., North American Stainless Inc. and Columbus Stainless Ltd all comply with the ratios required as borrowers of the financing.

9.2.5 Available-for-sale financial assets

Available-for-sale financial assets total Euros 10,667 thousand at year end, of which Euros 10,382 thousand reflect Acerinox's investment in the Japanese Nisshin Steel Holding Co. Limited., which is listed on the Tokyo Stock Exchange.

The quotation value was JPY 1,289 per share at 31 December 2015 (JPY 1,162 per share at 2014 year end). Acerinox holds 1,052,600 shares in this company, representing a percentage ownership of 0.96% (0.96% in 2013). As Nisshin Steel holds a 15.34% interest in Acerinox, this is a strategic investment that Acerinox has no intention of selling. Nisshin Steel not only holds a significant interest in Acerinox, S.A. but is also Acerinox's partner in the new Malaysian venture Bahru Stainless, Sdn. Bhd, which is the Group's fourth flat stainless steel factory.

Acerinox has not purchased or sold any shares in Nisshin Steel Holding Co. Limited in 2015 or 2014.

In 2015 and 2014 the Group recognised the variation in the fair value of assets classified in this category in reserves. The revaluation amounted to Euros 1,991 thousand in 2015 (a loss of Euros 745 thousand in 2014). The accumulated change in value vis-à-vis the cost is a gain of Euros 2,941 thousand, before the tax effect (Euros 950 thousand in 2014).

Also in 2015, the Group company Acerinox Europa acquired a non-controlling interest of 7.36% in Fortia Energía, S.L., whose statutory activity is acquisition of electrical energy on behalf of its shareholders, for Euros 275 thousand. The Group's Spanish factories can obtain more competitive electricity prices as a result of this investment.

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 that 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 4** 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:

(In thousands of Euros)

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives	24,713	4,337	21,617	20,609
Derivatives at fair value through profit or loss	633	14,072	52,503	7,655
TOTAL	**25,346**	**18,409**	**74,120**	**28,264**

A breakdown of the Group's financial derivatives at 31 December 2015 and 2014 by type of hedged risk is as follows:

(In thousands of Euros)

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Exchange rate insurance	657	14,170	54,559	7,683
Interest rate swaps	37	4,239	52	8,534
Cross-currency swaps	24,652		19,509	12,047
TOTAL	**25,346**	**18,409**	**74,120**	**28,264**

Currency risk

The Group operates in a large number of countries and bills customers in different currencies, depending on the country where it is billing. Therefore it uses certain financial instruments to hedge cash flow risks related to the settlement of balances in foreign currencies. The contracted operations mainly comprise forward sales and purchases in foreign currencies.

Derivatives of this nature do not always qualify for consideration as effective cash flow hedging instruments in accordance with IAS 39. At 31 December 2015 the effect of measuring these derivatives at market value was a negative Euros 59,509 thousand, which is recognised under remeasurement of financial instruments to fair value in the income statement (Euros 66,577 thousand in 2014). This variation was highly influenced by the appreciation of the US Dollar in 2015.

At 31 December 2015 all exchange rate insurance contracts basically cover both receivables (assets) and payables (liabilities) and include both trade and financing transactions between Group companies. At 31 December 2015 the Group has exchange rate insurance totalling Euros -13,513 thousand (Euros 46,876 thousand in 2014), of which Euros 657 thousand is recognised under assets and Euros 14,170 thousand under liabilities. Only Euros -74 thousand of this amount qualifies for recognition as hedging instruments. In 2015 an amount of Euros -161 thousand was transferred from the consolidated statement of comprehensive income to profit and loss for the year (Euros 145 thousand in 2014).

All of the Group's forward currency purchase and sale contracts have a term of less than one year.

At 31 December 2015 the Group has used contracts for foreign currency operations amounting to Euros 252 million for currency sales and Euros 666 million for currency purchases. The comparative figures at 31 December 2014 were Euros 317 million for sales and Euros 505 million for purchases. Details of these contracts by currency are as follows:

(In thousands)

	2015		2014	
	Assets	**Liabilities**	**Assets**	**Liabilities**
USD	144,778	715,950	223,352	895,881
EUR	47,882	8,327	34,456	2,688
GBP	16,508		19,011	53
SEK	30,450		200,994	
PLN	1,459		3,013	
AUD	4,775		19,679	
NZD	594		3,070	
NOK			7,763	
MYR	251,011		173,650	
JPY		4,187		

The Group has contracted derivatives to hedge exposures to currency and interest rate risks affecting some of its loans and borrowings in currencies other than the functional currency. These instruments are described in the next note.

Interest rate risk

At 31 December 2015 the Group has arranged the following interest rate swaps to cover part of its current and non-current loans and borrowings as well as the following cross-currency swaps for loans in currencies other than the functional currency of the company in question:

	Notional value contracted	**Outstanding amount**	**Maturity**
Variable to fixed rate	EUR 30 million	EUR 30 million	2016
Variable to fixed rate	EUR 15 million	EUR 5 million	2016
Variable to fixed rate	EUR 10 million	EUR 3.33 million	2016
USD variable to EUR fixed rate	USD 385.6 million	USD 154.24 million	2017
Variable to fixed rate	EUR 400 million	EUR 96 million	2017
USD variable to USD fixed rate	USD 63 million	USD 29.64 million	2017
USD variable to EUR fixed rate	USD 160 million	USD 48.98 million	2018
Variable to fixed rate	EUR 76.13 million	EUR 40.31 million	2020

In 2015 no additional interest rate hedges have been arranged.

The average interest rate applicable to USD-denominated financing for which an interest rate hedge has been arranged is 3.05% (2.70% in 2014), while the average rate for Euro-denominated financing with an associated interest rate hedge is 3.39% (3.43% in 2013). The credit spread has been included in both cases.

Details at 31 December 2014 were as follows:

	Notional value contracted	Outstanding amount	Maturity
Variable to fixed rate	EUR 50 million	EUR 50 million	2015
Variable to fixed rate	EUR 15 million	EUR 15 million	2015
Variable to fixed rate	EUR 30 million	EUR 30 million	2015
Variable to fixed rate	EUR 30 million	EUR 30 million	2016
Variable to fixed rate	EUR 15 million	EUR 10 million	2016
Variable to fixed rate	EUR 10 million	EUR 6.67 million	2016
USD variable to EUR fixed rate	USD 385.6 million	USD 231.36 million	2017
Variable to fixed rate	EUR 400 million	EUR 160 million	2017
USD variable to USD fixed rate	USD 63 million	USD 44.47 million	2017
USD variable to EUR fixed rate	USD 160 million	USD 65.31 million	2018
Variable to fixed rate	EUR 76.13 million	EUR 49.26 million	2020

The most noteworthy of these hedges in terms of amount is the cross-currency swap arranged in January 2012 for USD 385.6 million to hedge the syndicated loan extended to Acerinox S.A. Through this transaction the benchmark rate plus the initial spread for this loan was exchanged for a fixed rate of 2.56% in Euros.

In 2014, the Group arranged various financing facilities totalling Euros 225 million with a fixed interest rate over the term of the financing.

The fair value of the fixed interest rate swaps and the cross currency swaps are based on the market value of equivalent derivative financial instruments at the reporting date and amount to Euros 20,450 thousand (a negative Euros 1,020 thousand at 31 December 2014), which are recognised as follows:

(In thousands of euros)

	2015		2014	
	Current	Non-current	Current	Non-current
Other financial assets	15,314	9,375	19,561	
Other financial liabilities	247	3,992	405	20,176
Net amount	**15,067**	**5,383**	**19,156**	**-20,176**

At 31 December 2015 and 2014 the derivatives contracted qualify as cash flow hedges and therefore the unrealised gain of Euros 15,323 thousand on their measurement at fair value has been recorded in the consolidated statement of comprehensive income (Euros 26,235 thousand in 2014).

In 2015 an amount of Euros 8,251 thousand was transferred from the consolidated statement of comprehensive income to profit and loss for the year (Euros 22,624 thousand in 2014).

The Group has documented the effectiveness of the derivatives contracted for the purpose of applying hedge accounting, as detailed in **note 2.9.5**. Hedging transactions have been contracted for periods and amounts equivalent to the cash flows deriving from the associated loans. The financial instruments that are considered hedges were not ineffective at any point in 2014 or 2015.

9.2.7 Other information

At 31 December 2015, receivables have been pledged as a guarantee for the financing obtained by Colombus, as described in note 9.2.4. Euros 69 million of current assets (inventories and receivables) were used to guarantee the amount drawn down at that date.

No guarantees have been received for financial or non-financial assets.

At 31 December 2014:

- No financial assets were pledged to secure liabilities or contingent liabilities
- No guarantees were received for financial or non-financial assets.

See also details of guarantees in **note 14.**3.

NOTE 10 – INVENTORIES

Details at 31 December are as follows:

(Expressed in thousands of Euros)

	2015	2014
Raw materials and other supplies	229,937	246,119
Work in progress	185,405	179,540
Finished goods	390,565	408,560
By-products, waste and recoverable materials	18,774	16,588
Advances	248	891
TOTAL	**824,929**	**851,698**

The cost of goods sold is Euros 3,894 million in 2015 (Euros 3,870 million in 2014).

In 2015 the Group wrote inventories down to net realisable value where this was lower than cost, with a total adjustment of Euros 14,248 thousand. The adjustment for 2014 amounted to Euros 9,402 thousand.

At 31 December 2015, the Group company Columbus Stainless has pledged inventories as a guarantee for the financing obtained through the borrowing base facility described in note 9.2.4. An amount of Euros 69,022 thousand has been drawn down from the loan guaranteed with the Company's working capital.

At 31 December 2014 no inventories were pledged as collateral to guarantee repayment of debts or commitments undertaken with third parties.

Commitments

At 31 December 2015 the consolidated Group has commitments to purchase raw materials for Euros 129,143 thousand (Euros 106,380 thousand in 2014). Although no firm sales commitments exist at these reporting dates, there are formal orders for which the Group does not foresee any circumstances that could prevent delivery by the agreed deadlines.

The Group does not have any inventories with a cycle exceeding one year and therefore no borrowing costs have been capitalised.

Group companies have taken out insurance policies to cover the risk of damage to their inventories. The coverage of these policies is considered sufficient.

NOTE 11 – CASH AND CASH EQUIVALENTS

Details at 31 December are as follows:

(Expressed in thousands of Euros)

	2015	2014
Cash in hand and at banks	213,388	233,779
Current bank deposits	266,567	504,589
TOTAL	**479,955**	**738,368**

The effective interest rate on current bank deposits is 0.51% for the US Dollar, and 0.30% for the Euro (0.35% for the US Dollar, 2.60% for the Malaysian Ringgit, 5.30% for the South African Rand and 1.08% for the Euro in 2014). At the reporting date, 72% of all deposits have been made by North American Stainless and 27% by Acerinox, S.A. (80% by the Parent in 2014). Deposits are placed for between 45 days and one week with banks of recognised solvency. In 2014 the Group companies generally invested their cash surpluses in deposits with an average term of between 45 days and one week.

All cash and cash equivalents are held in current accounts or current deposits. There are no unavailable cash balances at year end.

NOTE 12 – EQUITY

12.1 Subscribed capital and share premium

Movement of issued and outstanding shares in 2015 and 2014 is as follows:

(Expressed in thousands of Euros)

	Number of shares (thousand)	Ordinary shares (thousand)	Own shares (thousand)	Share capital (thousands of Euros)	Share premium (thousands of Euros)
Balance at 1 January 2014	**257,147**	**257,147**	**0**	**64,287**	**81,403**
Capital increase (scrip dividend)	4,555	4,555		1,139	
Acquisition of own shares			-1		
Redemption of own shares			1		
Balance at 31 December 2014	**261,702**	**261,702**	**0**	**65,426**	**81,403**
Capital increase (scrip dividend)	5,005	5,005		1,251	
Acquisition of own shares			-1		
Disposal of own shares					
Balance at 31 December 2014	**266,707**	**266,707**	**-1**	**66,677**	**81,403**

The Parent's share capital solely comprises ordinary shares. All these shares have the same rights and there are no statutory restrictions on their transferability.

At 31 December 2015 share capital is represented by 266,707,393 ordinary shares (261,702,140 in 2014) with a par value of Euros 0.25 each, subscribed and fully paid.

All the shares are listed on the Madrid and Barcelona stock exchanges.

At 31 December 2015 the only holders of 10% or more of the share capital of Acerinox, S.A. are Alba Participaciones, S.A. (19.62% in 2015 and 23.09% in 2014) and Nisshin Steel Holding, Co. Ltd. (15.34% in 2015 and 15.39% in 2014).

At their general meeting the shareholders agreed to increase share capital with a charge to reserves by issuing ordinary shares to be allocated to the shareholders free of charge. Following the shareholders' meeting, on 3 June the board of directors agreed to implement the share capital increase by means of a flexible dividend, known as a "scrip dividend".

The share capital increase, through the issue of 5,005,253 shares derived from the scrip dividend, was filed at the Madrid Mercantile Registry on 13 July (4,555,963 shares in 2014, also derived from the scrip dividend). These new shares were admitted to trading on 20 July 2015.

On 15 June, the Parent acquired 100 own shares for use, if necessary, to exchange subscription rights when executing the scrip dividend.

There has been no distribution of the share premium in 2014 or 2015.

The share premium is subject to the same restrictions and may be used for the same purpose as the voluntary reserves of the Parent, including conversion into share capital.

12.2 Distribution of dividends

Based on the agreements reached by the shareholders and the board of directors on 3 June 2015, those parties who were shareholders of Acerinox from 16 June to 23:59 hours on 25 June 2015 were to be allocated one right for each share held in the share capital increase. The rights were traded on the stock exchange from 17 June to 1 July 2015 and entitled the shareholders to choose between the following options:

- Sell the rights to the Company for Euros 0.449 per right between 17 June and 25 June inclusive.
- Sell the rights on the stock exchange at the listed market price from 17 June to 1 July 2015 inclusive.
- Subscribe shares in Acerinox on the basis of one (1) new share for every thirty-one (31) rights allocated to them on 16 June 2015.

On 27 June 2015 the definitive amount of the dividend payable and the details of the share capital increase were established, as follows:

- 106,539,278 rights were sold to Acerinox for Euros 0.449 per right, with the Company therefore paying out Euros 47,836,135.82 to its shareholders on 6 July 2015.

- 5,005,253 new shares were issued in the share capital increase.

In 2014, at the annual general meeting held on 10 June 2014, the shareholders agreed to increase share capital with a charge to reserves by issuing ordinary shares to be allocated to the shareholders free of charge. Following this meeting, the board of directors agreed to implement the share capital increase by means of a flexible dividend, known as a "scrip dividend".

Based on the agreements reached by the shareholders and the board of directors, those parties who were shareholders of Acerinox on 23 June 2014 could choose between the following options:

- Sell the rights to the Company for Euros 0.449 per right
- Sell the rights on the stock exchange at the market price.
- Subscribe shares in Acerinox on the basis of one new share for every twenty-nine rights

On 9 July 2014:

- 125,023,234 rights were sold to Acerinox, S.A. for Euros 0.449 per right, with the Company therefore paying out Euros 56,135,432.07 to its shareholders on 11 July 2014.

- 4,555,963 new shares were issued in the share capital increase.

These new shares were admitted to trading on 23 July 2014.

12.3 Reserves

a) Retained earnings

Retained earnings include consolidated profit or loss for the year, reserves in fully consolidated companies and equity-accounted investees, as well as Parent reserves other than those mentioned below.

Details of reserves by company are included in **note 12.5**.

There are no restrictions on the transfer of funds by any Group company in the form of dividends, except for the non-distributable reserves required by applicable legislation. At 31 December 2015 Euros 21,640 thousand of the Group's reserves and retained earnings are subject to restrictions (Euros 20,251 thousand at 31 December 2014).

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 companies to 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 2015 the Company has appropriated Euros 12,465 thousand, an amount equivalent to 18.69% of its share capital, to this reserve (Euros 12,465 thousand and 19.05% of share capital in 2014).

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

b) Property, plant and equipment revaluation reserve

As permitted by Royal Decree-Law 7/1996 of 7 June 1996, containing urgent tax measures and initiatives aimed at boosting and deregulating the economy, the Holding Company revalued its property, plant and equipment. The amount of the reserve reflects the revaluation gains, net of tax at 3%.

The deadline for tax inspection was three years from 31 December 1996. Consequently, as no inspection took place, this balance can be used to offset losses or increase the Company's share capital. Once ten years had elapsed, Euros 16,592 thousand of the balance of this reserve was released to freely distributable reserves, representing the depreciated or transferred revaluation gains or revalued assets disposed of or otherwise derecognised.

The balance of this account will only be distributable, either directly or indirectly, to the extent that gains have been realised.

c) Hedging reserve

The hedging reserve includes cumulative net changes in the fair value of cash flow hedging instruments associated 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. In accordance with the applicable measurement criteria, any changes in the fair value of these 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.

12.4 Translation differences

Details of movement in this account are included in the consolidated statement of changes in equity.

Details of cumulative translation differences by company at the 2015 and 2014 reporting dates are as follows:

(Expressed in thousands of Euros)

GROUP COMPANIES	2015	2014
ACERINOX (SCHWEIZ) A.G.	1,370	963
ACERINOX ARGENTINA S.A.	-3,470	-3,364
ACERINOX AUSTRALASIA PTY.LTD.	62	64
ACX DO BRASIL REPRESENTAÇOES, LTDA	-200	-73
ACERINOX CHILE S.A	14	218
ACERINOX COLOMBIA S.A.S	-59	-6
ACERINOX INDIA PVT LTD	-20	-52
ACERINOX MALAYSIA SDN. BHD	592	329
ACERINOX METAL SANAYII VE TICARET L.S.	-114	-44
ACERINOX MIDDLE EAST DMCC (DUBAI)	45	25
ACERINOX NORWAY A.S	-161	-124
ACERINOX PACIFIC LTD.	-4,816	-3,474
ACERINOX POLSKA,SP Z.O.O	-1,467	-1,515
ACERINOX RUSSIA LLC.	-84	-56
ACERINOX SCANDINAVIA AB	-2,249	-2,828
ACERINOX S.C. MALAYSIA SDN. BHD	-1,985	-2,205
ACERINOX (SEA), PTE LTD.	198	145
ACERINOX SHANGAI CO., LTD.	3,028	2,509
ACERINOX U.K., LTD.	-1,641	-3,223
BAHRU STAINLESS, SDN. BHD	45,419	30,853
COLUMBUS STAINLESS INC.	-150,412	-123,105
CORPORACIÓN ACERINOX PERU S.A.C	-1	-20
NORTH AMERICAN STAINLESS CANADA, INC	7,714	2,829
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	5,843	3,002
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS, LTD	4	3
NORTH AMERICAN STAINLESS INC.	315,318	117,246
SUBTOTAL	**212,928**	**18,097**
ASSOCIATES	**2015**	**2014**
BETINOKS PASLANMAZ ÇELIK A.S.	-49	-49
SUBTOTAL	**-49**	**-49**
TOTAL	**212,879**	**18,048**

12.5 Details of reserves, profit/loss and non-controlling interests

Details at 31 December 2015 and 2014 are as follows:

(Expressed in thousands of Euros)

	2015				2014			
	Reserves	Profit	Profit attributable to non-controlling interests	Total non-controlling interests	Reserves	Profit/(loss)	Profit attributable to non-controlling interests	Total non-controlling interests
ACERINOX, S.A	580.678	-19.385			647.481	-30.635		
ACERINOX (SCHWEIZ) A.G.	2.495	-394			2.223	264		
ACERINOX ARGENTINA S.A.	5.810	579			5.330	455		
ACERINOX AUSTRALASIA PTY. LTD.	228	-223			-4	232		
ACERINOX BENELUX S.A. - N.V.	104	152			132	222		
ACX DO BRASIL REPRESENTAÇOES, LTDA	34	31			176	8		
ACERINOX CHILE, S.A.	-3.166	-281			-3.239	73		
ACERINOX COLOMBIA S.A.S	187	-1			120	66		
ACERINOX DEUTSCHLAND GMBH	-18.424	1.650			-20.271	1.840		
ACERINOX EUROPA S.A.U	-79.828	5.791			-92.904	13.077		
ACERINOX FRANCE S.A.S	-10.034	372			-10.489	462		
ACERINOX ITALIA S.R.L.	-13.016	454			-13.691	675		
ACERINOX INDIA PVT LTD	115	59			353	46		
ACERINOX MALAYSIA SDN. BHN	-17.866	-24			-17.820	-46		
ACERINOX METAL SANAYII VE TICARET L.S.	106	412			279	62		
ACERINOX MIDDLE EAST DMCC (DUBAI)	223	-36			0	223		
ACERINOX NORWAY A.S	905	-142			710	195		
ACERINOX PACIFIC LTD.	-18.529	-2.972			-15.966	-2.563		
ACERINOX POLSKA, SP Z.O.O	154	238			140	14		
ACERINOX RUSSIA LLC.	61	117			-52	114		
ACERINOX SCANDINAVIA AB	-3.263	673			-4.236	973		
ACERINOX S.C. MALAYSIA SDN. BHD	-20.303	-1.449			-19.170	-1.133		
ACERINOX SHANGAI CO., LTD.	137	1.119			-139	419		
ACERINOX (SEA), PTE LTD.	-318	-185			38	-356		
ACERINOX U.K., LTD.	839	790			480	359		
ACEROL - COMÉRCIO E INDÚSTRIA DE AÇOS INOXIDÁVEIS, UNIPESSOAL, LDA.	-2.759	173			-3.408	649		
BAHRU STAINLESS, BDN. BHD	-68.537	-41.897	-20.927	52.316	-39.353	-29.166	-14.345	66.065
COLUMBUS STAINLESS (PTY) LTD.	57.021	13.928	4.368	41.871	54.926	1.992	683	46.093
CORPORACIÓN ACERINOX PERU S.A.C	-40	-49			-27	-12		
INOX RE, S.A.	24.458	1.434			23.063	1.395		
INOXCENTER CANARIAS S.A.U	1.208	180			2.104	62	1	41
INOXCENTER, S.L.U	-24.781	3.913			-24.558	12	0	-133
INOXFIL S.A.	-841	-227	-1	12	685	-760	-2	13
INOXIDABLES DE EUSKADI S.A.U	519	1.059			123	396		
INOXPLATE - COMÉRCIO DE PRODUCTOS DE AÇO INOXIDÁVEL, UNIPESSOAL, LDA.	1.204	65			876	328		
METALINOX BILBAO S.A.U	14.507	1.397			17.125	1.929	33	382
NORTH AMERICAN STAINLESS CANADA, INC	10.563	2.480			6.325	4.217		
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	3.178	-642			1.462	1.681		
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	-8.015	8.013			-10.577	10.575		
NORTH AMERICAN STAINLESS INC.	1.090.305	70.850			927.297	162.892		
ROLDAN S.A.	20.123	-5.131	-13	78	27.091	-4.907	-12	91
SUBTOTAL	**1.525.442**	**42.891**	**-16.573**	**94.277**	**1.442.635**	**136.329**	**-13.642**	**112.552**
ASSOCIATES								
BETINOKS PASLANMAZ ÇELIK A.S.	-264	0			-265	0		
SUBTOTAL	**-264**	**0**	**0**	**0**	**-265**	**0**	**0**	**0**
TOTAL	**1.525.178**	**42.891**	**-16.573**	**94.277**	**1.442.370**	**136.329**	**-13.642**	**112.552**

The two companies with non-controlling interests are Columbus Stainless, Ltd, 24% of which is held by the South African group IDC (Industrial Development Corporation) and Bahru Stainless Sdn. Bhd, the main non-controlling shareholder of which is Nisshin Steel Holding. Co, Ltd. with an interest of 30%, as well as Metal One Corporation, which has a 3% interest. Details of the assets of these two Group companies are as follows: Columbus's total assets amount to Euros 383 million (Euros 414 million in 2014), of which Euros 133 million are non-current (Euros 174 million in 2014). The assets of Bahru Stainless, Sdn. Bhd. amount to Euros 890 million (Euros 826 million in 2014), of which Euros 734 million is non-current (Euros 657 million in 2014). Neither of these companies distributed dividends in 2014 or 2015.

12.6 Distribution of profit and shareholder remuneration

The distribution of the profit for 2015 of the Parent, Acerinox, S.A., as proposed by the board of directors, to be submitted to the shareholders for approval at their annual general meeting is as follows:

(Expressed in thousands of Euros)

	2015
Basis of allocation:	
Loss for the year	-20,531
Application:	
Prior years' losses	-20,531

At the board meeting held on 15 December, the directors resolved regarding shareholder remuneration to make a unique payment on July 2016 in the way and amount decided by the general meeting.

The distribution of profit for the year ended 31 December 2014 was approved by the shareholders at their general meeting on 3 June 2015. The profit for the year, which amounted to Euros 16,408 thousand, were carried forward as prior years' losses.

12.7 Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, excluding own shares purchased and held by the Group.

(Expressed in thousands of Euros)

	2015	2014
Profit attributable to the Group	42,891	136,329
Weighted average number of ordinary shares outstanding	263,964,789	259,168,276
Earnings/loss per share (in Euros)	**0.16**	**0.53**

The weighted average number of shares has been calculated considering the shares outstanding both prior and subsequent to the capital increase and the number of days for which they had been outstanding.

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 13 – DEFERRED INCOME

Movement in deferred income, comprising non-refundable government grants, which include emission allowances received free of charge (see **note 2.6.d**) and other capital grants, is as follows:

(Expressed in thousands of Euros)

	2015	2014
Balance at 1 January	**6,430**	**4,834**
Grants awarded	4,352	1,583
Transfer to the income statement	-3,269	13
Balance at 31 December	**7,513**	**6,430**

Deferred income primarily reflects grants received by Acerinox Europe for its research and development activities, and the balancing entry for emission allowances allocated free of charge under the National Allocation Plan and not been used during the 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 14 – PROVISIONS AND CONTINGENCIES

Details of non-current provisions included in the balance sheets for 2015 and 2014 are as follows:

(Expressed in thousands of Euros)

	2015	2014
Employee benefits	10,509	11,204
Other provisions	3,189	2,502
TOTAL	**13,698**	**13,706**

14.1 Employee benefits

14.1.1 Defined contribution plans

In accordance with legislation in force in their countries of operation, certain Group companies make contributions to pension plans managed by external institutions. An expense of Euros 8,157 thousand has been recognised for the year under personnel expenses in respect of such plans (Euros 7,037 thousand in 2014).

14.1.2 Defined benefit plans

Details of provisions for employee benefits by type of commitment are as follows:

(Expressed in thousands of Euros)

	2015	2014
Pension plans	2,497	2,136
Early retirement benefits	344	290
Supplements	620	694
Post-employment benefits	7,048	8,084
TOTAL	**10,509**	**11,204**

The amount recorded under pension plans comprises the contributions made by North American Stainless to pension plans for certain employees. These liabilities have been duly externalised and the Company has no additional obligations. The Company has recorded an asset for the same amount.

Post-employment obligations reflect post-retirement medical care plans provided by certain Group companies to specified plan members. The Company performs actuarial valuations of the obligations every two years. The most recent valuation was performed this year. The assumptions made were as follows: discount rate of 9% (8.8% in accordance with the valuation performed in 2013), inflation of medical services 7% (6.9% in the prior valuation). The opening balance for the period reconciles with the closing balance as follows:

(Expressed in thousands of Euros)

	2015	2014
Balance at 1st of January	**8,084**	**7,184**
Contributions paid	-214	-216
Service cost recognised in the income statement	168	187
Interest cost	589	656
Actuarial loss recognised in comprehensive income	-188	
Translation differences	-1,391	273
Balance at 31st December	**7,048**	**8,084**

14.2 Other provisions

Movement in 2015 is as follows:

(Expressed in thousands of Euros)

	Lawsuits	CO_2	Other provisions	Total
Balance at 31 December 2014	**271**	**1,826**	**405**	**2,502**
Charge to provision		1,935	552	2,488
Application	59	-1,824		-1,766
Reversal	-35	0	-16	-51
Translation differences			16	16
Balance at 31 December 2015	**294**	**1,937**	**957**	**3,189**

CO_2

These are provisions for CO_2 emissions during the year for which the emission allowances have not yet been surrendered (see **note 7.1**).

Applications for the year are mainly due to the derecognition of emission allowances for 2015 totalling Euros 1,824 thousand (Euros 1,886 thousand in 2014) (see **note 7.1**).

Litigation

Litigation includes legal actions for immaterial amounts with the Port Authority of Algeciras and Électricité de France.

Other provisions

Other provisions reflect Inoxcenter, S.L.U.'s estimate of the probable obligations totalling Euros 386 thousand arising from the workforce restructuring plan implemented in 2013 pursuant to Royal Decree-Law 5/2013. There has been no movement in this provision during the year.

In addition, a provision of Euros 545 thousand was made in the year in relation to the environmental deductions applied to income tax from 2012 to 2014, in accordance with the requested validations, which were rejected by the Regional Government of Andalucía. The Company has submitted the pertinent objections.

14.3 Guarantees provided

At 31 December 2015 the Group has provided guarantees to third parties, mainly government bodies, totalling Euros 31 million (Euros 25 million in 2014). This amount includes the guarantee provided to the Italian taxation authorities as a result of the assessment arising from the inspection, as explained in **note 17.4**. Group management does not expect any significant liabilities to arise from these guarantees.

NOTE 15 – INCOME AND EXPENSES

15.1 Income and revenue

Details of income and revenue in 2015 and 2014 are as follows:

(Expressed in thousands of Euros)

	2015	2014
Sale of goods	4,211,615	4,377,025
Services rendered	9,811	3,264
Self-constructed assets	18,888	15,993
Operating lease income	217	208
Gains on disposal of fixed assets	517	1,977
Reversal of impairment of intangible assets	0	2,835
Income from grants and subsidies	302	486
Income from emission allowances	2,967	-499
Other income	9,014	12,278
TOTAL	**4,253,331**	**4,413,567**

15.2 Personnel expenses

Details of personnel expenses in 2015 and 2014 are as follows:

(Expressed in thousands of Euros)

	2015	2014
Salaries and wages	281,304	261,103
Social Security	67,216	62,777
Contributions to employee benefit plans	8,157	7,037
Termination benefits	645	5,996
Change in the provision for employee benefits	932	785
Other personnel expenses	9,922	9,466
TOTAL	**368,176**	**347,164**

The average headcount in 2015 and 2014, distributed by category, is as follows:

	2015	2014
University graduates	789	790
Administrative staff	900	964
Manual workers	5,080	4,999
TOTAL	**6,769**	**6,753**

At 31 December a breakdown of personnel by gender and category, including directors, is as follows:

		2015	2014
Board members	Male	14	14
	Female	1	1
Senior management personnel	Male	4	4
	Female	0	0
University graduates	Male	572	572
	Female	216	206
Administrative staff	Male	495	554
	Female	396	378
Manual workers	Male	4,908	4,867
	Female	150	119
TOTAL		**6,756**	**6,715**

At 31 December 2015 the number of employees in Spain with a disability of at least 33% is 52 (48 male and 4 female) (54 in 2014; 50 male and 4 female).

As a general rule, all of the Spanish companies comply with the provisions of the General Law on the Rights and Social Integration of Disabled Persons.

15.3 Other operating expenses

Details are as follows:

(Expressed in thousands of Euros)

	2015	2014
Rentals	9,324	8,069
Trading costs	162,356	159,129
Utilities	222,266	200,964
Maintenance	53,830	52,876
External services	72,807	66,506
Insurance	14,584	17,001
Other operating expenses	29,162	30,991
Taxes other than income tax	15,376	18,096
Losses on disposal of fixed assets	332	229
Impairment of fixed assets	200	0
Other extraordinary expenses	215	99
TOTAL	**580,452**	**553,960**

Other operating expenses include Euros 3,745 thousand in bank fees and securities depository fees (Euros 3,075 thousand in 2014).

NOTE 16 – NET FINANCE COST

Details of the net finance cost are as follows:

(Expressed in thousands of Euros)

	2015	2014
Interest and other finance income	3,869	5,190
Income from dividends	423	111
Gain on disposal of investments in consolidated companies	0	0
Gain on remeasurement of financial instruments to fair value (exchange rate insurance)	888	67,427
Exchange gains	62,400	0
TOTAL FINANCE INCOME	**67,580**	**72,728**
Interest expense and other finance costs	-51,175	-61,802
Loss on remeasurement of financial instruments to fair value (exchange rate insurance)	-60,397	-850
Exchange losses	0	-63,988
TOTAL FINANCE COSTS	**-111,572**	**-126,640**
NET FINANCE COST	**-43,992**	**-53,912**

NOTE 17 – TAXATION

At 31 December 2015 and 2014 the consolidated tax group in Spain comprises Acerinox, S.A., Acerinox Europa, S.A.U, Roldán, S.A., Inoxfil, S.A., Inoxcenter, S.L.U. and Inoxcenter Canarias, S.A.U.

17.1 Income tax expense

Details of the tax expense are as follows:

(Expressed in thousands of Euros)

	2015	2014
Current tax	51,474	100,503
Deferred tax	-5,885	17,808
Total income tax	**45,589**	**118,311**

In 2015 the Parent received dividends from some of its foreign subsidiaries amounting to Euros 13.8 million (Euros 11.2 million in 2014). Under the corresponding double taxation conventions, some of these dividends were subject to withholdings at source amounting to Euros 826 thousand (Euros 1,123 thousand in 2014), which have been recognised under other taxes in the income statement. This account also reflects other withholdings on interest paid to Group companies.

A reconciliation of the income tax expense recognised in the income statement and accounting profit is presented below:

(Expressed in thousands of Euros)

	2015		2014	
Net profit for the year		**42,891**		**136,329**
Non-controlling interests		-16,573		-13,642
Income tax		45,589		118,311
Other taxes		4,989		2,778
Profit before tax		**76,896**		**243,776**
Income tax at the local tax rate	28.00%	21,531	30.0%	73,133
Effects on tax payable:				
Effect of tax rates of foreign operations		7,081		10,827
Non-deductible expenses		7,279		5,553
Tax incentives not recognised in the income statement		-12,190		-14,613
Non-taxable income		-359		-514
Prior year adjustments		484		1,411
Adjustment of tax rates, deferred taxes		1,008		22,793
Unrecognised tax credits and impairment		18,865		11,193
Other		1,890		8,528
Total income tax		**45,589**		**118,311**

The amounts recorded under Adjustment of tax rates, deferred taxes in 2015 and 2014 essentially reflect the impact of the income tax reform in Spain, approved through Law 27/2014 of 27 November 2014. Details of the amendments under this reform and the impact on the Group are provided in note 17.3.

The tax rate resulting from the Group's consolidated income statement for 2015 was 66% (50% in 2014). This is explained by the combined effect of a higher contribution made to Group profits by the US company North

American Stainless, which is taxed at a rate of 35%, and Euros 77 million of losses in certain companies whose tax credits have not been capitalised. In addition, impairment of tax credits amounting to Euros 2.8 million has been recognised in the year, either due to expiry before it was possible to offset them, or because there was no evidence that they could be recovered within a reasonable period, meaning that they should not be carried forward in the accounts. In 2014, the tax rate was primarily affected by the tax reform in Spain, as explained in note 17.3. Excluding this effect, the tax rate would have been 9% lower in 2014.

17.2 Deferred tax

Movement in deferred tax assets and liabilities is as follows:

(Expressed in thousands of Euros)

	2015		2014	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Balance at 1 January	**192,130**	**213,285**	**218,248**	**196,748**
Expense/income for the period	-9,103	-14,988	-34,114	-16,306
Taxes recognised directly in equity	-1,715	550	-1,772	-777
Exchange rate fluctuations	260	20,791	24	24,403
Transfers	7,521	7,521	9,346	9,346
Other changes	-202	8	398	-129
Balance at 31 December	**188,891**	**227,167**	**192,130**	**213,285**

The opening balance of deferred tax liabilities from 2014 has been adjusted as explained in **note 2.1**

The origin of deferred tax assets and liabilities is as follows:

(Expressed in thousands of Euros)

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Goodwill			-7,731	-7,515	-7,731	-7,515
Property, plant and equipment	5,880	6,640	-254.055	-253.520	-248,175	-246,880
Financial assets	1,574	1,574	-16,886	-21,593	-15,312	-20,019
Inventories	-525	1,352	45	-713	-480	639
Other assets	14	31	-166	-236	-152	-205
Provisions	6,262	7,009	-11,673	-11,556	-5,411	-4,547
Employee benefit plans	3,671	3,739	936	780	4,607	4,519
Financial liabilities	1,732	3,490	12	-40	1,744	3,450
Other liabilities			11	-16	11	-16
Non-deductible finance costs	29,922	24,969			29,922	24,969
Other tax deductions	29,856	30,236			29,856	30,236
Unused tax losses	172,845	194,214			172,845	194,214
Deferred tax assets/liabilities	**251,231**	**273,254**	**-289,507**	**-294,409**	**-38,276**	**-21,155**
Offsetting of deferred tax assets and liabilities	-62,340	-81,124	62,340	81,124		
Deferred tax assets/liabilities	**188,891**	**192,130**	**-227,167**	**-213,285**	**-38,276**	**-21,155**

Deferred tax liabilities from property, plant and equipment are mainly due to the different tax and accounting depreciation criteria permitted by legislation in force in certain countries. These liabilities essentially relate to North American Stainless, Inc. and Columbus Stainless, Ltd.

The reversal period for most of the deferred taxes is more than one year.

The Group has Euros 5.4 million of unrecognised assets arising from temporary differences relating to accounting impairment of subsidiaries which is not tax-deductible.

At 31 December 2015 and 2014, the Group has tax credits available as follows:

(Expressed in thousands of Euros)

Availability limit	2015	2014
1 to 5 years	549	1,464
6 to 10 years	262	0
11 to 15 years	5,670	6,848
16 to 20 years	0	0
No prescription date	166,364	185,902
TOTAL	**172,845**	**194,214**

The Group also has tax credits in respect of certain companies' losses of Euros 60,477 thousand (Euros 27,954 thousand in 2014), which, following conservative criteria, have not been recognised. The period for recovery of these credits is open ended, in accordance with prevailing tax legislation.

On 22 June, the Group company Bahru Stainless received confirmation from the Malaysian Ministry of Economy of approval of fiscal aid in respect of investments made in the country in 2009 to 2014. This aid consists of income tax deductions for an amount equal to the investments made in certain items of property, plant and equipment, which amount to Malaysian Ringgit 1,811 million (Euros 385 million). The Company has already submitted the amendments to the tax returns accrediting the amount of aid receivable. As with tax credits relating to tax loss carryforwards, the Group has not recorded a deferred tax asset as it cannot estimate their recoverability.

The Group company North American Stainless also has tax credits similar to those extended to Bahru Stainless, for investments in assets that contribute to recycling. These credits are deducted from the calculation of the Kentucky state tax and amount to Euros 524 million. The Company has used Euros 3,941 thousand in 2014 and expects to use Euros 2,078 thousand in the income tax return for 2015. The Group has capitalised Euros 14.6 million in tax credits in this regard, reflecting the amounts it expects to recover over the next five years.

The Group prepares 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 timeframe specified under the applicable legislation, and never in a period exceeding that specified in the budget. Furthermore, the Group takes into account the limitations regarding offsetting tax loss carryforwards stipulated in certain jurisdictions. The Group also assesses the existence of deferred tax liabilities 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 through future taxable income, in a reasonable period not exceeding that permitted by the corresponding local authorities in each country.

The Group has performed a sensitivity analysis of the estimates made justifying the recoverability of the tax losses carried forward, in order to determine the potential risk of their not being recoverable. This analysis, applied to 67% of tax credits carried forward, determined that even if estimated results are reduced by 50% the Group could recover all of its tax losses in a period of no more than 10 years.

The estimates of results made by the Group reflect financial and macroeconomic circumstances as well as the stainless steel market. Key assumptions such as exchange rates and raw material prices are therefore extrapolated using highly conservative criteria, referring to the most recent market values at all times. These budgets are approved by Group management.

17.3 Legislative amendments

Tax reform in Spain

On 27 November 2014 the new Corporate Income Tax Law 27/2014 was approved, introducing completely new legislation. The Law repealed the revised Royal Legislative Decree 4/2004 of 5 March 2004, which was previously in force.

Of the numerous measures introduced by the new law, those which most significantly affect the Group are as follows:

- A progressive reduction of tax rates, from the 30% in force until 2014, to 28% in 2015, and 25% from 2016 onwards. Although this measure is positive – as it reduces the tax burden – it had a very negative impact on the Group's income statement for 2014, as it also reduced the balance of deferred tax assets. This measure continued to have an unfavourable effect in 2015, due to use at the prevailing rate of 28% of deferred tax liabilities that were recognised at a rate of 25% in 2014 as at that time it was not possible to estimate the amount recoverable in the year. The impact on the income statement for the year amounted to an additional Euros 1 million in tax expenses.

  As stipulated in the Group's accounting policy for measurement of deferred tax assets and liabilities (**note 2.16**), in 2014 the Group measured its deferred tax assets and liabilities in accordance with the new tax rates approved, taking into account the period in which they were expected to be recovered, provided that it can be easily estimated, except for deferred tax assets arising from tax losses, which were adjusted for the 25% tax rate. The impact on the income statement was as follows:

(Expressed in thousands of Euros)

	Balances prior to the reform	Adjustments to tax rates	Balances at 31/12/2014
Tax loss carryforwards	137,722	-22,777	114,945
Deferred tax assets (temporary differences)	45,214	-6,330	38,884
Deferred tax liabilities (temporary differences)	-39,025	6,427	-32,598
Total impact on profit or loss		**-22,680**	
Deferred tax assets (temporary differences)	4,488	-748	3,740
Deferred tax liabilities (temporary differences)	-285	47	-237
Total impact on reserves		**-701**	

- Limits on offsetting of tax losses, eliminating the time limit. The law establishes a limit of 70% of taxable income for offsetting of tax losses, prior to application of the capitalisation reserve. In 2015, the transitional limit of 25% was maintained for large companies. In 2016, the limit has been set at 60%. The Group assessed the possible impact of this measure. However, in view of the budgets approved by management, no problem was identified with recovery in 2014 or 2015. The Group expects to recover all of the tax losses carried forward by the consolidated tax group in less than seven years.

- Capitalisation reserve. The law introduces a reduction in taxable income equal to 10% of the increase in capital and reserves for the year, if this is maintained for a period of five years and a special non-distributable reserve is appropriated in the amount of the reduction. This reduction may not exceed 10% of the gross taxable income. Shareholder contributions and capital increases are not taken into account when calculating the increase. The consolidated tax group has not benefited from this measure in the year, as the tax loss generated is less than the total amount of dividends the Group expects to distribute.

- Simplification of the tax depreciation/amortisation schedules. The number of items has been reduced to 30. This measure had no material impact on the Group.

- Changes to international double taxation relief. New rules have been established for exemption of dividends and similar income. This measure has no impact on the Group.

- Changes to the consideration of certain expenses as non-deductible.

- Promotion of the deduction for R&D&i and elimination of other existing deductions.
- The temporary limit on deductibility of 30% of depreciation/amortisation, stipulated for 2013 and 2014, has been eliminated and a new deduction has been introduced on tax due for 2015 and thereafter to alleviate the impact of the reduction in tax rates.

- A limit of 5% has been established for deduction of goodwill and intangible assets with indefinite useful lives. In 2015, the limit on deductibility of goodwill remains at 1% as in past years.

- Amendments to the regulations applicable to related party transactions have been introduced, primarily associated with documentation requirements.

Other legislative amendments

In 2015 and 2014 the following tax rates applicable to certain Group companies were amended pursuant to local legislation:

- U.K: progressive modifications to the income tax rate. The applicable rate will be 20% from 1 April 2016 onwards, 19% from 2017 and 18% in 2020.
- Portugal: the tax rate has been reduced from 25% to 23% from 2014 onwards and 21% from 2015, although a 3% increase has been provided for where profits exceed Euros 1.5 million. Simultaneously, the period for recovering tax loss carryforwards has been extended from 6 to 12 years, establishing a limit for offsetting tax losses of 70% of taxable profit from 2014 onwards. The tax losses that the Group had carried forward in Portugal expired in 2015. Impairment has been recorded for the tax credits which it was not possible to recover, with an impact of Euros 194 thousand on profit and loss.
- Chile: progressive increase in tax rates, from 17% in 2013 to 27% from 2018 onwards. The applicable rate in 2015 was 22.5% and in 2016 it will be 24%.

The Group adjusted its deferred tax assets and liabilities to the new tax rates, taking the difference to the income statement for that year.

Certain temporary modifications introduced in Royal Decree 12/2012 and Royal Decree 20/2012 were extended to cover 2014 and 2015. These include capping the deductibility of goodwill at 1% of the goodwill amount, extending the limit of R&D tax credits and restricting the offsetting of tax loss carryforwards (to 25% of taxable income declared in the case of the consolidated Group).

The amendments to the calculation of instalment payments – such as the minimum payment of 12% of accounting profit and the inclusion in taxable income of 25% of all dividend and interest income that entitles the recipient to the exemption set forth in article 21 of the Income Tax Law – were also extended to 2014 and 2015.

17.4 Current tax

At 31 December 2015 the Group has a current tax asset of Euros 17,394 thousand (Euros 18,390 thousand in 2014) and a current tax liability of Euros 1,092 thousand (Euros 35,997 thousand in 2014).

17.5 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 until the inspection period has elapsed.

The new Income Tax Law provides for a new prescription period for tax loss carryforwards declared in the tax returns in the years open to inspection. The new prescription period has been established as ten years from the day following the deadline for filing the tax return or self-assessment for the tax period in which the right to offset arises. Once this period has elapsed, taxpayers must submit the assessment or self-assessment and the accounting records, as well as evidence that they have been entered at the Mercantile Registry during the aforementioned period, in order to accredit that these tax loss carryforwards and the amount thereof are appropriate.

At 31 December 2015 and 2014 Acerinox, S.A. and the companies in the consolidated tax group have open to inspection by the taxation authorities all the main applicable taxes for the following years:

Tax rate	2015	2014
Income tax	2008 to 2014	2008 to 2013
Value added tax	2012 to 2015	2011 to 2014
Customs duties	2012 and 2015	2013 and 2014
Personal income tax	2012 to 2015	2011 to 2014

The other Group companies have open to inspection the taxes for the years stipulated by their respective local legislation. The directors of the Company and subsidiaries do not expect that any significant additional liabilities would arise in the event of an inspection.

The situation with regard to tax inspections underway or for which appeals are open at the end of 2015 is as follows:

Italy

In 2011 the subsidiary Acerinox Italia S.r.l. underwent an inspection of taxes for 2007, 2008 and 2009. On completion of this inspection the inspectors issued their report, on the basis of which it looked likely that the taxation authorities would impose an adjustment in relation to transfer prices applied in transactions between Acerinox Italia S.r.l. and the Group's manufacturing companies.

- On 27 December 2012 the Company received the assessment notice for 2007, primarily indicating transfer pricing adjustments to taxable income in relation to sales and purchases with Group factories. The resulting tax assessment amounted to Euros 8.4 million, plus Euros 1.3 million in interest. No penalties were imposed. The Company challenged this 2007 assessment in an appeal filed before the provincial tax commission of Milan on 23 May 2013, in which it was also requested that a stay be placed on the tax debt until completion of the proceedings. This stay was accepted by the Italian authorities, subject to the pledging of a Euros 3.8 million bank guarantee. On 9 December 2013 the Group applied to the Spanish and Italian authorities for the elimination of double taxation pursuant to Convention 90/436/EEC of 23 July 1990. As most of these transactions are with companies resident 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 guarantees the elimination of double taxation due to transfer pricing adjustments within the European Union. Following negotiations between the Spanish and Italian taxation authorities, or an arbitrator's ruling if necessary, this initial adjustment, or whichever adjustment is agreed, will therefore be neutralised by a counter-adjustment in the other member state. Although the financial effect of the time that elapses until completion of the proceedings is not specifically covered by the Convention, when the Spanish authorities record an adjustment in favour of the taxpayer, this includes accrued interest, or else another method is used to ensure that the financial effect does not entail a charge for the taxpayer. The Spanish Directorate-General for Taxation and the Italian authorities have confirmed their acceptance of the initiation of the procedure. This should therefore be concluded within approximately two years from the date of acceptance, although the period is often slightly longer.

- The assessment for 2008 was received on 13 December 2013, for this company's sales and purchases with the Group's factories. The amount payable in this case is Euros 7.3 million plus Euros 1.2 million in interest. The pertinent submissions were filed during 2014, as was a request for a stay on the debt. Guarantees totalling Euros 3.6 million were pledged in February 2015, to secure the stay.

- The assessment for 2009 was received on 7 November 2014, which also indicated transfer pricing adjustments. The additional assessment raised in Italy is Euros 953 thousand plus interest. No penalties have been imposed. The Group has followed the same procedure as with previous assessments. It has requested a stay on payment, providing the corresponding bank guarantees for an amount of Euros 453 thousand, also filing the appropriate submissions to the Milan provincial tax commission.

The aforementioned procedure for elimination of double taxation also applies to the double taxation applied to the Group in 2008 and 2009.

Italian legislation requires that internal appeals be suspended to accept the international arbitration proceedings to eliminate double taxation. Therefore, after it was announced that the proceedings had been accepted, the Group suspended the internal claims relating to transactions with countries in the European Union. Initiation of the mutual agreement procedure allows the Company to reduce the bank guarantees provided, which will be requested in 2016.

With regard to transfer pricing adjustments, the Company considers it highly unlikely that the final amount of the obligation will be that shown in the assessments and it is difficult to calculate the definitive amount as the inspectors have failed to take into account numerous arguments based on both OECD transfer pricing regulations and Italian (and Spanish) law, such as:

- The comparability analyses presented by the Company, demonstrating that the prices applied by Acerinox to independent third parties are in line with those applied to the Italian subsidiary, have not even been considered by the Italian taxation authorities.
- No analysis or consideration whatsoever has been made of the economic market and industry conditions, which, based on the aforementioned regulations, are legitimate justification for the companies having returned a loss.
- The years of reference used for comparison in the analyses performed are clearly periods in which the economic cycle was noticeably different from the one under analysis, leading to an obvious distortion of results.
- There are other minor considerations indicative of serious flaws in the businesses used for comparison.
- It is an internationally recognised basic principle that transfer pricing is not an exact science and it is necessary to weigh up the circumstances of each individual case. Even so, this analysis does not give a single value, but rather a range of values, all of which can be considered arm's length prices.

The Company can also instigate several procedures to reduce/eliminate these adjustments:

- Court appeal in Italy
- Court settlement
- Mutual agreement procedure – application for elimination of double taxation related to the adjustment of profits between associated enterprises under Convention 90/436/EEC of 23 July 1990.

On 23 March 2014 the Company was notified of the ruling in its favour, in relation to the assessment of transfer prices for 2004. The Spanish taxation authorities were also notified of the ruling and filed no submissions. The proceedings were therefore considered to be completed, with a ruling in favour of the Company. The corrections required by this tax assessment include adjustments to the transfer prices applied in transactions between Acerinox Italia and the Spanish Group company Roldan, S.A. As a result, Euros 1 million was recognised in other operating income in 2014. The Company expects the same criteria and arguments that led the courts to find in its favour in those cases to be applicable to the assessments for 2007, 2008 and 2009.

For all of the above reasons, and based on the information available to date, although this company could be required to adjust certain amounts by the Italian taxation authorities, it considers that it would be difficult to determine the amounts of these adjustments. At the reporting date and the date of presentation of these annual accounts, the adjustments derived from the inspection in Italy are therefore considered a contingent liability.

In addition to the transfer pricing adjustments for 2007, 2008 and 2009, the assessment contained less significant adjustments for 2006 to 2009 reflecting the consideration of the interest on a loan received by the Company from a Group company registered in Switzerland as non-deductible, as well as applying withholdings which the Company did not apply, in accordance with the Double Tax Treaty between Italy and Switzerland. The Company also filed submissions in relation to these matters. The Provincial Court of Milan has rejected the Company's claim in relation to interest for 2006 and 2008. Nonetheless, the Company considers that there are sound arguments against the conclusions of the provincial court and therefore intends to lodge an appeal with the Commizionne Regionale in the next 6 months. The amount of the adjustment is Euros 425 thousand and the maximum risk for all years would be Euros 1.4 million, already included in the amounts for each year explained in the above paragraphs. The Company considers the possibility of these amounts becoming payable to be remote.

Germany

As regards the inspections of taxes for 2007, 2008, 2009 and 2010 initiated in 2011 at the Group subsidiary Acerinox Deutschland, GmbH, the assessments of the income tax, solidarity surcharge and VAT for 2007 to 2010 were received on 8 July 2014. The assessments mostly indicate adjustments to taxable income for transfer pricing adjustments for sales and purchases between the subsidiary and the Group's factories. No penalties have been imposed. The Company filed the pertinent submissions on 8 August 2014.

The amount payable in Germany was Euros 384 thousand for the VAT assessments, Euros 2,804 thousand for income tax plus the solidarity surcharge and Euros 489 thousand in interest. These amounts were paid in 2014. In the event that the ruling on the objections submitted is in favour of the Company, the German authorities will be required to repay these amounts, include 6% in interest.

As is the case with Italy, as most of these transactions are with the companies resident in Spain, 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 guarantees the elimination of double taxation due to transfer pricing adjustments within the European Union. Following negotiations between the Spanish and German taxation authorities, or an arbitrator's ruling if necessary, this initial adjustment, or whichever adjustment is agreed, will therefore be neutralised by a counter-adjustment in the other member state.

The Company has submitted a request for elimination of double taxation in both Spain and Germany and has received confirmation from the Spanish taxation authorities of their acceptance. In the case of Germany, a request for additional information was recently received for the proceedings to be approved. The requested information will be sent before the deadline and there do not appear to be any legal reasons to reject the proceedings.

Malaysia

On 24 and 28 December 2014, notice was received of the start of an inspection of taxes for 2010 and 2011 of the Group company Bahru Stainless Sdn. Bhd. Subsequently, on 4 March 2015, notification was received that the inspection was to be extended to 2012 and 2013. All requested information has been submitted to date. On 25 November a notification was received that the inspection had been postponed until further notice.

In addition, on 20 January 2015 notification was received of the commencement of an inspection of Acerinox SC Malasia, Sdn. Bhd. in relation to transfer prices in the period from 2010 to 2013. All the information requested has been submitted and to date, no report on the conclusions has been received which would allow conclusions to be reached with regard to any adjustments.

During 2013 the Group company Acerinox Malasia Sdn, Bhd. underwent an inspection of the 2007-2012 period. The inspection has been completed and no adjustments are required.

Spain

On 15 April 2015 the Group was notified of the commencement of an inspection of its import duties and VAT for 2013. The inspection was completed on 27 October 2015. The Company did not accept the assessment with regard to the external tariff in an amount of Euros 24 thousand plus interest or that concerning VAT on imports amounting to Euros 182 thousand. Both amounts have already been settled. The tax payment arises from the inclusion by the Spanish taxation authorities of services relating to the installation and assembly of machinery imported from Japan as an increase in the value of the imported goods for customs purposes.

On 27 May 2014 the tax assessments were accepted, with no adjustments required, thereby concluding the inspection of Acerinox, S.A.'s import duties and VAT for 2012. Furthermore, on 8 October, a separate tax assessment of the same taxes for 2012 was accepted by Acerinox Europa S.A.U., with no adjustments required, thereby concluding the inspection of this company's taxes.

On 7 January 2016, the Economic-Administrative Tribunal issued a ruling upholding in full the submissions filed by Acerinox, S.A. against the assessment decisions arising from the inspection of rights, antidumping and VAT for 2009, 2010 and 2011. At the date of authorisation for issue of these accounts, the period in which the Spanish taxation authorities could have filed submissions has elapsed. All of the assessments issued in relation to these items are therefore cancelled: Euros 925 thousand for antidumping, Euros 649 thousand of VAT on imports and Euros 41 thousand of recoverable external tariffs. The amounts relating to antidumping and import duties were guaranteed. Over the coming days, the rebate agreements should be received. The Company had not recorded any provisions for these items.

South Africa

On 24 June 2014 notice was received of the initiation of a tax inspection of transfer prices for 2010 to 2012 in the Group company Columbus Stainless (Pty) Ltd. In the course of the year the assessments were received, finalising the inspections. The assessments stipulate adjustments to taxable income in relation to transfer prices, amounting to Euros 32 million. These adjustments do not result in any payable amounts in South Africa, as the Company has carried forward tax losses which exceed the amount of the assessment. The assessment does not impose any penalties. Columbus Stainless has filed submissions relating to 2010 to the administrative courts and is preparing the submissions regarding 2011 and 2012. The Company considers the facts on which the proposed adjustments are based to be incorrect, and also considers the interpretation of the applicable legislation to be erroneous, as this legislation is not in line with the principles or any of the methods approved by OECD guidelines. Columbus has adopted the same OECD-approved transfer pricing method as that applied by the rest of the Group. As this transfer pricing adjustment relates to the sales from South Africa to Group companies, primarily in Europe, the Group is also considering – provided that no rectifications are made to the internal claims prior to the final assessment – requesting elimination of double taxation in accordance with the double taxation treaties between South Africa and the countries in which the affected distributors are registered (essentially European distributors).

Portugal

In 2011 a tax inspection of 2008 and 2009 also took place in the Group company Acerol Ltda. in Portugal. This inspection gave rise to a transfer pricing adjustment for sale and purchase transactions between Acerol, Ltda and the Group's plants, primarily Acerinox, S.A. and Roldán, S.A. The adjustment to taxable income amounted to Euros 10 million. However, as the subsidiary had tax losses of Euros 6.7 million pending offset, the amount paid totalled Euros 708 thousand, including interest of Euros 32 thousand. These assessments considered that no offence had been committed and, accordingly, no tax penalties were imposed. On 31 July 2012 an application was submitted to the Directorate-General for Taxation through the European Arbitration Convention, requesting the elimination of double taxation arising from the tax assessments issued in Portugal pursuant to Convention 90/436/EEC of 23 July 1990. The Spanish authorities have already issued their report to the Portuguese authorities and are awaiting the decision.

NOTE 18 – RELATED PARTY BALANCES AND TRANSACTIONS

18.1 Identity of related parties

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

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

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

18.2 Related party balances and transactions

All transactions between related parties are carried out at arm's length, and are listed below.

a) Associates

No transactions were carried out with associates in 2015 or 2014.

b) Directors and key management personnel

Remuneration received by the members of senior management who do not hold positions on the board of directors of Acerinox, S.A. amounts to Euros 2,054 thousand. Euros 1,055 thousand of this amount reflect salaries, Euros 102 thousand are allowances and variable remuneration of Euros 897 thousand corresponding to the prior year's profit. In 2014, the four senior management personnel received Euros 1,510 thousand, of which Euros 979 thousand reflected salaries, Euros 86 thousand were allowances and variable remuneration of Euros 445 thousand corresponding to prior year's profit. The difference, in terms of salaries, is due to the replacement of a member of senior management

In 2015 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 2,387 thousand in fixed remuneration for attending board meetings and fixed and variable salaries (the latter based on the results from the prior year), of which Euros 1,356 thousand reflect salaries and fixed board member remuneration, Euros 381 thousand are allowances and variable remuneration of Euros 650 thousand corresponding to prior year's profit. In 2014, the remuneration received totalled Euros 2,036 thousand, of which Euros 1,360 thousand reflected salaries and fixed remuneration, Euros 384 thousand were allowances and variable remuneration of Euros 292 thousand corresponding to prior year's profit.

Commitments with all senior management, totalling Euros 1,555 thousand in 2015, have been accounted for correctly and are adequately covered through insurance contracts (Euros 1,422 thousand in 2014). No commitments have been contracted with directors representing shareholders or independent directors of Acerinox, S.A. At 31 December 2015 no advances or loans have been extended to the members of the board of directors or senior management and the Company has no balances receivable from or payable to these executives.

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

c) Significant shareholders

The Group has entered into the following financing transactions with Banca March, part of the March Group (shareholder of Corporación Financiera Alba), all under market conditions:

- Credit facilities up to a limit of Euros 4 million, of which Euros 0 million have been drawn down.
- Guarantees up to a limit of Euros 0.06 million, of which Euros 0.06 million have been drawn down.
- Confirming (reverse factoring) facilities for Euros 16 million, of which Euros 14.01 million has been drawn down.
- Non-current loan of Euros 30 million, which has been drawn down in full.
- Factoring facilities for Euros 70 million, of which Euros 15.99 million have been drawn down.

In 2014 the Group contracted the following financing transactions with Banca March, all of which were under market conditions:

- Credit facilities up to a limit of Euros 4 million, of which Euros 0 million have been drawn down.
- Guarantees up to a limit of Euros 0.06 million, of which Euros 0.06 million have been drawn down.
- Confirming (reverse factoring) facilities for Euros 16 million, of which Euros 3.99 million has been drawn down.
- Non-current loan of Euros 30 million, which has been drawn down in full.
- Factoring facilities for Euros 70 million, of which Euros 50.36 million have been drawn down.

Details of the Group's transactions with Banca March in 2015 and 2014 are as follows:

(Expressed in thousands of Euros)

	2015	2014
Interest cost	863	3,004
Fee and commission expenses	52	100
TOTAL	**915**	**3,104**

The terms and conditions of the loans and financial transactions listed in the preceding paragraph are in accordance with market conditions.

Insurance premiums and other transactions totalling Euros 8,967 thousand (Euros 10,672 thousand in 2014) have been brokered through March J.L.T. Correduría de Seguros (a March Group company).

The Acerinox Group has also carried out the following commercial transactions with its shareholder Nisshin or other companies belonging to its Group:

(Expressed in thousands of Euros)

	2015	2014
Dividends	422	110
Finance costs	33	77
Sales of goods	1,232	786
Trade and other receivables	347	197
Services rendered	731	645

NOTE 19 – AUDIT FEES

Details of fees and expenses accrued by KPMG Auditores S.L. (principal auditor) and associate firms for services provided to the consolidated companies are as follows:

(Expressed in thousands of Euros)

2015	KPMG Auditores, S.L.	KPMG International	TOTAL
Audit services	335	464	**799**
Tax advisory services		581	**581**
Other services	60	79	**139**
TOTAL	**395**	**1,124**	**1,519**

2014	KPMG Auditores, S.L.	KPMG International	TOTAL
Audit services	318	432	**750**
Tax advisory services		586	**586**
Other services	93	13	**106**
TOTAL	**411**	**1,031**	**1,442**

The amounts detailed in the above table include the total fees for services rendered in 2015 and 2014, irrespective of the date of invoice.

Other audit firms invoiced the Group fees and expenses for audit services amounting to Euros 88 thousand in 2015 (Euros 84 thousand for audit services in 2014).

NOTE 20 – EVENTS AFTER THE REPORTING PERIOD

Winding up of Acerinox Norway AS

The Group plans to wind up Acerinox Norway AS in the first quarter of 2016. The company is fully owned by Acerinox, S.A. The Group has been carrying out the required legal procedures to wind up the company since November 2015. The company previously acted as a commission agent for Acerinox Scandinavia AB, registered in Sweden, for sales in Norway. Acerinox Scandinavia has absorbed the personnel of the entity that is to be wound up. The share capital of Acerinox Norway AS amounts to Euros 11 thousand and accumulated reserves total Euros 610 thousand. The carrying amount of the interest in this company amounts to Euros 12 thousand. Acerinox, S.A. will therefore record a gain in the coming year.

Sale of investment property

In January 2016, the Group company Inoxcenter, S.L.U. disposed of one of its industrial bays, classified as investment property. The carrying amount of the industrial bay was Euros 2 million and its selling price was Euros 3,750 thousand. In December 2015, an advance of Euros 100 thousand was received, recorded under other current financial liabilities.

Antidumping in the United States

The United States government has accepted a request for antidumping measures against imports of stainless steel from China.

ACERINOX

ANNUAL REPORT

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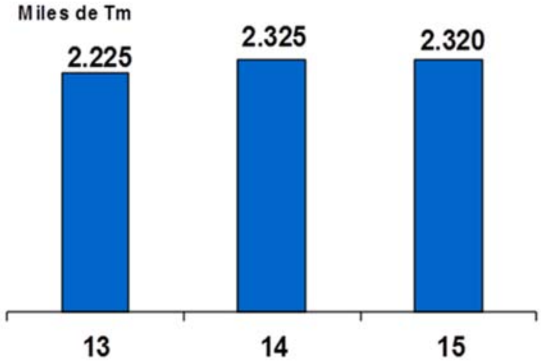
Acerinox in Numbers

PRODUCCIÓN DE ACERIA



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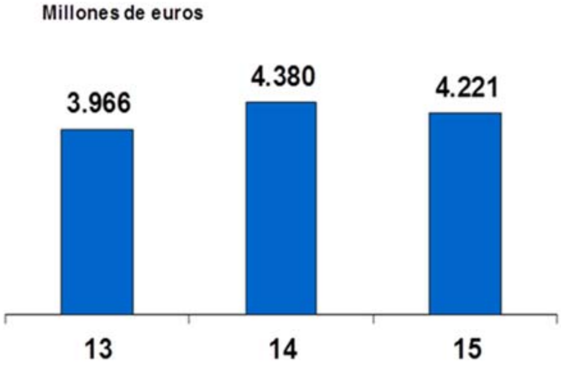

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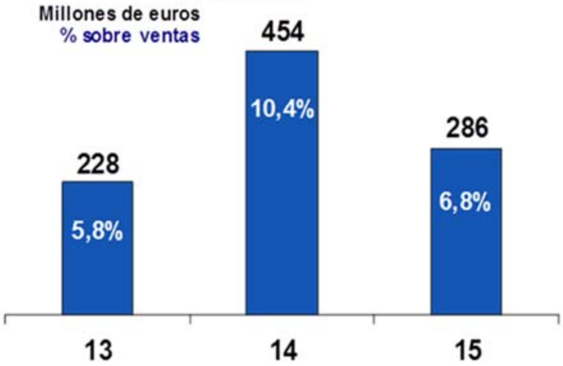
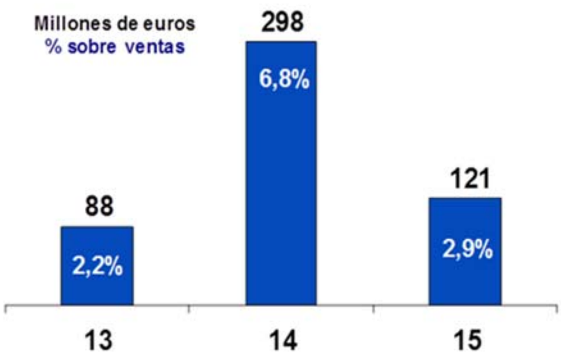


RESULTADO NETO DE EXPLOTACIÓN E.B.I.T.



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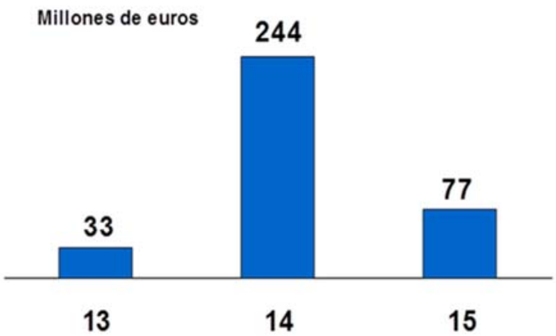
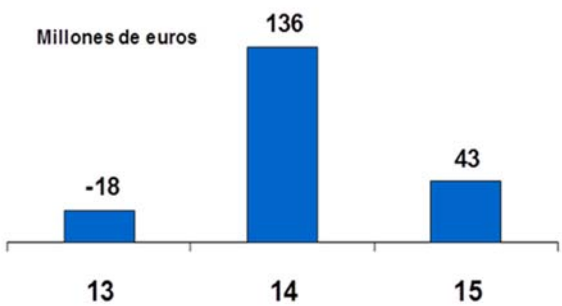


RESULTADO NETO



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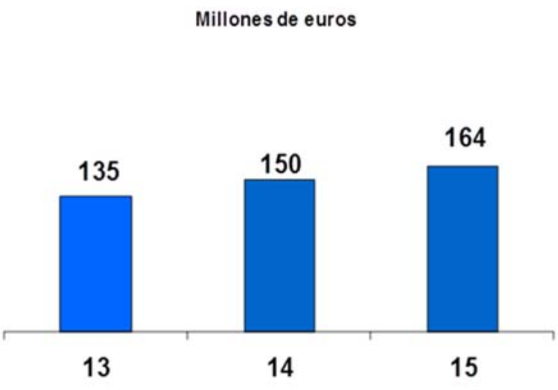

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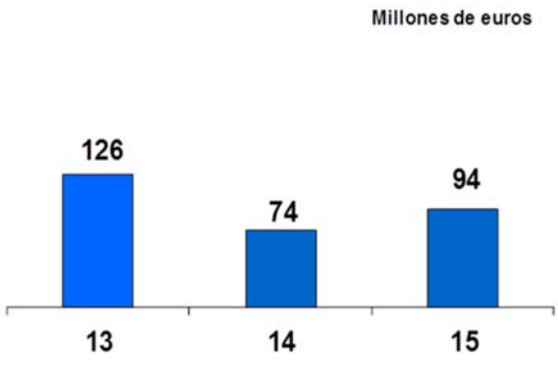

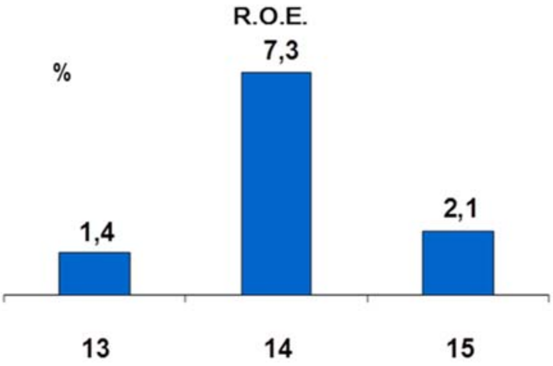
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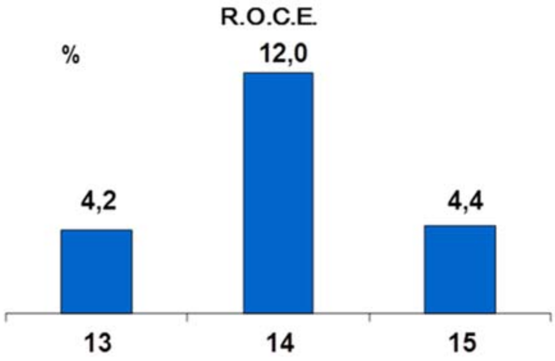
7,3
2,1
13
14
15


R.O.C.E.
%
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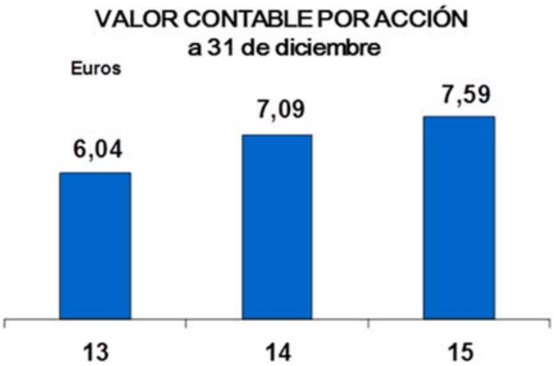
12,0
4,4
13
14
15


VALOR CONTABLE POR ACCIÓN
a 31 de diciembre
Euros
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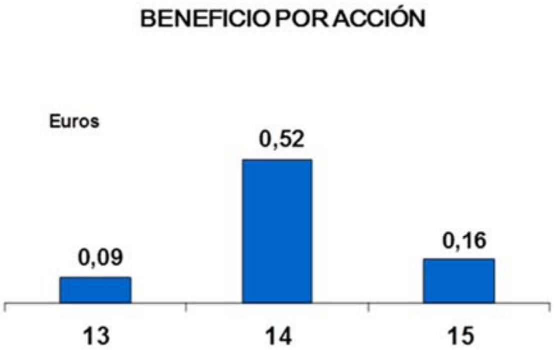
7,09
7,59
13
14
15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Euros
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0,16
13
14
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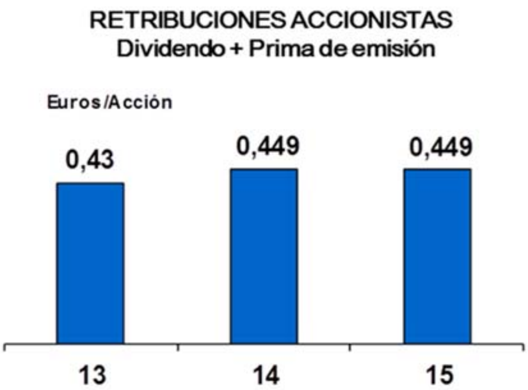
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Dividendo + Prima de emisión
Euros/Acción
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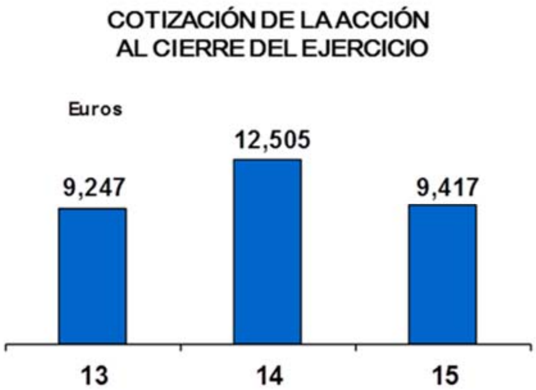
0,449
13
14
15


COTIZACIÓN DE LA ACCIÓN
AL CIERRE DEL EJERCICIO
Euros
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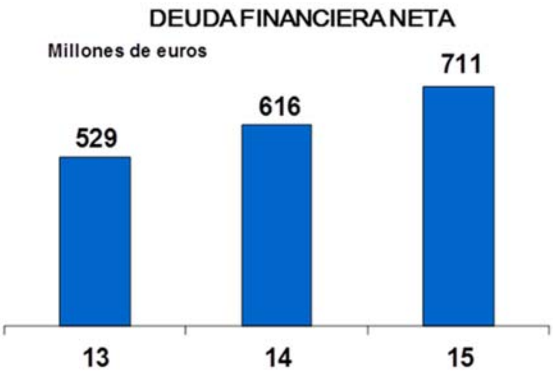
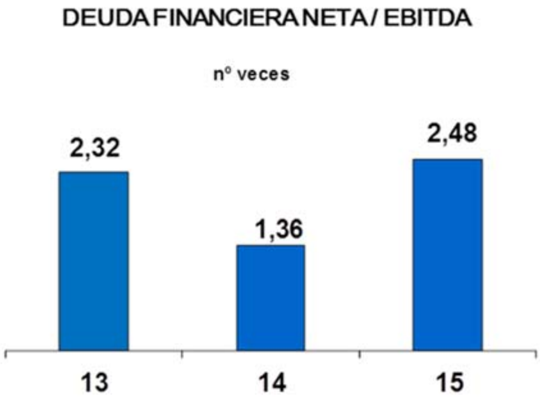
12,505
9,417
13
14
15


DEUDA FINANCIERA NETA
Millones de euros
529
616
711
13
14
15


DEUDA FINANCIERA NETA / EBITDA
nº veces
2,32
1,36
2,48
13
14
15

The Acerinox Group Worldwide

1. The Acerinox Group Worldwide

1. Acerinox and its Production Companies

Acerinox is one of the world's most competitive companies in terms of production and selling stainless steel. It is the only company with four factories on four different continents, having reached that size essentially via organic growth – by creating and expanding its factories and trade network.

Acerinox was founded in Spain in 1970 and its goal, from the very start, was the export market. It is currently one of the Spanish companies with the greatest international presence. It is also one of the leading European companies in its industry, and the clear market leader in the United States and in Africa. Since 2011, it is also the only stainless steel producer in Malaysia.

One of the most remarkable characteristics of Acerinox S.A. is the long-standing continuity of its chief shareholders. This connection, in the case of Nisshin Steel Co. Ltd., dates back to the creation of the company itself, in 1970, and in the case of Omega Capital in 1998, Corporación Financiera Alba in 2001 and IDC in 2002.

The group's corporate structure is organised around the parent company, Acerinox S.A., on which 40 companies from different countries worldwide depend. The details of those companies are included in chapter 2 of this Management Report.

The Group's factories are located in Campo de Gibraltar (Spain), Ponferrada and Igualada (Spain), Ghent (Kentucky, USA), Middelburg (Mpumalanga, South Africa) and Johor Bahru (Malaysia).

The Group also has other establishments such as warehouses, service centres and representative offices in 35 countries, from where it sells its products in more than 80 countries on all five continents.

1.1 Acerinox Europe - Campo de Gibraltar Factory (Spain)

This factory, which belongs to Acerinox Europe SAU, is one of the most competitive factories in Europe. The company was created as a split-off from the parent company, which took place in 2011 for strategic reasons.

The factory has been the headquarters for Acerinox Europe SAU since 2014. This change in the headquarters turned the factory in Campo de Gibraltar into one of the main employers and exporters in the region of Andalusia.

Construction of the factory began in 1970 and expansion and improvement projects have been a constant ever since – turning it into the benchmark it is today, both for the Group and the entire industry. In recent times, The Board of Directors have ratified this factory's strategic importance by approving considerable investments for an amount of 140 million euro, already started in 2015.

The Campo de Gibraltar factory is also the hub of a large part of the know-how for which the Group is known. The technical support, work and producing methods adopted by successive factories belonging to the Group.

1.2 North American Stainless - Ghent Factory (Kentucky - USA)

Belonging to North American Stainless (NAS), the Ghent factory is the largest owned by the Group, and is the reason behind its leading position in the American market.

It came into being as a result of a joint venture in 1990, and currently belongs entirely to Acerinox, S.A.

This factory leads the American market in terms of production, product quality and profitability. As with the factory in Campo de Gibraltar, the Board of Directors of Acerinox, S.A. recently approved considerable investments, amounting to €116 million, in order to broaden the range of products that it can manufacture and consolidate its position in the American market.

1.3 Columbus Stainless - Middelburg Factory (Mpumalanga, South Africa)

It is practically the only example of non-organic growth to be found in the Group, as the factory already existed prior to its purchase by Acerinox, S.A. in 2002. The Group owns the majority of its capital (76%). The remaining 24% is owned by the South African government via its shell company, IDC, which also participates in its Board of Directors in a similar proportion.

The location of the Middleburg factory is motivated by the proximity of raw material transformation and extraction centres. It is the sole stainless steel manufacturing plant in the entire continent and, as well as supplying the African market, it also exports globally via the Group's sales network.

1.4 Bahru Stainless - Johor Bahru Factory (Malaysia)

This factory is a sign of the Group's efforts to consolidate its position in the growing Asian market. It was established in 2009 and has enabled Acerinox to become the leading, and to this day, the only Malaysian stainless steel manufacturer.

The factory's production is currently limited to cold-rolled products, which means that it must source semis or partially finished products from the Group's other factories, mainly from Campo de Gibraltar and Middleburg, which contributes to an increased use of said factories' equipment.

Its production levels are evolving adequately, both in terms of quantity and of quality. Since 2015, it has fully integrated the Group's Excellence Plans, with regard to which there is more information provided in this Management Report.

1.5 Roldan and Inoxfil - Factories in Ponferrada and Igualada (Spain)

The long products' factory in Ponferrada is the Group's oldest, as it existed before Acerinox, S.A. was founded. The overwhelming majority of the capital of Roldan, S.A. (99.76%) belongs to Acerinox.

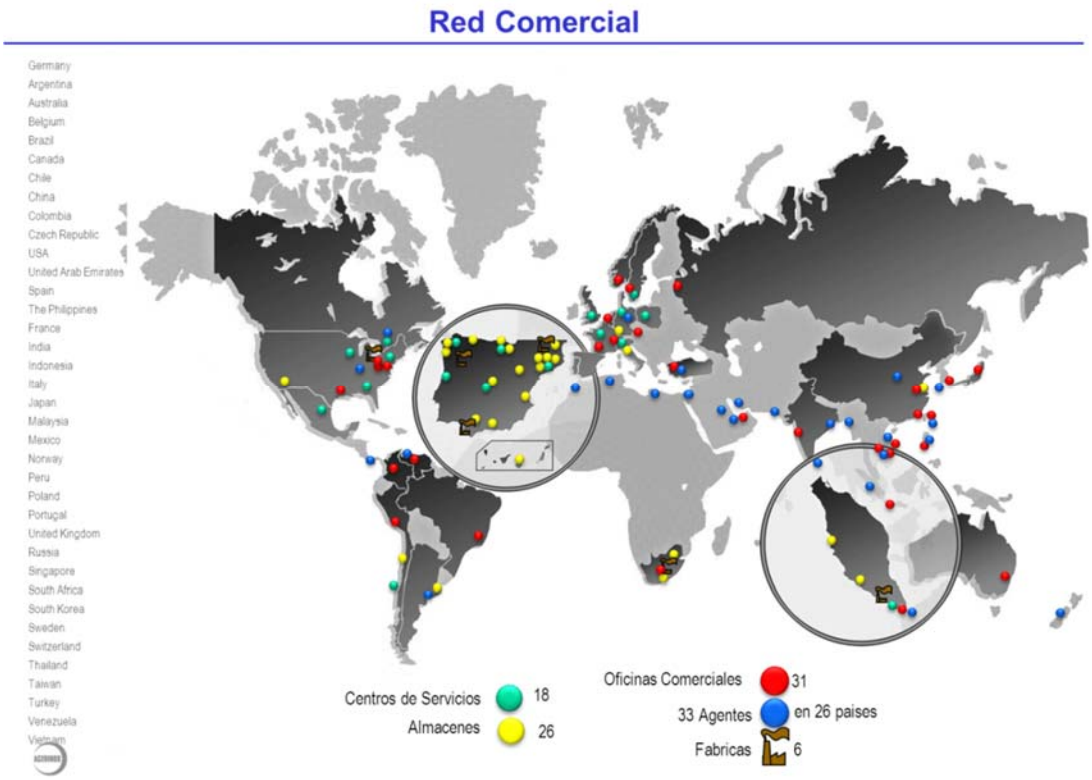
Inoxfil is a part of the Group through Roldan, which owns 100% of its shares.

The factories in Ponferrada (Roldán, S.A.) and Igualada (Inoxfil, S.A.) are specialising in long products. Roldan produces wirerod, angles and bars starting from the billets produced in Campo de Gibraltar. Inoxfil is a wire-drawing factory or wire producer. Roldan thrives on long products of the factory in Campo de Gibraltar, whereas Inoxfil thrives on the wire rod of Roldán in Ponferrada.

2. Distribution Companies

As of 31 December 2015, our Group's sales network is made up of 39 companies, 18 service centres, 26 warehouses and 31 sales or representative offices, not to mention the sales representatives in various countries where there are no permanent offices. In 2015, the Group opened a new sales office in South Korea.

The largest market, in terms of the Group's sales turnover in 2015, was the United States, followed by Spain, Germany and South Africa.



Acerinox is present in 37 countries in all five continents, and sells its products in more than 80 countries worldwide.

2. Share Capital, Corporate Governance and Human Capital

1. SHARE CAPITAL

At the end of 2015, Acerinox's Share Capital totalled € 66,676,848.25, divided into 266,707,393 shares with a nominal value of € 0.25 each.

On 20 July 2015, a total of 5,005,253 new shares of Acerinox, S.A. were floated on the Madrid and Barcelona Stock Exchanges as a result of the capital increase approved at the Ordinary General Shareholders Meeting of 3 June 2015, held to set up the scrip dividend system *(sprip dividen)*.

All of the shares are listed on the official stock markets in Madrid and Barcelona, and are traded on the Continuous Market.

As of 31 December 2015, Acerinox, S.A. had a total of 38,669 shareholders.

2. CORPORATE GOVERNANCE

In 2015, the Acerinox Group, via its listed parent company, Acerinox, S.A., began the major process of adapting its corporate governance to the provisions of the recent Spanish Capital Companies Act, as well as to the recommendations made in the new Corporate Governance Report for Spanish Listed Companies.

These changes have essentially involved improvements in the Group's corporate governance, mainly thanks to the strengthening of the role of the Board of Directors' committees, with more clearly defined responsibilities and a higher number of independent board members on them.

The Board of Directors also decided to set in motion all procedures designed to meet the highest number of the Recommendations detailed in the Corporate Governance Report. Details of said levels of compliance can be found in the Annual Corporate Governance Report hosted on our website www.acerinox.com.

The process of adapting the Company's Articles of Association, as well as the Regulations governing the General Shareholders' Meeting, the approving of a specific regulations concerning the relationship between the Board of Directors and the Chief Executive Officer, as well as a series of operational policies -a process that must be finished in 2016- are all aimed at improving corporate governance and promoting transparency in decision-making, information aimed at shareholders and the relationship with stakeholders.

Furthermore, in 2015, the Board of Directors also approved the new Crime Prevention model.

2.1 THE BOARD OF DIRECTORS AND ITS COMMITTEES

MAIN GOVERNANCE BODIES: THE BOARD OF DIRECTORS AND OTHER EXECUTIVE BODIES

The Board of Directors and its Committees

The Board of Directors is the body responsible for directing, administering and representing the Company, without prejudice to the powers conferred on the General Shareholders' Meeting. The Board has three committees: the Executive Committee, the Appointments, Remuneration and Corporate Governance Committee and the Audit Committee.

The Board of Directors has 15 members, which is the maximum allowed by the Corporate Bylaws. The Secretary does not qualify as a Member of the Board.

Its composition responds to the traditional principles of diversity and balance. The company has reduced the number of executive members to one – namely the CEO —– and has eight Proprietary Directors and six Independent Directors, one of them being the Chairman of the Company, in accordance with the recommendations for good corporate governance.

All Board members have extensive professional experience in the corporate, business and academic world, as well as that of public administration.

In 2010, the company, in following the best practices of Good Governance, decided to separate the posts of Chairman of the Board and of the General Meeting, on the one hand, from the responsibilities of the Chief Executive Officer, the organisation's top executive.

Under Spanish law, the remunerations paid to the Directors of the Board and the remuneration policy were the subject of a consultative vote at the General Meeting, with the endorsement of the remuneration policy by 83.12% of the share capital with voting rights that attended the General Meeting.

In line with this transparency policy, the Group has made public that, in 2015, all remunerations connected with the Board of Directors and its Committees totalled €1,305,000 (excluding the amounts paid to the CEO as a salary for his management post). For more information on this subject, you may review the Annual Corporate Governance Report and the Report on the Remunerations received by Board Members (www.acerinox.com)

The General Shareholder Meeting held on 3 June 2015, on the motion of the Board of Directors, agreed to re-elect the following Board Members for a period of four years, as established in the Corporate Articles:

- Pedro Ballesteros Quintana, as External Domanial Director representing Alba Participaciones (Corporación Financiera Alba, S.A.).
- Yukio Nariyoshi, as External Domanial Director representing Nisshin Steel Co. Ltd.
- Manuel Conthe Gutiérrez, as Independent External Director.

Likewise, in the General Shareholders' Meeting, it was approved to appoint and confirm as a Board Member, for a four years period, as established in the Corporate Articles:

- George Donald Johnston, who was appointed Independent External Director, by co-option, at the Board Meeting held on October 29th, 2014.

This independent director replaces the proprietary director who presented his resignation after the company he represented sold the entirety of his shares.

In total, the Board of Directors held eight meetings in 2015.

The Executive Committee

In 2008 the Board of Director stabilised an Executive Committee to manage the normal business course and provide its regular monitoring. This body has proportions of domanial and independent Directors similar to those of the Board of Directors, and it is chaired by the Chairman thereof. The Chief Executive Officer is a necessary member of the Executive Committee.

To ease transparency and communication among governing bodies, the company regulations empower the Chairman to submit the plenary Board, the ratification or a new deliberation of any matter treated or decided by the Executive Committee.

The number increase of the Board of Directors meetings to eight, following good governance recommendations, has meant a correlative number of meetings reduction of the Executive Committee, which in 2016 has been held three times.

The Audit Committee

As was the case in previous years, the Audit Committee was the most active body in 2015 in terms of the number of meetings held – a total of nine –– which enabled it to develop its envisaged work plan by devoting itself to its core responsibilities, which are:

- Reporting on annual, biannual and quarterly accounts.
- Supervising internal audit services and the effectiveness of the company's internal monitoring and risk management systems.
- Supervising the process of preparing and presenting the regulated financial information.
- Proposing to the Board of Directors the appointment of the accounts auditors, to be approved by the General Shareholders' Meeting.

The Audit Committee is chaired by an Independent Director, while the Secretary of the Board of Directors acts as secretary.

Appointments, Remuneration and Corporate Governance Committee.

It held three meetings in 2015. It continued with its initiative of previous years of proposing to the Board of Directors a motion for consideration by the General Shareholders' Meeting, to maintain, the remunerations of the Board Members without change. It was also involved in setting the remunerations of senior management. Furthermore, it informed the Board of Directors of the re-election of Board Members Pedro Ballesteros Quintana and Yukio Nariyoshi, as well as proposing the election of Manuel Conthe Gutiérrez as an Independent director as well as the ratification of the appointment by co-optation and the subsequent appointment as independent Director of George Donald Johnston.

This Committee coordinates, upon the request from the Chairman of the Board, the assessment of this body's performance.

The Appointments, Remunerations and Corporate Governance Committee is chaired by an Independent Director, and the Secretary of the Board of Directors acts as secretary.

COMPOSITION OF THE BOARD OF DIRECTORS OF ACERINOX, S.A.

Chairman:
RAFAEL MIRANDA ROBREDO

Chief Executive Officer:
BERNARDO VELÁZQUEZ HERREROS

Members of the Board:
PEDRO BALLESTEROS QUINTANA
MANUEL CONTHE GUTIÉRREZ
ÓSCAR FANJUL MARTÍN
JAVIER FERNÁNDEZ ALONSO
ROSA MARÍA GARCÍA GARCÍA
JOSÉ RAMÓN GUEREDIAGA MENDIOLA
RYO HATTORI
GEORGE DONALD JOHNSTON
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

BRAULIO MEDEL CÁMARA
YUKIO NARIYOSHI
DIEGO PRADO PÉREZ-SEOANE
MVULENI GEOFFREY QHENA

Secretary of the Board:
ÁLVARO MUÑOZ LÓPEZ

EXECUTIVE COMMITTEE

RAFAEL MIRANDA ROBREDO (Chairman)
BERNARDO VELÁZQUEZ HERREROS
ÓSCAR FANJUL MARTÍN
JAVIER FERNÁNDEZ ALONSO
JOSÉ RAMÓN GUEREDIAGA MENDIOLA
RYO HATTORI
GEORGE DONALD JOHNSTON
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

Secretary:
ÁLVARO MUÑOZ LÓPEZ

APPOINTMENTS, REMUNERATION, AND CORPORATE GOVERNANCE COMMITTEE

MANUEL CONTHE GUTIÉRREZ (Chairman)
RAFAEL MIRANDA ROBREDO
OSCAR FANJUL MARTÍN
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN
BRAULIO MEDEL CÁMARA

Secretary:
ÁLVARO MUÑOZ LÓPEZ

AUDIT COMMITTEE

JOSÉ RAMÓN GUEREDIAGA MENDIOLA (Chairman)
PEDRO BALLESTEROS QUINTANA
GEORGE DONALD JOHNSTON
DIEGO PRADO PÉREZ-SEOANE

Secretary:
ÁLVARO MUÑOZ LÓPEZ

Rafael Miranda Robredo

President

President of the Executive Committee
Appointments, Remuneration and Corporate Governance Committee

Rafael Miranda Robredo, Industrial Engineer by ICAI, is the Acerinox President, President of the Association for the Advancement of Management, President of Hispania Activos Inmobiliarios, S.A., Honorary President of Eurelectric, a member of several Boards of Directors and an advisor to numerous foundations and institutions.

He has occupied many prestigious positions in his career, including those of Chief Executive Officer of Endesa, S.A. and Vice-President of the Industrial Division of Campofrío, S.A.

His career has made him a reference in the business community as a result of his role in the modernization of the electrical system and his management of major companies.

Member of the Board of Directors and President since 23 April 2014.

Bernardo Velázquez Herreros

Chief Executive Officer

Executive Committee

Bernardo Velázquez Herreros, Industrial Engineer by ICAI, is the Acerinox CEO.

Since he joined the Marketing Department of Acerinox in 1990, he has risen through successive positions of responsibility within the company, gaining over 25 years' experience in the international stainless steel trade.

On his return to Spain in 2005, following his experiences in Mexico and Australia, he took up the positions of Assistant Managing Director, Systems Manager and Strategy Manager. In 2007 he was named Managing Director, a position he held until his appointment as CEO in July 2010.

Member of the Board of Directors since 2010, re-elected in 2014.
CEO since 2010.

Pedro Ballesteros Quintana

External Domanial

Audit Committee

Pedro Ballesteros Quintana is the Non-Executive Chairman of March-JLT, Correduría de Seguros y Reaseguros, S.A. of the March Group, a company where he was previously Chief Executive Officer until May 2011.

He has held different positions of responsibility during his career, as President of ASERPLAN, S.A. (Consultant in the Area of Social Welfare), Chief Executive Officer of Urquijo Correduría de Seguros, S.A. and Board Member of Insurance Brokers such as Carrefour, S.A. and GDS, S.L. (Caixa Group). He was also Executive President of March JLT Unipsa Correduría de Seguros, S.A.

Member of the Board since 2011. Re-elected in 2015.

Manuel Conthe Gutiérrez

External Independent

President of the Appointments, Remuneration and Corporate Governance Committee

Manuel Conthe Gutiérrez has a bachelor's degree in Law by the Autonomous University of Madrid and joined the Body of Commercial Experts and State Economists in 1978.

He is a columnist for the Expansión newspaper and President of its Advisory Board. He has been President of the Spanish Stock Market Commission, Vice-President for the Financial Sector of the World Bank, Secretary of State for the Economy, Director General of the Treasury and Financial Policy and Director General of Foreign Transactions.

Member of the Board of Directors since 9 June 2011. Re-elected in 2015.

Óscar Fanjul Martín

External Domanial

Executive Committee, Appointments, Remuneration and Corporate Governance Committee

Óscar Fanjul Martín is an economist and Senior Professor of Economic Theory, currently on sabbatical.

He is a Founder Chairman of Repsol, Vice-Chairman of Omega Capital, S.L. and Lafarge, S.A. and member of the Board of Directors of Marsh & McLennan Co. He is also a member of the Trilateral Commission and a patron of the Aspen Institute.

Member of the Board of Directors since 30 May 2000, re-elected in 2004, 2008 and 2012.

Javier Fernández Alonso

External Domanial

Executive Committee

Javier Fernández Alonso has a degree in Business Administration and Management by the University of Deusto.

He is currently the Investment Director and a member of the Board of Directors of Corporación Financiera Alba, S.A. He has worked as a consultant on mergers and acquisitions in Spain and Portugal for companies such as Goldman Sachs, Inc. and ABN Amro, S.A.

Member of the Board of Directors since 10 June 2014.

Rosa María García García

External Independent

Rosa García García has a bachelor's degree in Mathematics by the Autonomous University of Madrid.

She has been Chief Executive Officer of Siemens S.A. España since 1 October 2011. Before this appointment she had already had 19 years' experience at Microsoft S.A., a company where she rose to the position of Corporate General Director of Sales and Marketing for Partners worldwide. Earlier in her career she worked for multinationals such as NEC in Germany and WordPerfect S.A. in Spain.

Nowadays, she is also a Member of the Board of Bankinter, S.A.

Member of the Board of Directors since 2013.

Mvuleni Geoffrey Qhena

External Domanial

Mvuleni Geoffrey Qhena has an Honours Degree in Accounting Science and Advanced Taxation Certificate by the University of South Africa. He is a Charter Accountant.
He is currently the CEO of the Industrial Development Corporation of South Africa Ltd (IDC).

Member of the Board of Directors since 1 June 2006. Re-elected in 2014.

José Ramón Guerediaga

External Independent

Executive Committee
President of the Audit Committee

José Ramón Guerediaga Mendiola has a bachelor's degree in Economic Sciences and Law by the University of Deusto.

He was President of the Appointments and Remuneration Committee and is currently President of the Audit Committee and a member of the Executive Committee at Acerinox.

A large part of Mr Guerediaga's career unfolded at Banco Bilbao, S.A., Banco Bilbao Vizcaya, S.A. and, later, Banco Bilbao Vizcaya Argentaria, S.A., where he was General Director from 1981 to 2001.

Member of the Board of Directors since 21 June 1994. Re-elected in 1996, 2000, 2004, 2008 and 2012.

Donald Johnston

External Independent

Executive Committee and Audit Committee

G. Donald Johnston joined Acerinox as an External Independent in 2014. Of North American and British nationality, he has a bachelor's degree in Political Science by Middlebury College and a master's degree in International Economics and Latin American Studies by the Johns Hopkins University.

He is currently an independent Board Member of Merlin Properties Socimi, S.A. and, throughout his career, he has held positions such as European President of the M&A Group of Deutsche Bank, S.A., Board Member of Bankers Trust International PLC and member of its Global Executive Committee.

Member of the Board of Directors since 29 October 2014

Braulio Medel Cámara

External Independent

Appointments, Remuneration and Corporate Governance Committee

Braulio Medel Cámara has a bachelor's degree and doctorate in Economic Sciences by the Complutense University of Madrid and is a Senior Professor of Public Purse at the University of Málaga.

He has been Chairman of Unicaja Banco, S.A. since 1991 and is currently President of the Andalusian Federation of Savings Banks and Vice-President of the Spanish Confederation of Savings Banks, which he headed until 1998.

Member of the Board of Directors since 27 May 2008. Re-elected in 2012.

Diego Prado Pérez-Seoane

External Domanial

Audit Committee

Diego Prado Pérez-Seoane has a bachelor's degree in Civil Engineering by the Polytechnic University of Madrid and an MBA in Business Administration by Insead (Fontainebleau, France). He began his career at the Agromán, S.A.

He was a founding partner of Carnegie España, S.A., a securities broker acting as an intermediary for foreign investors on the Spanish stock market, and was Head of the Department for Equity Analysis at Schroder, S.A., when Carnegie S.A. was merged into it, and for Citigroup, Inc., when Schroder, S.A. was taken over by the latter. He currently manages investments at Omega Capital, S.L.

Member of the Board of Directors since 9 June 2005. Re-elected in 2009 and 2013.

Ryo Hattori

External Domanial

Executive Committee

Ryo Hattori obtained a bachelor's degree in Law in Japan.

He is the General Manager of Special Assignments Tasks in the Stainless Steel Sales Department and Overseas Projects Department of Nisshin Steel Co., Ltd.

Member of the Board of Directors since 28 May 2009. Re-elected in 2013.

Santos Martínez-Conde Gutiérrez-Barquín

External Domanial

Executive Committee, Appointments, Remuneration and Corporate Governance Committee

Santos Martínez-Conde Gutiérrez-Barquín is a Civil Engineer with a Master's Degree in Business Administration by ICADE and a Diploma in Nuclear Technology by ICAI.

He is the Chief Executive Officer of Corporación Financiera Alba, S.A. and a Board Member of Banca March, S.A., ACS Actividades de Construcción y Servicios, S.A., Indra Sistemas, S.A., Bolsas y Mercados Españoles, S.A., Artá Capital SGECR, S.A., Deyá Capital SCR, S.A. y Artá Partners, S.A.

Member of the Board of Directors since 2002, re-elected in 2006, 2010 and 2014.

Yukio Nariyoshi

External Domanial

Yukio Nariyoshi (born 1952) is a Board Member and Executive Vice-President of Nisshin Steel Co., Ltd.

After completing his studies in Management at the University of Kyoto, Mr Nariyoshi joined Nisshin Steel Co., Ltd. where, after barely a year, he was appointed Managing Director. His early responsibilities included heading the Sales and Production departments and other areas related to technological advances.

Member of the Board of Directors since 2011. Re-elected in 2015.

Álvaro Muñoz

Secretary of the Board

Álvaro Muñoz López has been a member of the Corps of State Lawyers since 1962.

He is currently the Secretary to the Board of Directors of Acerinox. During his career he was General Secretary of Acerinox between 1970 and 1973 and Chairman of the Insurance Company Liquidation Commission (CLEA) from 1984 to 1993 and the Spanish Union of Insurance and Reinsurance Companies (UNESPA) from 1995 to 2003. His career also included his appointment as Chairman of Musini, S.A. in 1976, a position he held until 2003.

2.2 SHAREHOLDERS' MEETING

The General Shareholders' Meeting was held in Madrid on the 3rd of June 2015, and was Chaired by Mr. Rafael Miranda Robredo. As it was the case in the previous year, the meeting was held in the Mutua Madrileña Automovilística, Paseo de la Castellana, No. 33.

Attendance at the General Meeting, including shareholders present and represented, amounted to the equivalent of 184,251,250 shares, or 70.40% of the company's share capital.

No shareholders made use of the on-line discussion forum, but the increase in on-line voting is worthy of being mentioned.

The resolutions on the Agenda were approved in their entirety, by the following majorities:

	Votes in favour %	*Votes against %*
1. Approval of the annual accounts	99.995	0.004
2. Application of the results	99.983	0.017
3. Approval of the Board of Directors' management	99.792	0.022
4. Share capital increase to carry out flexible dividends	99.798	0.201
5. Appointment of account auditors	98.447	1.551
6.1. Re-election of Pedro Ballesteros Quintana as Board Director	82.884	17.115
6.2 Re-election of Yukio Nariyoshi as Board Director	85.108	14.850
6.3 Re-election of Manuel Conthe Gutiérrez	98.814	1.143
6.4 Ratification and Appointment of George Donald Johnston as Board Director	98.797	1.161
7.1 Amendment of Section 6 of the Articles of Association, on increasing and reducing Capital.	99.559	0.440
7.2 Amendment of Section 8 of the Articles of Association, on the Rights conferred by shares.	99.559	0.440
7.3 Amendment of Section 12 of the Articles of Association, Calling	99.559	0.440
7.4. Amendment of Section 14 of the Articles of Association, on Attendance at Meetings and Representation	99.559	0.440
7.5 Amendment of Section 15 of the Articles of Association, on the Composition of the Committee Discussions. Framework for adopting resolutions	99.559	0.440
7.6. Amendment of Section 16 of the Articles of Association, Powers of the General Meeting	81.036	18.963
7.7 Amendment of Section 20 of the Articles of Association, Duration of the post of Board Member	80.002	19.456
7.8 Amendment of Section 21 of the Articles of Association, Notice and “quorum” of the Board Meetings . Adoption of resolutions.	99.559	0.440
7.9 Amendment of Section 22 of the Articles of Association, Board of Directors. General Functions	99.559	0.440
7.10 Amendment of Section 23 of the Articles of Association, Board Committees.	99.559	0.440

7.11 Amendment of Section 24 of the Articles of Association, on Board posts	99.559	0.440
7.12 Amendment of Section 25 of the Articles of Association, on the Remuneration of Board Members.	99.559	0.440
7.13 Renumbering of sections 24, 25, 26, 27, 28 and 29 of the Articles of Association, which are now articles 26, 27, 28, 29, 30 and 31, respectively.	99.559	0.440
8.1 Amendment of Section 3 of the Regulations governing General Meetings, on the Types of General Meetings and Areas of Responsibility.	83.684	16.315
8.2 Amendment of Section 4 of the Regulations governing General Meetings, on Meeting Notice.	99.995	0.003
8.3 Amendment of Section 5 of the Regulations governing General Meetings, on shareholders' rights to participation and information.	99.995	0.003
8.4 Amendment of Section 6 of the Regulations governing General Meetings, on the Right to Attend.	99.995	0.003
8.5. Amendment of Section 7 of the Regulations governing General Meetings, on representation, remote voting and voting through intermediary organisations.	99.995	0.003
8.6 Amendment of Section 9 of the Regulations governing General Meetings, on the Chair of General Meetings.	99.995	0.003
8.7 Amendment of Section 11 of the Regulations governing General Meetings, on Procedures.	99.995	0.003
9. Approval of Board Members' Annual Remuneration Report, dated 31 December 2014.	83.116	16.685
10. Delegation of powers to the Members of the Board, the Secretary of the Board and the General Secretary.	99.979	0.021
11. Appointment of administrators to approve the Minutes of the Meeting	99.995	0.004

2.3 MANAGEMENT COMMITTEE AND MAIN EXECUTIVES OF THE GROUP'S COMPANIES

Management Committee

Acerinox's Management Committee is made up of five people: the CEO, the General Manager, the Financial Manager, the Sales Manager and the General Counsel.

The remunerations associated with these posts are proposed to the Board of Directors by the Appointments, Remuneration and Corporate Governance Committee. The amount received during 2015 by this Committee, not including the CEO, was 2,054 thousand euros.

BERNARDO VELÁZQUEZ HERREROS
Chief Executive Officer

ANTONIO FERNÁNDEZ-PACHECO MARTÍNEZ
Managing Director

DANIEL AZPITARTE ZEMP
Commercial Director

MIGUEL FERRANDIS TORRES
Chief Financial Officer

LUIS GIMENO VALLEDOR
General Counsel

Top Executives in our Industrial Companies

Acerinox Europa:
ANTONIO MORENO ZORRILLA

North American Stainless:
CRISTÓBAL FUENTES TOVAR

Columbus Stainless:
LUCIEN MATTHEWS

Bahru Stainless:
OSWALD WOLFE GOMEZ

Roldán:
JORGE RODRÍGUEZ ROVIRA

Inoxfil:
ÁNGEL BRUÑÉN CEA

Top Executives in our Commercial Companies

SPAIN

Inoxcenter:
LUIS GUTIERREZ MAS

Inoxidables de Euskadi:
JOSÉ CRUZ DE VICIOLA GARCÍA

C.S. de Pinto
Florencio Zurdo Gómez

C.S. de Gavá
Juan Esteve Vestit

C.S. de Betanzos
Álvaro Suarez Llanos

EUROPE

Acerinox Deutschland (Germany):
JOACHIM MAAS

Acerinox Benelux (Belgium):
LUIS PABLO GONZÁLEZ ROBLES

Acerinox France (France):
PHILIPPE AUDEON

Acerinox Italia (Italy):
GIOVANNI DE CARLI

Acerol Comércio e Industria de Aços Inoxidáveis Unipessoal (Portugal) :
FERNANDO MONTEIRO

Acerinox Polska (Poland):
PILAR SENISE GARCIA

Acerinox Scandinavia (Switzerland):
JAN GJERLAUG

Acerinox Schweiz (Schweiz) :
IVANA HORAKOVA

Acerinox UK (United Kingdom):
PABLO CANTLE CORNEJO

Acerinox Russia (Russia):
ROMAN BUTYRIN

Acerinox Metal Sanayi (Turkey) :
JAAN ROXAN ARROYO

AMERICA

Acerinox Argentina (Argentina):
JOSE CARLOS RODRÍGUEZ ARANDA

Acerinox Brasil (Brasil):
JUAN ANTONIO RODRIGUEZ

Acerinox Chile (Chile):

IGNACIO MARTÍNEZ ALLUE

Acerinox Colombia (Colombia):
GONZALO DEL CAMPO BARCÓN

Corporación Acerinox Perú (Perú):
GONZALO DEL CAMPO BARCÓN

Acerinox, SA. Venezuela (Venezuela):
GONZALO DEL CAMPO BARCÓN

North American Stainless México (México):
BÁRBARA THIRION

North American Stainless Canada (Canada):
ROGER MANSFIELD

ASIA

Acerinox South East Asia (Singapore):
IRENE TEO LIN LING

Acerinox India (India):
PRATIK KACHCHHI

Acerinox SA. Shanghai (China):
MARY XU

Acerinox SC. Malaysia (Malaysia):
BARRY FOO

Acerinox SA.Shanghai (China):
MARY XU

Acerinox Indonesia S.A. (Indonesia):
EFRAT AGUNG

Acerinox (SEA) (Vietnam):
JAIME DEL DIEGO SANZ

Acerinox (SEA) (Thailand):
PRAWIT LERTWIMONRAT

Acerinox (SEA) (Philippines):
ENRIQUE DAVID B. SANTIAGO

Acerinox Pacific (Korea):
JUNGHO CHOI

Acerinox Pacific (Taiwan):
SAMUEL TAM

Acerinox Middle East (United Arab Emirates):
FERNANDO GÓMEZ AIELLO

OCEANIA

Acerinox Australasia (Australia):
CLAUDIO LEÓN DE LA BARRA

2.4. MAIN REGULATIONS GOVERNING THE GROUP

The main regulations governing ACERINOX, S.A. and its group of companies are:

- Its Articles of Association, which were amended at the General Shareholders' Meeting held on 3 June 2015 so as to adapt them to the Capital Companies Act.
- The Regulations governing the Board of Directors, which encompasses the Board's Committees and were amended, so as to adapt them to the Capital Companies Act, by the Board of Directors and announced at the General Shareholders' Meeting held on 3 June 2015.
- The regulations governing the General Meeting, approved by the General Shareholders' Meeting held on 3 June 2015.
- Operating guidelines for the Senior Management Committee.
- Operating guidelines for the Internal Audit Service.
- Code of Conduct and Good Practices, and related regulations.
- Internal Conduct Regulations concerning matters relating to the Stock Market.
- Other lower regulations which are compulsory.

The articles and regulations governing the General Shareholders' Meeting and the Board of Directors can be found on www.acerinox.com

3. HUMAN CAPITAL

At the end of the 2015 financial year, the workforce of Acerinox comprised 6,506 people, not including partially-retired personnel. From among the total, 3,134 (48.2%) staff members work in Europe which means that, for the first time since the company was founded in 1970, more than half of the Group's employees work outside the European Continent.

Specifically, Acerinox has 1,406 employees in America (21.6%), 1,345 in Africa (20.7%) and 621 in Asia (9.5%). In this last continent is where the Bahru

Stainless factory is located, where there was the greatest growth in the number of employees, which went from 447 workers in 2014 to 521 last year. The number of employees remained stable with small downward variations.

This same stability also applies to the trading companies, both in Spain and abroad, which total a workforce of 628 people. The 55.8% of the staff carry out their tasks outside Spain.

	2015
Acerinox, S.A.	57
Acerinox Europe	2,073
NAS	1,370
Columbus	1,345
Bahru Stainless	521
Roldán and Inoxfil	512
National Sales Companies	235
Overseas Sales Companies	393
Total	6,506

4. ANNUAL CORPORATE GOVERNANCE REPORT

As published on Acerinox's website (www.acerinox.com), the Company complied almost entirely with the recommendations made in the previous Unified Code on Good Governance, which was in force until 2015.

The Company made considerable efforts to comply with the recommendations made in the new Corporate Governance Code of 2015, even before it came into force.

In 2015 and the first months of 2016, there have been improvements in Corporate Governance. The most important improvements are the following:

- The number of shares required to be able to attend a General Shareholders' Meeting was reduced from 1,000 to 300.
- Plans to broadcast the General Meeting in real time.
- Increase in the number of independent board members.
- Plans for digital attendance at the meetings held by the Board of Directors and its Committees.
- Commitment to increase the number of board members belonging to the least-represented gender to 30% by 2020.

Details of compliance with these recommendations can be found in the Annual Corporate Governance Report, on the Acerinox website (www.acerinox.com).

3. Global Strategy

1. GLOBAL POSITION

Acerinox is the most global stainless steel producer and the only group to have factories in four continents and a sales network present in 37 countries throughout 5 continents.

The Group is one of the leading producers in Europe, the largest one in the United States, the only one in Africa, and currently, it is increasing its market shares in Asia and Oceania thanks to the sale of the material produced in the new plant in Malaysia.

In the year 2015, America continues to be the area where Acerinox has the higher volume of sales –mainly in the Unites States –– followed by Europe. The Group's sales in Asia, where there is a great deal of potential, continue to grow and have clearly overtaken those in Africa.

In terms of markets, the Group's ten main markets remain the same as the previous year, being the US the main one, followed by Spain, Germany, South Africa, Italy, Canada, the United Kingdom, Malaysia, India and France.

The geographic diversification has enabled the Group to take better advantage of the opportunities that have arisen at every moment, when some years ago emerging countries grew significantly, and at present when the growth is mostly supported by those developed countries.

The decision to be established in all markets continues to be a constant in the Group's strategy, with the opening of new trading companies in countries whose development is bringing about a significant demand for stainless steel. As has already been mentioned, the Group currently sells its products in more than 80 different countries.

2. EXCELLENCE PLANS

EXCELLENCE PLAN IV 2015 - 2016

Based on the good results obtained thanks to Excellence Plan III in 2013-2014, the new Excellence Plan IV for 2015-2016 was presented and approved at the meeting held by the Board of Directors on 16 December 2014.

This fourth Plan further develops the chapters included in the previous editions, and incorporates new chapters, making a total of 23 chapters: 13 of them have to do with the factories, and 10 with the Sales and Financial areas.

Another development is that Bahru Stainless is now integrated into the Plan. It is important to take into account, the fact that for the two previous years (during the initial stage) it had implemented its own plan independently.

The potential scope of this new Plan is 67 million euros in recurring annual savings, if 100% of the goals are achieved.

During this first year of the Plan, recurring savings of 37.1 million euros were achieved, originating from the Group's compliance with 55% of the goals set for this biennial Plan.

Excellence Plan IV progress percentages

The Excellence Plans are part of the Group's culture. Its internal benchmarking activities are one of its most powerful improvement and appraisal tools. Comparing similar business departments is a reliable form of gauging what and how much can be achieved and how far can we get.

After several years and several plans, a culture of progress, imitation and self-motivation has become integrated into the Group's practices; a culture that has resulted in better techniques, processes and economic policies in all areas concerned. So deeply engrained is this modus operandi that the most recent Plans are the result both of management's drive and of the initiatives formulated by business units themselves, which constantly propose and set new goals and challenges.

3. R+D+I

Acerinox competes successfully in the global arena, thanks to the unrivalled quality of the products it delivers to end customers and the efficiency it has managed to develop for each step of the production process, among other reasons. Both conditions are made possible thanks to the constants efforts made to improve the manufacturing process and always provide the very highest quality in our range of products.

2015 was yet another year in which the Group improved the quality of its stainless steel, proving that it continues to be at the cutting edge of technological development and can produce longer-lasting, more corrosion-resistant materials with a better mechanical performance.

All these qualities are the result of the constant studies conducted at the factories that the Group owns on four continents. There is a research laboratory in each factory, where new manufacturing technologies are studied and research is conducted into the optimisation of manufacturing processes and the properties of the steel produced, as well as to find new applications for our products.

The aim of Acerinox is also to promote the research and development of stainless steel beyond its factories. To this end, by making use of the many partnerships it has developed over the years with different educational institutions, it fosters research by university students. Acerinox Europe has an “Acerinox Professorship” at the University of Cádiz, as well as teaching and university training agreements with the universities of Malaga and Seville.

In South Africa, Columbus maintains a close partnership with the University of Pretoria, while NAS collaborates with the School of Engineering in Louisville (United States).

Moreover, Acerinox has collaborative educational and training internship agreements with six universities in Madrid (Universidad Pontificia de Comillas; Universidad Complutense; Universidad Rey Juan Carlos; Universidad de Alcalá; Universidad Carlos III and Universidad Politécnica de Madrid).

The Spanish Stainless Steel Research and Development Association (CEDINOX), with the support of Acerinox, offered courses in several Spanish universities, including Universidad de Deusto, Universidad Pontificia de Comillas, Universidad Carlos III and the universities of Zaragoza, León, Seville, Cartagena and Mondragón.

Many of the world's top experts in the production of stainless steel are employed by the Group. Well aware of the potential that results from the knowledge held by the people who make up the company, every year Acerinox promotes research aimed at improving the manufacturing process via the “Rafael Naranjo” Awards for Process, Safety and Environmental quality. Thus, Acerinox rewards the best ideas of its employees, with regard to cost reduction, and excellence in production processes, safety management and environmental impact.

The Technical Committee for Project Evaluation for the 2015 edition of the awards, assessed the 20 competing projects, offering prizes amounting to 45,000 euros.

The first prize for Process Quality was awarded to José María Bianchi Pérez for his project “Saving energy in the hot-rolling mill process”. The second prize went to Francisco García Montero for his work “Installation of an auxiliary braking system at flange 0 for the final annealing processes in AP2”. The panel awarded third prize to the work of Fernando González Bayo for his project “Oil retaining system for the ZM5 production line”.

The Safety award was awarded to José María Gómez Muñoz and Conrado Ángel Montoya Avilés for their project ,‘Blade changing on the Sheet Line’.

The Environment prize went to the project, ‘Elimination of acid and nitrate spills caused by overflow of AP2 pickling tank no. 1’, by Francisco García Montero.

The technical progress made by Acerinox enabled it to participate in projects as iconic as the One World Trade Centre in New York, using materials supplied by NAS, or the construction of the Louvre Museum in Abu Dhabi, designed by the architect Jean Nouvel, for which 300 tonnes of duplex steel were provided by the Columbus factory. Other major works that the company is participating in are the construction of the new Champlain Bridge, which will cross the St Lawrence River, near Toronto (Canada), or the refurbishment of the cellars of the historic Chateaux Margaux in Bordeaux (France).

The total investment in R&D&i grew last year, from 16.1 million euros in 2014 to 16.4m in 2015. Growth in R&D&i investment was led by NAS and Acerinox Europe, with increases of 2.2 and 0.7 million euros respectively. There was also an increase of €30,000 with regard to research, development and innovation in the cases of Roldán and Inoxfil. The research areas these investments were aimed at were mainly the quest for new types of steel, developing the properties of currently-existing types and improving welding points.

The amounts invested in R&D&i (2014-2015) were as follows:

	2015	2014
Acerinox Europa	7.588	6.765
NAS	4.249	2.042
Columbus	4.243	6.914
Roldán e Inoxfil	407	380
Total	**16.448**	**16.101**

(Million euros)

4. INVESTMENTS IN FIXED ASSETS

In the meeting held in March, the Board of Directors authorised an investment of 116 million euros to develop a line of bright annealed steel BA, with the goal of increasing capacity and range of finished products at its North American Stainless (NAS) factory in Kentucky.

This new line will mean that NAS will produce stainless steel with a bright finish. This great opportunity for project development stems from high annual consumption of this product coupled with the fact that, due to the lack of internal production, most of it must be imported into the United States. The start-up of these equipment is scheduled for march 2017.

Acerinox will thus become the main producer of this material on American soil, thereby reducing turnaround time and transport and import costs, as well as offering North American customers more competitive prices.

At their meeting held in December last year, The Board of Directors approved the purchase of an annealing and pickling line (AP) and a new cold-rolling mill, as well as the engineering work and additional equipment required for the Campo de Gibraltar factory, for an additional amount of €140 million.

This investment is part of the Strategic Plan for 2015-2020, with which it was decided to boost the activity of Acerinox Europe and in the United States in expectation of new opportunities arising in emerging markets.

The new AP line will provide significant savings in maintenance, as well as in energy and consumables. Acerinox will improve its production equipment, thus providing our end customers with better-quality products with higher added value and enabling us to considerably reduce the emissions generated during the production process.

The new facilities will come into operation at the end of 2017, according to the commissioning deadlines agreed with suppliers.

This new €140 million investment is in addition to the €300 million the company has allocated to its Spanish factory in the past few years in order to modernise its equipment and maintain its position as one of the most competitive factories in Europe.

The amounts in fixed assets derived from the progressive execution of the approved investments are as follows:

	2015	2014
Acerinox, S.A.	2	1
Acerinox Europa	30	16
NAS	32	10
Columbus	6	6
Bahru Stainless	23	39
Roldán e Inoxfil	1	1
Total	94	72

5. RISK MANAGEMENT

The goal of Acerinox's Risk Management System is to provide a reasonable level of safety while achieving the goals that have been established, providing shareholders, other interest groups and the market in general with a suitable level of value and guarantee-assurance. Acerinox establishes a series of key operational principles within the framework of it Risk Management System which enable it to improve its ability to generate value.

Acerinox's Risk Management System is built around management based on business units, processes, geographical areas and functions, and is an integral element in decision-making processes.

The methodology behind the Risk Management System is contingent on identifying and assessing risks, as well as monitoring control activities and improvement plans, thus making it easier for Acerinox to reasonably manage the risks it is exposed to.

Based on the valuation scales established for each impact and probability variable, we obtain the risk valuation matrix, which reflects four different levels for every risk: very high risk, high risk, moderate risk and low risk, all of which are represented on the company's high-level Global Risks Map, which is systematically and periodically updated under regular supervision on the part of the pertinent bodies: The Management Committee, the Audit Committee and the Board of Directors.

The policies and procedures applied in relation to Acerinox's Risk Management System are established and implemented to ensure that, among other things, responses to risks are carried out effectively.

Risk Management involves rigorously identifying risks and choosing the most appropriate from among a series of possible responses. The complexity and international scale of the sector in which Acerinox carries out its activities entails a great variety of risks, the most relevant of which are detailed below.

ACERINOX'S MAIN RISKS

Overcapacity

Excess in installed capacity, on a global scale, which would result in lower prices. The stainless steel industry is affected by global production capacity and the fluctuation in imports and exports. Global production capacity has grown considerably, particularly in China, which is currently the world's largest stainless steel manufacturer by a large margin.

Raw Material Price Volatility

Considerable variations in the price of the main Raw Materials. The production of stainless steel requires considerable amounts of raw materials (mainly nickel, chrome and molybdenum). The price of nickel, which is listed on the LME (London Metal Exchange), is subject to the volatility of financial markets, which has a direct effect on the apparent consumption of stainless steel.

Economic Crises and Cycles

The demand for steel products is directly related to the global market's macroeconomic fluctuations and recessions. These circumstances produce imbalances between supply and demand, and have a significant impact on prices.

Competition

Sales policies used by competitors to increase or maintain market share. The stainless steel market is characterised by a high level of competition, which leads to price reductions in order to increase or maintain market quotas on a global scale.

Financial Risks

Lack of liquidity, restricted access to funding sources, increasing funding costs, the volatility of exchange rates, the volatility of interest rates and credit risks.

Regulatory Risks

The Acerinox Group's presence on the international stage means that it carries out its activities in a number of different countries, subject to different regulatory frameworks and in different business areas within the stainless steel industry.

6. NEW STRATEGIC PLAN 2016 - 2020

At its meeting held on 29 October 2015, the Board of Directors approved a new Strategic Plan which will remain in force from 2016 to 2020. This Plan is a revision of the Strategic Plan for 2008-2020, which has been adapted to the changes in the market and the global production of stainless steel, resulting from an excess in global production capacity.

The Plan for 2016-2020 is a guideline for the Group's initiatives in its different fields of activity and different territories. The recent investments in equipment mentioned in other parts of this Report were carried out in accordance with the new Strategic Plan.

This Plan is broadly based on ideas that have traditionally been a core element of Acerinox's DNA: an optimum use of its plants' production capacities, quick-return investments, adapting production to market trends, meticulous management of stock and production, solid finances, the quest for operational excellence and an emphasis mainly on organic growth, without discarding opportunities that may arise.

Meeting the provisions detailed in all its sections should consolidate the Group as one of the world's most efficient stainless steel producers and a leading company in all key markets.

Raw Materials and Main Markets

4. Raw Materials and Main Markets

1. EVOLUTION OF RAW MATERIALS

If there is one thing that stands out about this past year, it is that the price of raw materials has fallen drastically in all world markets. Slow growth in China and other emerging economies, as well as uncertainties about the worldwide economic situation fuelled the collapse in raw material prices, not only in the case of metals but also fuel, which reached its lowest level in this decade - in some cases falling below production cost - leading to serious consequences for production and extraction companies.

1.1 NICKEL

According to industry analysts, China was expected to run low on nickel because of the decrease in the production of nickel pig iron, and this was expected to drive its price up. In fact, the opposite happened.

While it is true that production of nickel pig iron in China fell by 17% in 2015, excess production around the world meant that the supply and demand ratio for nickel remained positive throughout the year, meaning that supply outstripped demand.

Stocks of nickel on the London Metal Exchange rose throughout the year, reaching a historic peak of 470,376 mt in June. At the end of the year they stood at 441,294 mt, which represented an increase of 6.4% compared to the end of 2014. Taking into account the new stocks on the Shanghai Exchange, as well as those held by producers, distributors and consumers, global stocks of nickel at the end of 2015 were the equivalent of 7 months of global consumption.

Official raw material prices on the LME (2015)

Daily trading data (USD/mt)

In these circumstances, the price of nickel showed a year long decline from 14,880 USD/mt at the beginning of January to 8,665 USD/mt by the end of the year. We have to go back as far as February 2003 to find similar prices. It is estimated that around 70% of nickel producers operate at a loss at this market price, including many Chinese nickel pig iron producers, which means that the competitive advantage of this product is disappearing.

The prices of all metals suffered a decline in 2015. However, nickel's fall of 41.8% meant that it was the metal with the worst performance, followed by zinc, which fell by 26.7%, copper, 23.5% and aluminium, which fell by 17.2%.

Nickel also broke records on the London Metal Exchange for the volume of contracts, with an increase of 6.9%,while the global volume of contracts for all metals fell by 4.3%.

Official price of nickel on the LME (2014 and 2015)

Average trading price / three months (USD/mt)

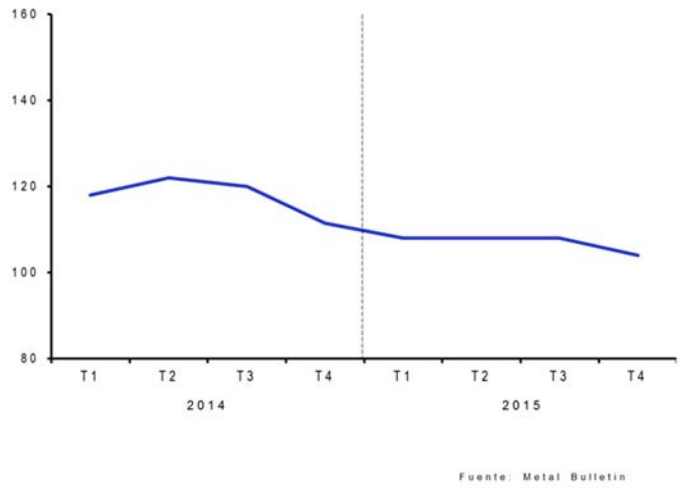
1.2 FERROCHROME

Prices fell by 7 US¢/lb in the first quarter, to 108 US¢/lb. Solid demand enabled them to remain stable in the following two, but the fall in prices in China and reduced demand in the fourth quarter forced prices yet further downwards, to 104 US¢/lb, which was its lowest level since 2010.

Despite this price stability, this level is too low for many ferrochrome producers, including the Chinese. Two producers in South Africa closed down due to the impossibility of maintaining production at current prices.

Average quarterly price of ferrochrome

US¢ / lb.



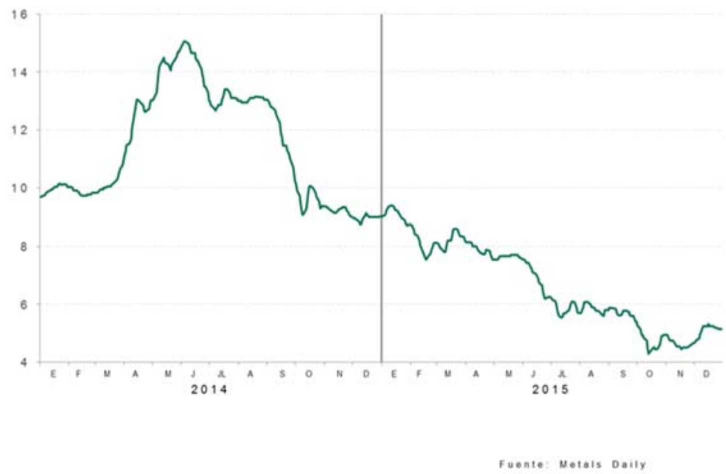
1.3 MOLYBDENUM

There was an excess of supply of this metal throughout the whole year while global demand for it remained relatively weak, especially in the energy sector, which is one of the main applications of molybdenum in the steel industry.

Prices stood at 9 USD/lb at the start of the year and despite the announcement of numerous mine closures and production cutbacks over the year, they dropped to levels around 4 USD/lb by October. We have to go back to March 2003 to find similar prices.

Price of molybdenum

USD / lb.



November's announcement by some of the world's main producers to significantly cut back production helped prices to recover somewhat, and the price at the close of the year was slightly above 5 USD/lb. This level of prices cannot be sustained by many producers, so further production cutbacks are likely.

1.4 SCRAP IRON

The steep drop in iron ore prices in 2015 forced scrap into a similar descent in order to preserve its status as a competitive and alternative raw material.

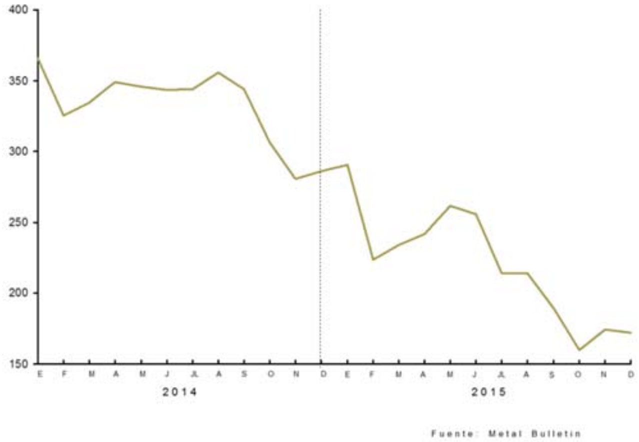
The first of these price drops came in February, registering 70 USD/mt. A feeble recovery then lasted until May, when prices tumbled yet again, reaching 160 USD/mt in October, the lowest level since November 2003.

To these causes we must add the fact that a new competitor has emerged as a raw material for the production of steel. The low purchase prices of Chinese billets has led Turkish producers to buy them to smelt them again to make steel, thus replacing scrap iron. Until then, Turkey had been the world's number one importer of scrap iron.

Other steel producers in other markets, such as the Italian and Spanish producers, have gone down the same road, importing Chinese billets as a raw material since it is being sold at prices below production costs.

Prices of scrap iron, HMS 1&2 FOB Rotterdam

USD / mt



Source: Metal Bulletin

2. MAIN STAINLESS STEEL MARKETS

Following the apparent increase in consumption and the replacement of stock that took place in 2014 across all markets, 2015 was marked by the correction of stock levels along the supply chain. This need to reduce stocks, along with the continuous fall in the value of nickel and strong competition, made 2015 a challenging year for our industry, with prices reaching historically low levels. There is still excess capacity in China, which continues to flood other markets with its products.

2.1 Europe

The event which had the biggest impact on the European market in 2015 was undoubtedly the anti-dumping process against cold-rolled stainless steel imports from both China and Taiwan. The European Commission passed a series of provisional measures which, after a minor modification in the case of imports from Taiwan, became definitive in August. The European Commission considered proven the practice of dumping in both cases, and that the practices in question gave an unfair advantage to importers over the European industry. The tariffs imposed were 25.3% in the case of China and 6.8% in the case of Taiwan. This resolution, published in the DOCE in August, represents a significant advance for European industry against unfair imports.

When the process was announced in June 2014, some stockists began to increase their purchases in preparation for the imposition of tariffs, and this meant that 2015 started with an excess of stock in the supply chain. This fact, coupled with the steady decline in the price of nickel throughout the year - with the consequent decline in the alloy surcharge - meant that suppliers kept their purchases to a minimum and adjusted their levels of stock. This had a knock on effect on orders received by European factories.

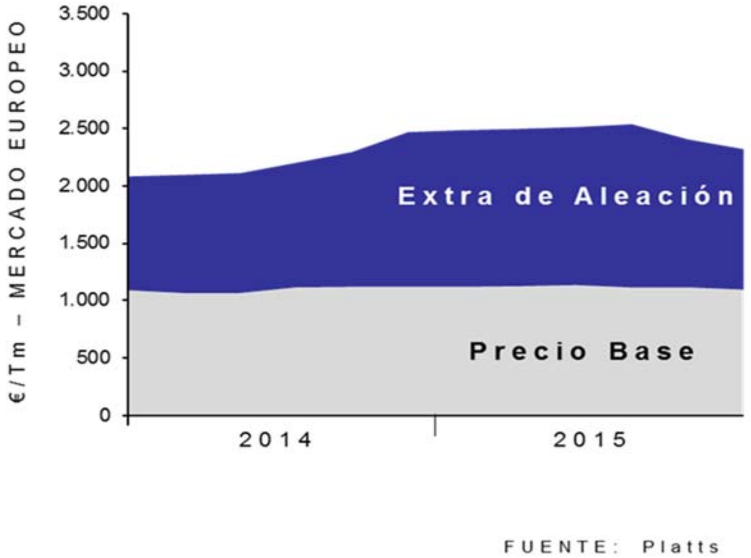
Once stock levels were corrected, apparent consumption recovered in the second half of the year, since final levels of consumption in the main user sectors responded well, with strong growth in the automotive industry (new registrations in the European Union rose by +9,3%), in the construction industry and in domestic appliances, which rose for the first time since 2007. The final balance over the whole year showed a reduction of 1.7% in apparent consumption of stainless steel plate in the European Union, according to Acerinox estimates.

This reduction in apparent consumption, together with the fact that the importing countries affected by the anti-dumping measures were partially substituted by third countries - mainly Korea and India - and the fact that nickel continued its slow but steady decline, prevented prices from recovering, so that at the end of the year, margins were very tight.

As for the breakdown, there was slight growth in the apparent consumption of plate in countries in the south and east of the European Union: Spain +4.8%, Portugal +1.4%, Italy +1.8%, UK +0.5%, Poland +1.2%, Czech Republic +3.2%, Slovakia +8.1% and Hungary +5.1%. The larger economies in the north of Europe, such as Germany -3.9%, Austria -12.2%, Sweden -6%, Finland -11.7%, Denmark -20.2% or even France -8.1 in contrast, saw a decrease.

Prices of stainless steel plate | 2.0mm cold-rolled AISI 304

2014 and 2015



Source: Metal Bulletin

2.2 NAFTA

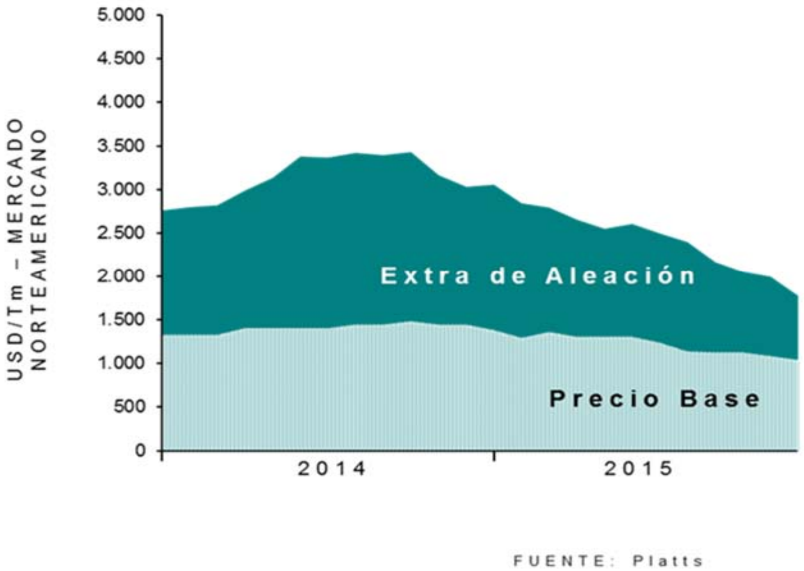
This was the area in which the new market situation was most strongly felt, and the profitability of American producers suffered greatly as a result. Delivery times from local producers began to lengthen at the end of 2014 due to the strong demand and the problems in production faced by some of them, ensuring that prices remained high through the end of 2014 and the start of 2015. This generated a “pull effect” on imports, and their increase became more noticeable during this period. The result of this process has been that the year started with very high level of stocks.

This situation, along with the continued decline in nickel, and the consequent decline of the alloy surcharge, and the aggressive sales policy of the new producers in the American market, led to a continuous fall in prices and a deterioration of market conditions which made 2015 a truly difficult year, with an estimated reduction in the apparent consumption of steel plate of 7% in the United States and 6.8% in Canada. However, apparent consumption increased 7% in Mexico favoured by exports to United States, according to our estimates.

Even so, real consumption has been steady in the consumer goods industry, and this has enabled excess stock to be absorbed along the supply chain, and inventories were adjusted, so that the prospects for 2016 are optimistic. According to Acerinox data, car sales have risen by +5.8% and there has been growth of +10.7% in construction and +8.1% in domestic appliances.

Prices of stainless steel plate | 2.0mm cold-rolled AISI 304

2014 and 2015



Source: Metal Bulletin

2.3 South Africa

This country has suffered the effects of the changes in economic policy in the developed world and its own growth problems, which include difficulties in the supply of electricity, transport bottlenecks and a fall in the price of the raw materials produced or obtained in that country. These issues go some way towards explaining why the local market for stainless steel has declined considerably in recent years, despite it has risen 1.9% during 2015.

The interest rate policy of the U.S. Federal Reserve set large currency flows in motion, which in turn affected the exchange rates of emerging economies, one of which was South Africa. The South African Rand lost 35% of its value against the U.S. dollar throughout the year, which made South African industrial exports more competitive, which offered some compensation for the decline in the local market.

2.4 Asia

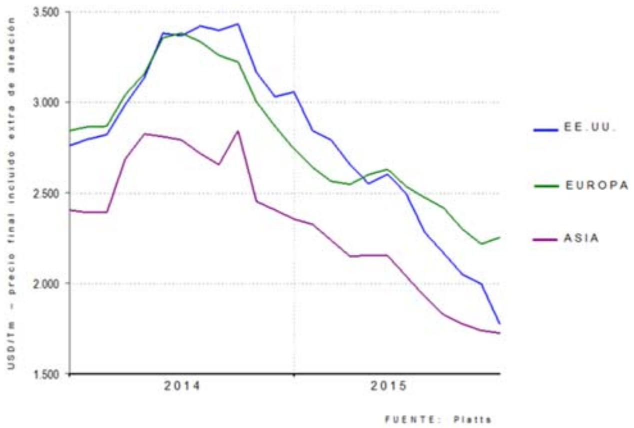
The prevailing uncertainty over the Chinese economy in 2015 drove the price of all raw materials down all over the world. On this continent, the excess installed capacity, especially in China, has kept the price of stainless steel steady all year at unprecedented levels. This resulted in many companies in the industry accumulating large losses which, according to CISA (China Iron and Steel Association) could total more than 8 billion euros. We hope that the government's plans for the coming year are carried out, with the consequent reduction of capacity and the closure of inefficient and polluting plants. If they are, this excess capacity could be absorbed within a reasonable period.

For its part, India was the country in Asia whose apparent consumption grew the most, partly replacing China as engine for stainless steel growth.

Some countries in the ASEAN area have frankly interesting apparent consumption growth rates, and we feel that this is the area that will see greatest growth in the coming years. However, the fact that it is the natural destination of Chinese excess production means that the prevailing prices are far lower than the European or North American market, as the following graph shows.

Prices of stainless steel plate | 2.0mm cold-rolled AISI 304

2014 and 2015



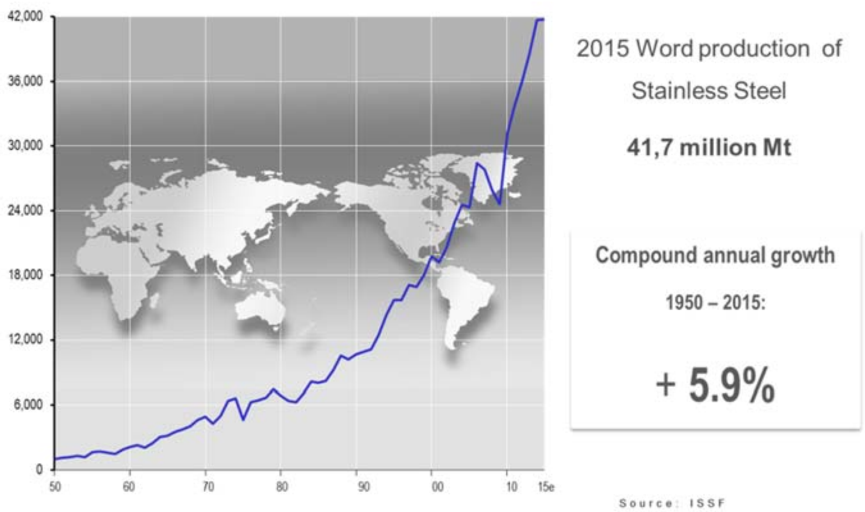
Source: Metal Bulletin

3. GLOBAL PRODUCTION OF STAINLESS STEEL

After years of strong growth, production has consolidated and excess inventories have been trimmed, which will enable growth to resume in the coming years, with a return to growth rates of around 6%. Although there are no definitive results at the time of writing, we estimate world production of stainless steel in 2015 was 41.7 million tonnes, which is a similar figure to the 41.7 million tonnes produced in 2014. After the period of strong growth after 2009 (CAGR 2009 – 2015 = 9.2%) this phase of relatively weak growth could form the basis for future expansion, as it did in the other periods.

Worldwide production of stainless steel 1950 - 2014

Thousands of mt.



Our general analysis by geographical regions shows that China's production slowed in 2015 after years of double-figure growth. Asia, excluding China, grew by 2% and the United States remains with a slightly growth, probably due to the switch from importing European black coil to using its domestic product.

All other regions have registered modest growth, which shows that the gap between capacity and consumption has been closed all around the world, except in China. This leads us to expect more solid growth in the industry in the future, keeping pace with the growth of the developed economies.

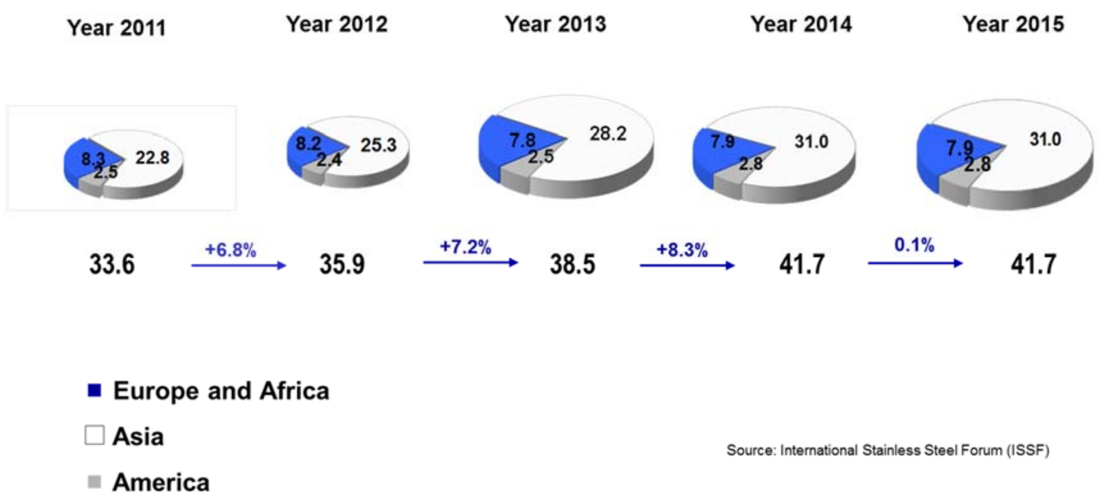
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	**Total**
Year 2014	Thousand Mt	10,359	10,894	10,173	10,259	**41,686**
Year 2015		10,219	10,982	10,183	*10,337(e)*	**41,721**

		2014	**2015**	**Variation**
Europa/Africa	Thousand Mt	7,847	*7,885*	0.5%
America		2,813	*2,840*	1.0%
Asia without China		9,334	*9,435*	1.1%
China		21,692	*21,561*	-0.6%
Total		**41,686**	***41,721***	**0.1%**

Total production in Asia increased its weight in the global market, as it reached 74% of the total.

Evolution of production worldwide

Millions of tonnes



The Year of Acerinox in Numbers

5. The Year of Acerinox in Numbers

1. PRODUCTION

Steel production by the Acerinox Group in 2015 was 2.3 million mt, equalling the results of 2014 and 2004, and second only to 2006, which was the year with the highest production in the Group's history. Production of Hot Rolled steel was 2.0 million mt, similar to the previous year, while Cold Rolled rose by 3.4% to 1.6 million mt, making it the largest production quantity ever.

		Year 2015					Year 2014	Variation
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Accumulated	Jan-Dec	2015 / 2014
Melting shop	Thousand Mt	600.5	611.3	562.1	545.7	2,319.6	2,324.8	-0.2%
Hot rolling shop	Thousand Mt	524.3	536.1	497.5	480.8	2,038.7	2,049.3	-0.5%
Cold rolling shop	Thousand Mt	395.1	430.4	393.2	390.4	1,609.0	1,555.6	3.4%
Long product (Hot Rolling)	Thousand Mt	57.0	60.7	50.7	47.6	215.9	241.6	-10.6%

Factory production in Acerinox Europe continued to grow compared with 2014, in the same way that year-on-year production did. Steel production rose by 6.6%, hot-rolling by 6%, and cold-rolling by 10%.

North American Stainless beat all its own records for every shop in 2014, but repeating this achievement in 2015 was complicated by the circumstances mentioned above: productions fell by 9%, 9.8% and 7% in each of its workshops.

Columbus increased its production notably in all its workshops, which shows the competitiveness achieved. Melting's output rose by 8.9%, hot-rolling by 8.7% and the cold-rolling workshop by 7.3%.

Finally, Bahru Stainless continued to increase production, which rose by 34.7% over the results of 2014, setting a new record.

2. RESULTS

The results of the Acerinox Group in 2015 show how difficult the market for stainless steel products was this year. With continues fall in prices as a result of the fierce competition in all markets, high level of inventories and a decline in the price of raw materials.

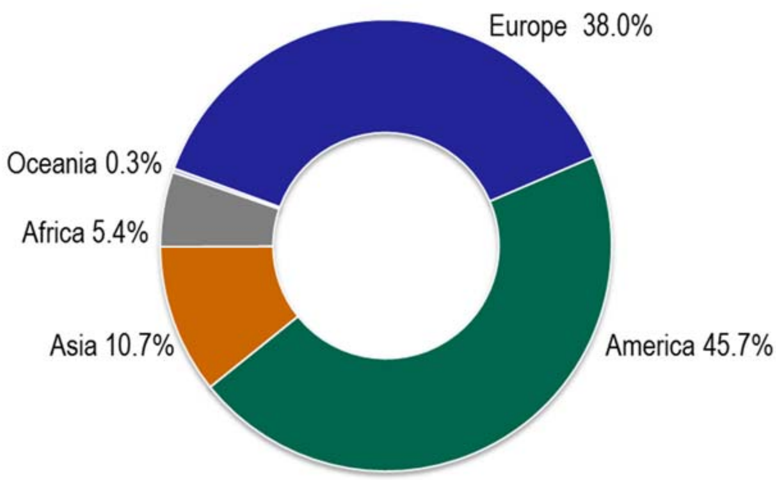
Most significant Acerinox figures

Thousands of euros

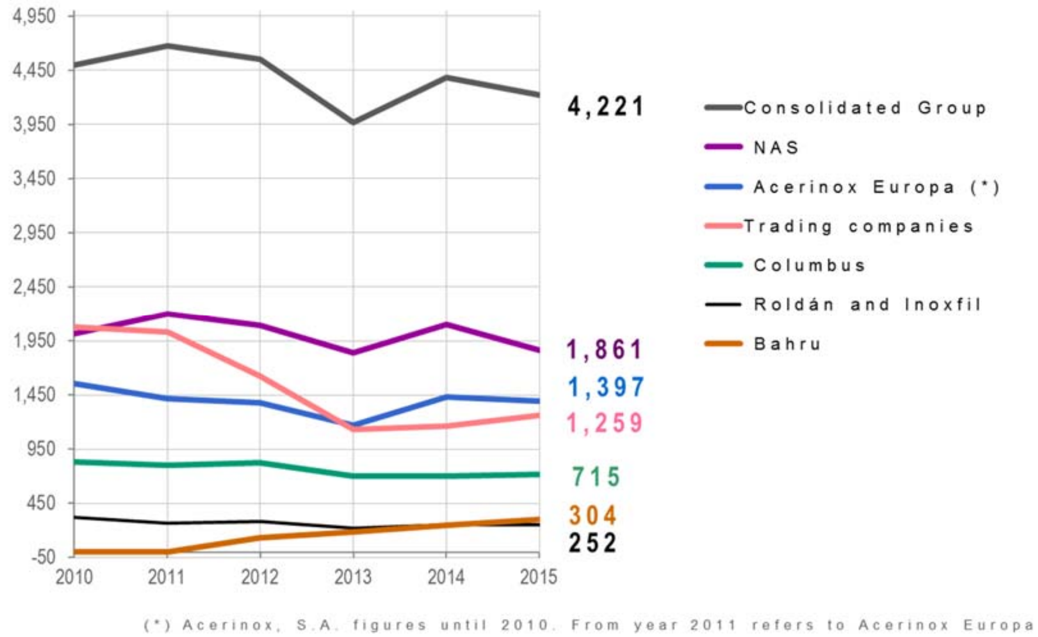
		2015	2014	Variation
Net sales	Thousand euros	4,221,426	4,380,289	-3.6%
EBITDA		286,225	454,180	-37.0%
EBIT		120,887	297,687	-59.4%
Result before taxes and minorities		76,895	243,776	-68.5%
Result after taxes and minorities		42,891	136,329	-68.5%

The turnover of the Consolidated Group in 2015 reached 4,221 million euros, 3.6% less than the previous year. The average price of the coil AISI 304 (according to Platts) fell by 1.9% in Europe, 19.9% in the U.S. and by 21.5% in Asia compared with the same period of 2014.

Geographical Distribution of Acerinox Revenue in 2015



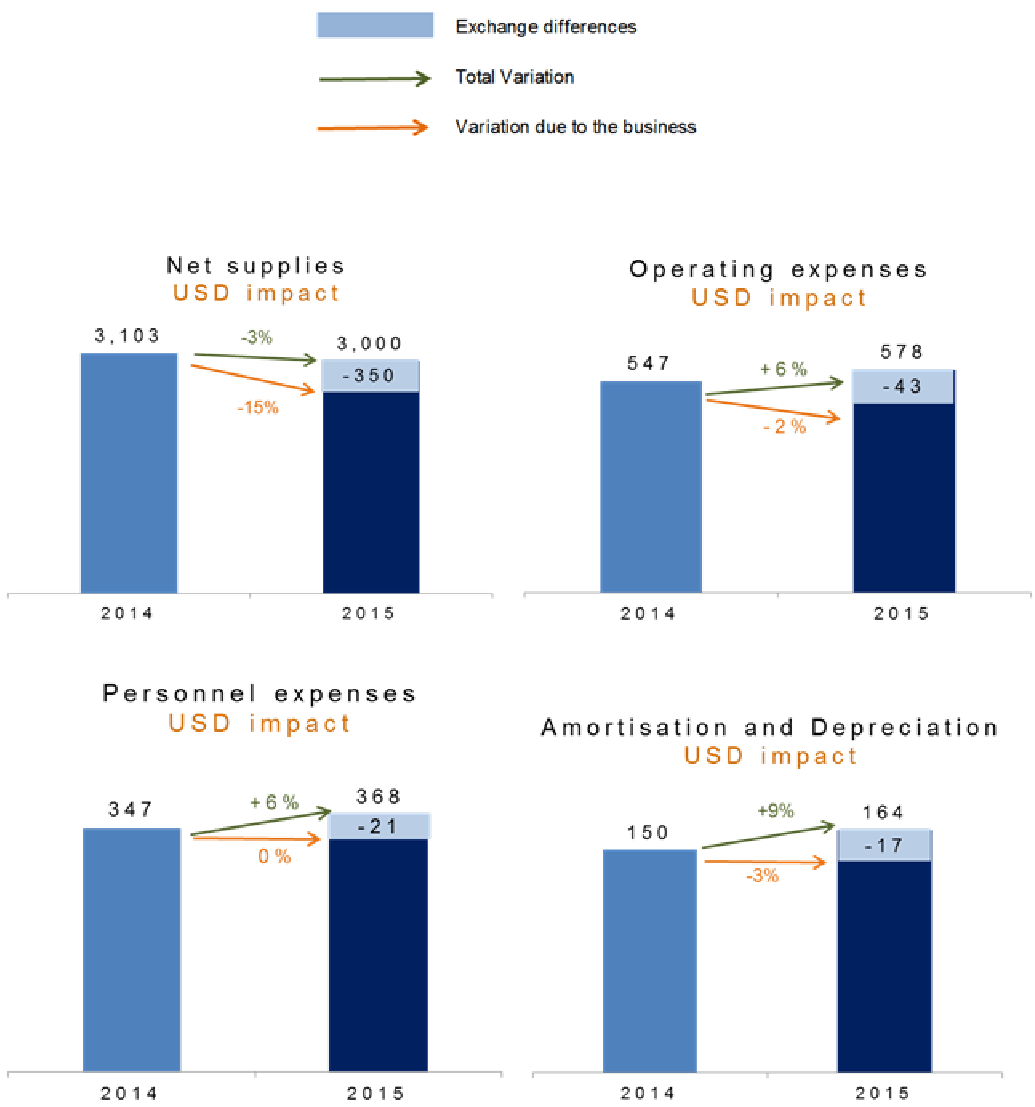
(*) Figures for Acerinox, S.A. in 2010. After 2011, figures correspond to Acerinox Europe



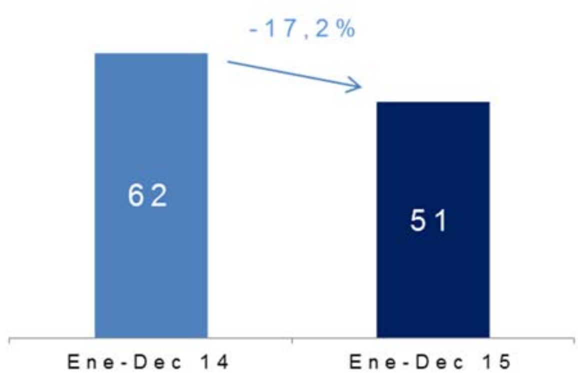
The worsening of market conditions had a negative effect on the Group's margins. The correction was only partially offset by the rise in the value of the dollar during the year. The international nature of the Group and the importance of the factories working in dollars (NAS and Bahru Stainless) made this factor more significant.

Fortunately, the competitive edge acquired through the Excellence Plans and those for reducing fixed costs enabled the most important expenditure items on the balance sheet to fall in 2015 in local currency, although the rise in the dollar had the opposite effect on the consolidated accounts.

The following graphs show the effects of the increase in the value of the dollar and the total variation in the profit and loss account:



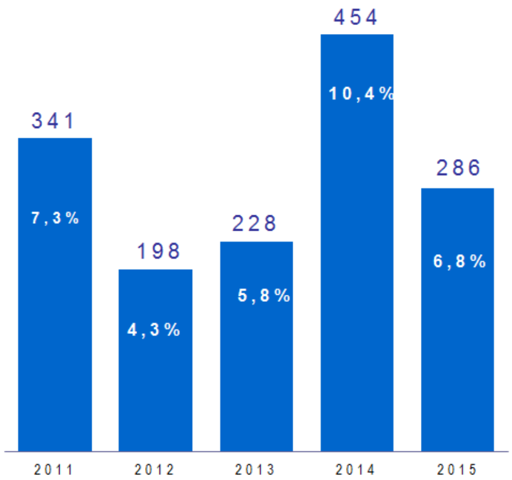
Financial costs feel by 17%: 11 million euros



The EBITDA generated in the year amounted to 286 million euros, 37.0% lower than the previous year, after adjusting inventories to their net realizable value for an amount of 14 million euros. The margin on sales rose to 6.8%.

Evolution in the EBITDA of Acerinox

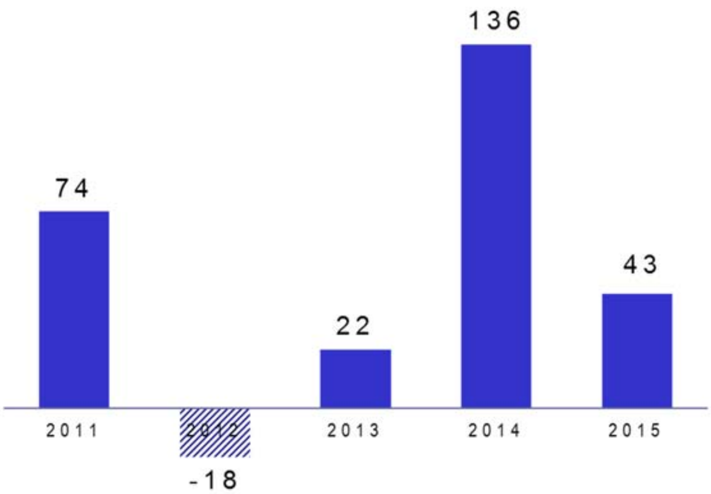
Millions of euros (% of sales)



Pre-tax profits, 77 million euros, are 68.5% lower than those obtained the previous year. The results of 43 million euros, after taxes and minorities, were 68.5% lower than those of the previous year 2014.

Profits after tax and minority interests

Millions of euros



The net financial debt of the group at year-end amounted to 711 million euros, with a ratio to shareholder equity of 35.1% and to EBITDA of 2.48 times. All *covenants* imposed by the finance credits and those relating to the Group's ratios were fully satisfied.

Abridged Balance Sheet

Millions of euros

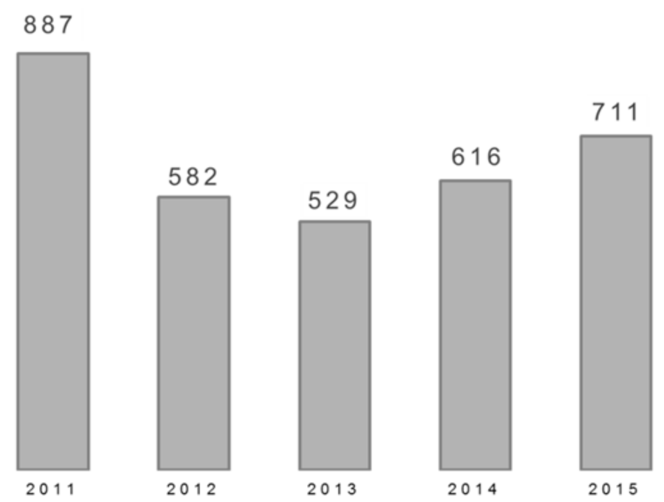
ASSETS	2015	2014	Variation	LIABILITIES	2015	2014	Variation
NON CURRENT ASSETS	2,317.53	2,270.43	2.1%	EQUITY	2,023.30	1,856.13	9.0%
CURRENT ASSETS	1,808.14	2,159.12	-16.3%	NON CURRENT LIABILITIES	995.59	1,279.66	-22.2%
Inventories	824.93	851.70	-3.1%	Interest bearing loans and borrowings	741.16	1,020.01	-27.3%
Debtors	478.85	475.19	0.8%	Other non current liabilities	254.43	259.66	-2.0%
Trade debtors	*439.54*	*443.56*	*-0.9%*				
Ohter debtors	*39.31*	*31.62*	*24.3%*				
Cash and other current assets	504.36	832.24	-39.4%	CURRENT LIABILITIES	1,106.77	1,293.76	-14.5%
				Interest bearing loans and borrowings	449.54	334.08	34.6%
				Trade creditors	566.28	841.07	-32.7%
				Other current liabilities	90.96	118.61	-23.3%
TOTAL ASSETS	4,125.67	4,429.55	-6.9%	TOTAL EQUITY AND LIABILITIES	4,125.67	4,429.55	-6.9%

Millons EUR

At 31st December, Acerinox held valid credit lines in force for an amount of 1,788 million euros, 40% of which were available for use.

Evolution in the net financial debt

Millions of euros



Columbus: *Borrowing Base Facility*

In April, Columbus signed a syndicated financing contract (*secured borrowing base facility*) for up to 3,500 million Rand (275 million euros), for 3 years.

This contract allows Columbus to finance its current and future working capital needs which could occur as a result of prices increases of raw materials and activity.

The contract was signed by 10 international banks, led by Deutsche Bank, which acted as agent bank and global coordinator. The operation was jointly led by BBVA, Rand Merchand Bank and Bankinter, with the following banks participating as financing banks: Banco Santander, Nedbank, Banco Sabadell, HSBC, Caixabank and Investec. The operation was over-subscribed by a factor of 1.3.

Working Capital

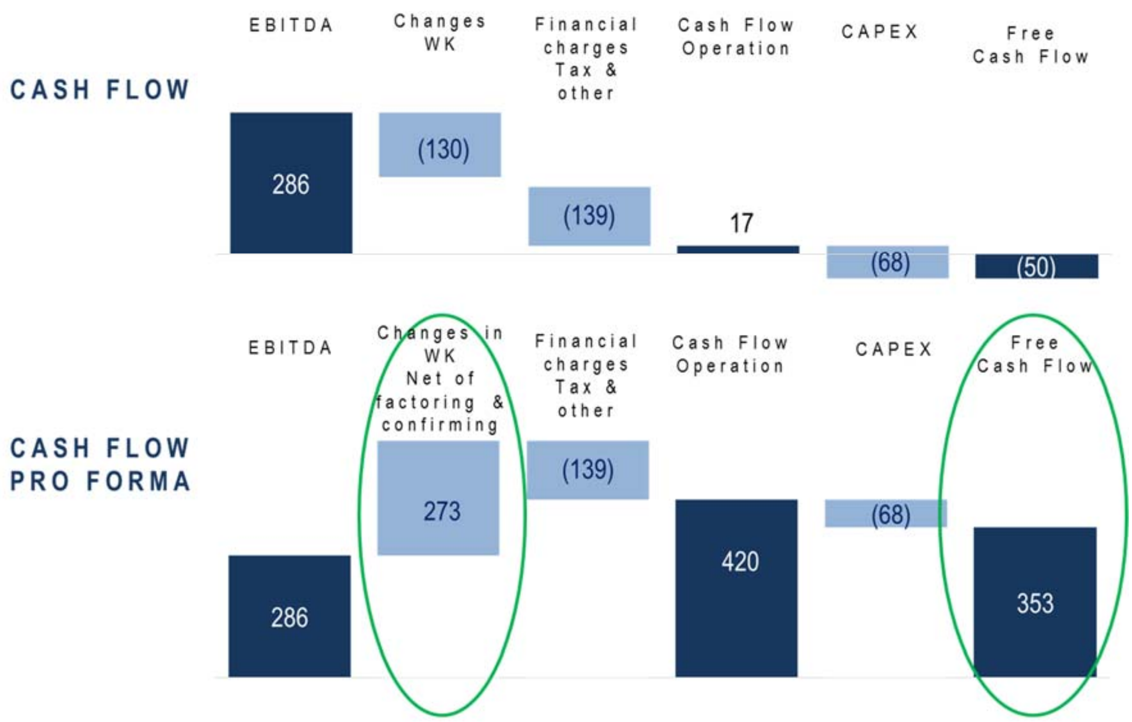
Working capital increased by 244 million euros as a consequence of the lower use of working capital financial instruments such as *factoring* and *confirming*, due to the Group's good liquidity situation.

	2015	2014
Inventories	825	852
Debtors	440	444
Creditors	566	841
Working Capital	**698**	**454**

If the use of working capital financial instruments had been similar to that of December 2015, working capital would have been reduced by 273 million euros and the free cash flow (total cash flow generated) would have been 353 million euros, as can be seen in the pro-forma cash flow:

Pro forma cash flow

2015 (Millions of euros)



The cash flow situation shows how important working capital is in our sector. Despite the generation of cash as a consequence of the results, the 1130 million increase in working capital (lower use of financing of working capital) caused that the total cash flow generated by the group was a negative 50 million euros, after having made investment payments for an amount of 68 million euros.

Abridged cash flow statement

2015 (Millions of euros)

	Jan - Dec 2015	Jan - Dec 2014
Result before taxes	**76.9**	**243.8**
Adjustments for:	**210.2**	**227.7**
Depreciation and amortisation	*163.7*	*150.3*
Changes in provisions and impairments	*2.3*	*-2.6*
Other adjustments in the result	*44.1*	*80.0*
Changes in working capital	**-129.5**	**-261.4**
Changes in operating working capital	*-244.0*	*-213.2*
· Inventories	*26.8*	*-122.1*
· Trade debtors	*4.0*	*-66.9*
· Trade creditors	*-274.8*	*-24.1*
Others	*114.5*	*-48.3*
Other cash-flow from operating activities	**-140.1**	**-160.2**
Income tax	*-94.5*	*-103.4*
Financial expenses	*-45.6*	*-56.8*
NET CASH-FLOW FROM OPERATING ACTIVITIES	**17.4**	**49.9**
Payments for investments on fixed assets	**-67.5**	**-74.2**
Others	**-0.1**	**-3.1**
NET CASH-FLOW FROM INVESTING ACTIVITIES	**-67.6**	**-77.3**
NET CASH-FLOW GENERATED	**-50.2**	**-27.4**
Acquisition of treasury shares	**-0.1**	**0.0**
Dividends payed to shareholders and minorities	**-47.8**	**-56.1**
Changes in net debt	**-177.7**	**151.2**
Changes in bank debt/private placement	*-163.4*	*195.2*
Conversion differences	*-14.3*	*-44.0*
Attributable to minority interests	**0.0**	**0.0**
Others	**0.3**	**0.0**
NET CASH-FLOW FROM FINANCING ACTIVITIES	**-225.3**	**95.0**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**-275.4**	**67.7**
Opening cash and cash equivalents	**738.4**	**629.6**
Effect of the exchange rate fluctuations on cash held	**17.0**	**41.1**
CLOSING CASH AND CASH EQUIVALENTS	**480.0**	**738.4**

3. SHARE PRICE EVOLUTION

3.1. EVOLUTION OF SHARES

The year was particularly complicated in terms of global equity, and Spanish equity in particular. The IBEX 35 closed with a decline of 7%, which was the largest drop in the last four years, although still far from the 13% drop registered in 2011, in the resurgence of the financial crisis.

Market evolution of the IBEX-35

Daily data in EUR

However, the IBEX 35 was not the only market to close with a fall. The British FTSE 100 fell by 5%, under pressure from the mining companies that are listed on the index and which suffered from the fall in price of raw materials.

Wall Street ended the year with slight losses: 2% in the case of Dow Jones and 1% in the S&P 500.

The bullish start to the year at the IBEX 35 was soon halted by the Greek crisis and the doubts about real growth in China, the devaluation of the yuan and the uncertainties this raised about the effect on emerging economies and the adjustment of oil prices, among other causes. These factors affected stock markets around the world, but we also have to consider the effect of political uncertainty in Spain on the Spanish exchange.

Acerinox was one of the worst-performing securities on the Spanish list, largely because of the fall in raw materials throughout the year. The London Metal Exchange saw copper fall by 26%, zinc by 26% and aluminium by 18%, but it was nickel that fell the most, with a drop of 42%. The limited presence of industrial securities on the IBEX 35 and the absence of other stocks linked with raw materials meant that Acerinox's fall was out of proportion to the other stocks on the Spanish list.

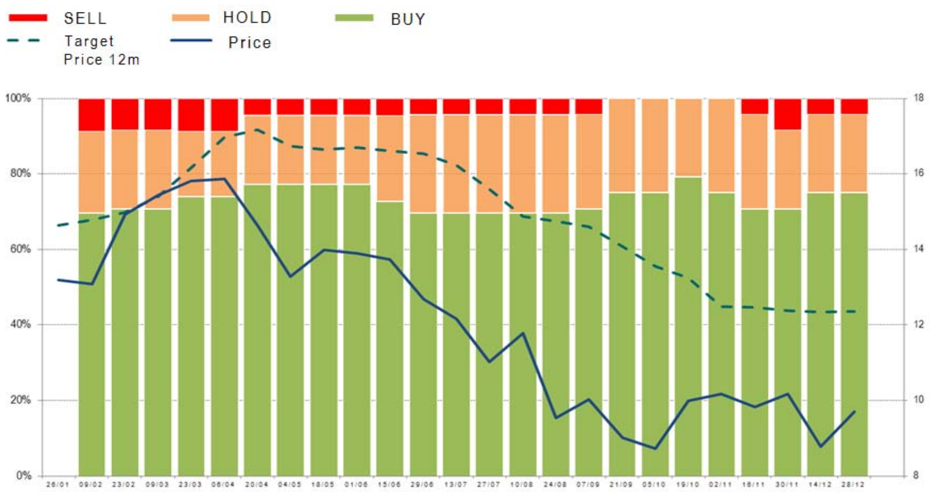
The graph below shows how the year started with Acerinox stock rising to an annual high (16.05 euro/share) on 25 March, boosted by the preliminary antidumping measures against cold-rolled stainless steel from China and Taiwan which the European Union was considering.

Market Evolution of Acerinox and the Ibex 35

Daily percentages, 2015

Acerinox reached its annual minimum (7.835 euro/share) on 28 September, after three months of continuous decline following the panic generated by the Chinese slowdown and the punishment suffered by all traded metals.

Even so, at the end of 2015, Acerinox was one of the IBEX 35 stocks that were most widely recommended by analysts.



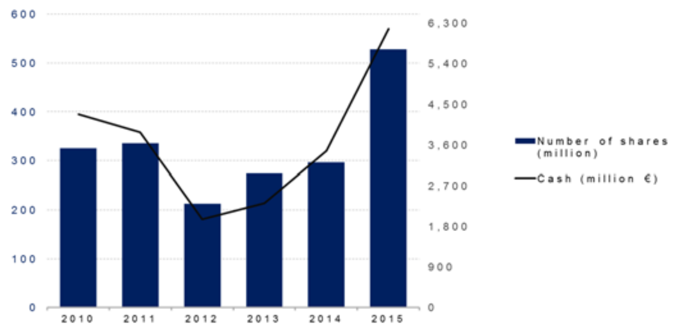
Source: Bloomberg, 31-12-2015

On average, 73% of recommendations were “Buy” as opposed to 4% who advised “Sell”, on 31 December 2015.

In 2015, Acerinox shares were traded for the 256 days the Continuous Market was open for business. The total number of shares traded amounted to 527,865,068, with average daily trading of 2,061,973 shares.

In respect to the trading volume, it reached a total of 6.174 billion euros for the entire year of 2015, with a daily average of 24.12 million euros, which was well above the preceding years.

Shares and Volume Traded

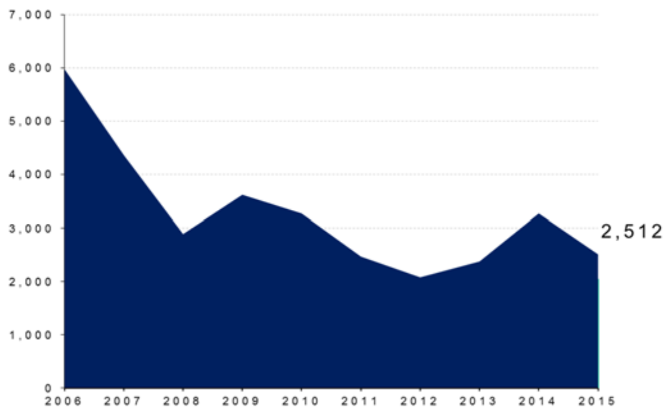


It is worth noting that the composition of the IBEX 35 was reviewed in June by a Technical Assessment Committee, which determined the return of Acerinox to this index to which it belonged since its beginning almost continuously.

3.2 CAPITALISATION

On 31 December 2015, the market capitalisation of Acerinox reached 2,512 million euros (23% lower than 2014).

Market Capitalisation of Acerinox, S.A.



Millions of euros

ANALYST AND INVESTOR DAY

Investor and Analyst Day was celebrated in New York on 15 October.

A total of 50 investors, analysts and other banking representatives attended. Another 75 people followed the event through a live internet transmission.

The following presentations were given during the day by Management team to show investors how important the presence of Acerinox in the American market is:

- Stainless Steel in our World
- NAS – A Leader in the Industry
- The Strategy of NAS in the American Market.
- 2015 – The Great Paradox

A guided tour of the North American Stainless factory was made on 16 October with all the attendees who had the opportunity to travel there.

This type of event ensures that the financial community can get a closer look at the company and gain a greater understanding both of its production processes and the market for stainless steel, and the strategies and values of Acerinox.

4. SHAREHOLDER REMUNERATION

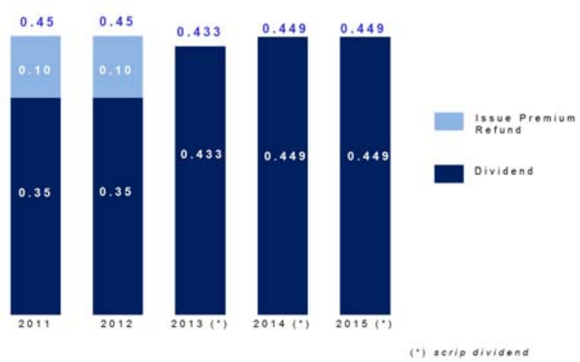
The General Shareholders Meeting held on 03 June 2015 approved payment of a scrip dividend to a maximum sum of 117,765,963.00 euros, equivalent to the sum of approximately €0.45 per share. This amount is the same as the one the company has offered shareholders since 2007, despite the difficulties of this period.

For the third year running, the General Meeting decided to offer shareholders a scrip dividend, given that in the previous two years, most shareholders, representing most of the company's capital, opted to acquire new shares. In 2015, shareholders representing 59.30% of the company capital also opted to acquire new shares. The rate applied was 1 new share for every 31 already held.

On 20 July 2015, the 5,005,253 new shares from the capital increase of the scrip dividend approved at the General Meeting of 3 June 2015 were admitted to official trading on the Continuous Market in the Madrid and Barcelona Stock Markets.

Shareholders who chose to subscribe to shares with their free allotment rights saw their number of shares increase by 3.23%.

Annual Shareholder Returns



The scrip dividend for the last three years and the uptake of the option by shareholders is shown in the following table:

	2013	2014	2015
Cash payment	43.3%	48.62%	40.71%
Payment in shares	56.62%	51.36%	59.29%
Capital amount after issue	64,286,544.25	65,425,535.00	66,676,848.26
Dividend distributed In cash €	46,831,187.74	56,135,432.06	47,836,135.82

5. AVERAGE TERM OF PAYMENT TO SUPPLIERS

In relation to the information to be included in Annual Report, pursuant to article 262.1 of the Companies Act and Resolution of January 29th , 2016 the Institute of Accounting and Auditing, the average payment period to suppliers of Spanish companies which are part of Acerinox Group, and After having deducted the payments made to the trading companies of the Group, is that detailed below:

	2015	2014
Average payment period to suppliers	79 days	88 days
Period of transactions paid	82 days	90 days
Ratio of transactions pending of payment	45 day	79 day
Data in thousand euros	**Amount**	**Amount**
Total payments made	1,607,137	1,448,509
Total pending payments	176,420	294,468

6. The Acerinox Group's Individual Companies

1. ACERINOX, S.A.

Acerinox S.A. is the Group's parent company and the main holding company of shares in its various subsidiaries. Company shares were accepted for trading on the Madrid and Barcelona Stock Exchanges. The share capital on 31 December 2015 rose to 66,676,848.25 euros, comprised of 266,707,393 shares with a face value of 0.25 euros each.

Acerinox S.A. directs and coordinates the Group's activities worldwide, establishing what strategies to follow, and channelling and performing management activities in the acquisition of raw materials and credits for the entire Group and its companies.

57 people were employed by Acerinox as of 31 December, including senior management.

The General Shareholders Meeting of 03 June 2015 approved payment of a scrip dividend to a maximum sum of 117,765,963.00 euros, equivalent to the sum of approximately 0.45 euros per share. This is the same amount that the company has provided for shareholders since 2007.

The details of this operation are explained further in the section "Return to Shareholders".

Shareholders who chose to subscribe to shares with their free allotment rights saw their number of shares increase by 3.23%.

In relation to the information to be included in Annual Report, pursuant to article 262.1 of the Companies Act and Resolution of January 29th, 2016 the Institute of Accounting and Auditing, the average payment period to suppliers and additional information required, is that detailed below:

	2015	2014
Average payment period to suppliers	47 days	45 days
Period of transactions paid	42 days	45 days
Ratio of transactions pending of payment	122 days	96 days
Data in thousand euros	**Amount**	**Amount**
Total payments made	19,996	22,821
Total pending payments	1,425	1,479

2. ACERINOX EUROPA

The head offices of the subsidiary owning the Campo de Gibraltar plant (Spain) were initially in Madrid, together with the Group's parent company. In 2014, its Board of Directors transferred the registered offices and tax address to Los Barrios, Cadiz, immediately becoming one of the largest industries in Andalusia and one of its top exporters.

In October 2015, the Board of Directors of Acerinox S.A. approved investments which would be a major landmark in the history of the plant at Campo de Gibraltar: the acquisition of a new Sendzimir rolling mill and a new annealing and pickling line The investment was completed with a cutting line, auxiliary equipment and the civil engineering works required for the new facility, amounting to a total of 140 million euros.

These investments are bet on the European market and the recognition of the strategic nature of this plant and the role it is to play in the future of the Group. Essentially it entails improved use, of quality and a notable reduction in costs and energy and environmental impact.

The workforce of Acerinox Europa consists of 2,073 workers, not including the partially retired, 60 of whom work in the central offices in Madrid, 40 more in the Service Centre in Gavá, 23 in the Service Centre in Pinto, 10 in the Service Centre of Betanzos and the other 1,940, who work in Campo de Gibraltar. The factory approved its collective agreement in September, the second since the creation of Acerinox Europa, S.A.U., which is valid for four years and will provide stability in labour relations and the linking of salaries to productivity and the results of the company. The agreement was also backed by the Works Committee and the Workforce Assembly.

3. NORTH AMERICAN STAINLESS (NAS)

The American subsidiary of the Group retained its leadership of the American market in 2015 and first place in its positive contribution to the profits of the Group, especially in the first half of the year.

NAS had to adapt its operations to the circumstances of the U.S. Market, with falling prices and increased imports. It was forced to accept four price cuts which ate into its margins, along with a significant decrease in alloy surcharges, and growing internal competition. The sum of all these price drops represented an overall loss of 1,000$/mt.

New investments to the sum of 116 million euros were approved over the year. The most outstanding were a BA (bright annealing) line and a new Sendzimir-type cold rolling mill, as explained in other sections of this report.

NAS has 1,370 employees, almost same as in the previous year.

4. COLUMBUS STAINLESS

Columbus achieved an EBITDA of 694.17 million rand. It has been a very hopeful year for the Middelburg plant (South Africa), which has become more competitive as a result of the Excellence Plans, and has once again recorded profits in a continued manner after several years of acutely suffering the effects of the crisis.

The stagnation of the South African market has forced Columbus to export most of its production to the other markets where the Group operates, where it has benefited from the competitive level of its native currency, the South African rand.

In April, Columbus and a pool of banks negotiated a finance policy worth up to 3,500 million rand, as it has been explained in “results” section.

In September 2015, Columbus and the unions approved a collective agreement which was especially important as it covered three years and conditioned most salary increases on the financial results of the company, just like the plant at Campo de Gibraltar. This type of agreement is unusual in South Africa and Columbus has thus been singled out as an example by local authorities.

Columbus has a workforce of 1,345 workers, 15 more than last year.

5. BAHRU STAINLESS

The process of starting and developing within a highly competitive market has hindered the results of this company. Even so, this company made a positive contribution to the Group’s Ebitda due to the purchase of black coil from Acerinox Europa and Columbus.

The start-up of Phase II equipment proceeded as planned, enabling the range of products to be extended in terms of size and types of steel, thus enabling clients to be offered a better range to choose from. This has encouraged increases in production of almost 30% in comparison with the previous year.

Accreditation processes for Bahru products were developed in sectors with greater added value and high quality standards such as the automotive, electronics and domestic appliance industries. The sales network continued to expand at the same time throughout the ASEAN zone and the countries bordering it. Bahru’s market share continued to rise in Malaysia and neighbouring countries, with over 40% of the share in Malaysia and 10.5% in all the ASEAN countries.

Bahru Stainless is a benchmark in Malaysia for the development of local industry, offering direct and indirect support for investment in the area for Spanish companies and businesses in other sectors of activity.

The number of employees at year end stood at 521, compared with 447 the previous year, including 9 people seconded here from the different Group companies. The continuous personnel training plans are producing the desired results, and there is now a stable base of experienced workers at all levels.

6. ROLDAN AND INOXFIL

Both of these have had to tackle the problems of the European market for long products and especially the invasion of product from India and Taiwan. Roldan provides an important service to the factory of Gibraltar Field by purchasing billets which optimize the melting shop of the same.

The workforce of Roldán on 31 December is 403 people without including pre-retirement employees, and that of Inoxfil 109 individuals.

The Acerinox Group's Commercial Companies

7. The Acerinox Group's Commercial Companies

In 2015, the trading companies concluded the process for restructuring their administration activities by outsourcing certain shared services. The work of standardising processes progressed as expected with the result that considerable savings were made in these areas. Throughout the year the Group has improved the market shares in most markets, especially those in Europe.

1. Spanish Commercial Companies

2015 was satisfying year for the trading companies in Spain, especially for those of Grupinox network which have regain efficiency and profitability, generating profits while increasing market share, so that Spain has once again become the second most important market for the Group after the United States.

The prospects for 2016 are positive, because Spain is one of the European countries where apparent consumption of stainless steel is rising, although prices remain low, as they are in all our other markets.

2. Foreign Commercial Companies

The consolidated sales of these companies were 15.36% higher than those of the preceding year.

Continuing with the expansion in Asia, this year it has been opened a new representative office in South Korea. The other offices have restructured, and continue to recruit local personnel who, in the future, will replace the employees seconded there. The Group now has a market share of over 40% in Malaysia (provisional data) and 10.57 across the ASEAN zone.