

ACERINOX, S.A. AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements for the first half of 2014

30 June 2014

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

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

(In thousands of Euros at 30 June 2014 and 31 December 2013)

	Note	30-jun-14	31-dec-13
ASSETS			
Non-current assets			
Goodwill	7	69,124	69,124
Other intangible assets	7	7,341	6,644
Property, plant and equipment	8	1,862,344	1,892,810
Available-for-sale financial assets	10	10,146	9,149
Deferred tax assets		216,406	218,248
Other non-current financial assets	10	4,267	4,091
TOTAL NON-CURRENT ASSETS		2,169,628	2,200,066
Current assets			
Inventories	9	894,036	729,594
Trade and other receivables	10	631,257	413,931
Other current financial assets	10	11,801	12,162
Current tax assets		8,633	5,615
Cash and cash equivalents		387,151	629,602
TOTAL CURRENT ASSETS		1,932,878	1,790,904
TOTAL ASSETS		4,102,506	3,990,970

Notes 1 to 21 form an integral part of the interim condensed consolidated financial statements.

(In thousands of Euros at 30 June 2014 and 31 December 2013)

	Note	30-jun-14	31-dec-13
<u>EQUITY AND LIABILITIES</u>			
Equity			
Subscribed capital		64,287	64,287
Share premium		81,403	81,403
Reserves		1,384,788	1,477,870
Profit for the period		76,097	22,068
Translation differences		-194,085	-208,583
Parent shares		-1	
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		1,412,489	1,437,045
Non-controlling interests		112,340	116,180
TOTAL EQUITY		1,524,829	1,553,225
Non-current liabilities			
Deferred income		6,153	4,834
Loans and borrowings	10, 11	731,528	750,656
Non-current provisions		13,007	13,580
Deferred tax liabilities		197,483	200,226
Other non-current financial liabilities	10, 12	25,803	21,313
TOTAL NON-CURRENT LIABILITIES		973,974	990,609
Current liabilities			
Loans and borrowings	10	483,669	408,271
Trade and other payables	10	966,250	979,570
Current tax liabilities		9,455	14,340
Other current financial liabilities	10, 12	144,329	44,955
TOTAL CURRENT LIABILITIES		1,603,703	1,447,136
TOTAL EQUITY AND LIABILITIES		4,102,506	3,990,970

Notes 1 to 21 form an integral part of the interim condensed consolidated financial statements.

2. INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

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

(In thousands of Euros at 30 June 2014 and 2013)

	Note	30-jun-14	30-jun-13
Revenues		2,169,990	2,071,524
Other operating income		3,887	7,906
Self-constructed non-current assets		6,904	15,818
Changes in inventories of finished goods and work in progress		70,608	85,310
Supplies		-1,583,526	-1,591,115
Personnel expenses		-176,280	-180,098
Amortisation and depreciation		-74,113	-67,109
Other operating expenses		-279,680	-291,195
RESULTS FROM OPERATING ACTIVITIES		137,790	51,041
Finance income		2,617	4,795
Finance costs		-30,755	-32,312
Exchange losses		-5,339	-1,216
Fair value measurement of financial instruments		7,219	1,086
Share of profit of equity-accounted investees		1	1
PROFIT FROM ORDINARY ACTIVITIES		111,533	23,395
Income tax		-39,461	-13,002
Other taxes		-819	-267
PROFIT FOR THE PERIOD		71,253	10,126
<u>Attributable to:</u>			
NON-CONTROLLING INTERESTS		-4,844	-5,979
NET PROFIT ATTRIBUTABLE TO THE GROUP		76,097	16,105
<i>Basic and diluted earnings per share (in Euros)</i>		<i>0.30</i>	<i>0.06</i>

Notes 1 to 21 form an integral part of the interim condensed consolidated financial statements.

3. INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Expressed in thousands of Euros)

	30-jun-14	30-jun-13
A) PROFIT FOR THE PERIOD	71,253	10,126
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		
I. Measurement of financial instruments		
1. Available-for-sale financial assets	1,001	-1,163
2. Other income/expense		
II. Cash flow hedges	-2,530	13,476
III. Translation differences	15,516	-26,035
IV. Actuarial gains and losses and other adjustments		
V. Tax effect	416	-2,655
B) TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	14,403	-16,377
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	1,944	1,192
III. Translation differences		
IV. Actuarial gains and losses and other adjustments		
V. Tax effect	-572	-584
C) TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT	1,372	608
COMPREHENSIVE INCOME	87,028	-5,643
a) Attributable to the Parent	90,868	6,959
b) Attributable to non-controlling interests	-3,840	-12,602

Notes 1 to 21 form an integral part of the interim condensed consolidated financial statements.

4. INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

Movement for the reported period is as follows:

(Expressed in thousands of Euros)

	Equity attributable to shareholders of the Parent							TOTAL	Non-controlling interests	TOTAL EQUITY
	Subscribed capital	Share premium	Reserves (including profit for the period)	Interim dividend	Translation differences	Valuation adjustments	Own shares			
Total equity 31/12/2013	64,287	81,403	1,518,152	0	-208,583	-18,214	0	1,437,045	116,180	1,553,225
Profit for as of June 2014			76,097					76,097	-4,844	71,253
Measurement of available-for-sale assets (net of tax)						701		701		701
Cash flow hedges (net of tax)						-428		-428	-14	-442
Translation differences					14,498			14,498	1,018	15,516
Net profit recognised directly in equity					14,498	273		14,771	1,004	15,775
Total recognised profit	0	0	76,097	0	14,498	273	0	90,868	-3,840	87,028
Script Dividend			-115,459					-115,459		-115,459
Transactions with shareholders	0	0	-115,459	0	0	0	0	-115,459	0	-115,459
Purchase of own shares							-1	-1		-1
Other movements			36					36		36
Total equity 30/06/2014	64,287	81,403	1,478,826	0	-194,085	-17,941	-1	1,412,489	112,340	1,524,829

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

(Expressed in thousands of Euros)

	Equity attributable to shareholders of the Parent							TOTAL	Non-controlling interests	TOTAL EQUITY
	Subscribed capital	Share premium	Reserves (including profit for the period)	Interim dividend	Translation differences	Valuation adjustments	Own shares			
Total equity 31/12/2012	62,326	81,403	1,545,323	0	-89,337	-31,227	0	1,568,488	144,525	1,713,013
Profit as of June 2013			16,105					16,105	-5,979	10,126
Measurement of available-for-sale assets (net of tax)						-814		-814		-814
Cash flow hedges (net of tax)						10,165		10,165	915	11,080
Translation differences					-18,497			-18,497	-7,538	-26,035
Net profit recognised directly in equity	0	0	0	0	-18,497	9,351	0	-9,146	-6,623	-15,769
Total recognised profit			16,105		-18,497	9,351		6,959	-12,602	-5,643
Script dividend			-46,831					-46,831		-46,831
Transactions with shareholders	0	0	-46,831	0	0	0	0	-46,831	0	-46,831
Purchase of own shares							-78	-78		-78
Other movements			-234					-234		-234
Total equity 30/06/2013	62,326	81,403	1,514,363	0	-107,834	-21,876	-78	1,528,304	131,923	1,660,227

Notes 1 to 21 form an integral part of the interim condensed consolidated financial statements.

5. INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(In thousands of Euros at 30 June 2014 and 2013)

	30-jun-14	30-jun-13
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	111,533	23,395
<i>Adjustments for:</i>		
Amortisation and depreciation	74,113	67,109
Impairment	-8,735	-112
Change in provisions	2,874	8,957
Grants recognised in the income statement	-224	819
Gains/losses on disposal of fixed assets	48	-174
Gains/losses on disposal of financial instruments	0	-1,618
Change in fair value of financial instruments	-7,060	1,379
Finance income	-2,617	-3,177
Finance costs	33,702	35,775
Share of profit/loss of associates	0	-1
Other income and expense	2,443	1,849
<i>Changes in working capital:</i>		
Increase/decrease in trade and other receivables	-207,995	-127,123
Increase/decrease in inventories	-153,464	-92,125
Increase/decrease in trade and other payables	-31,284	55,172
<i>Other cash flows from operating activities</i>		
Interest paid	-28,003	-29,155
Interest received	2,617	3,176
Income tax paid	-51,118	-40,422
NET CASH USED IN OPERATING ACTIVITIES	-263,170	-96,276
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-34,132	-117,925
Acquisition of intangible assets	-725	-450
Acquisition of other financial assets	-135	-28
Proceeds from sale of property, plant and equipment	85	1,178
Proceeds from sale of other financial assets	241	91
Dividends received		1
NET CASH USED IN INVESTING ACTIVITIES	-34,666	-117,133
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of own shares	-1	-78
External financing received	281,197	117,030
Repayment of interest-bearing liabilities	-228,213	-94,171
Dividends paid		
Distribution of share premium		
Contribution from non-controlling shareholders		
NET CASH FROM FINANCING ACTIVITIES	52,983	22,781
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-244,853	-190,628
Cash and cash equivalents at beginning of period	629,602	582,671
Effect of exchange rate fluctuations	2,402	-1,588
CASH AND CASH EQUIVALENTS AT END OF PERIOD	387,151	390,455

Notes 1 to 21 form an integral part of the interim condensed consolidated financial statements.

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6. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1 – GENERAL INFORMATION

Acerinox, S.A. (hereinafter the Company) was incorporated with limited liability under Spanish law on 30 September 1970. Its registered office is located at Calle Santiago de Compostela No. 100, Madrid, Spain.

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

The latest approved annual accounts, which were for 2013, are publicly available at the Company's headquarters or on the Group's website: www.acerinox.es.

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 21 July 2014.

NOTE 2 – STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and specifically International Accounting Standard (IAS) 34 - Interim Financial Reporting. These financial statements do not include all the information required of complete financial statements and should be read and interpreted in conjunction with the Group's published annual accounts for the year ended 31 December 2013.

NOTE 3 – ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the first half of 2014 have been prepared using the same accounting principles (IFRS-EU) as for 2013, except for the standards and amendments adopted by the European Union mentioned below, which are obligatory as of 1 January 2014, and which have not had a significant impact on the Group. Among the standards taking effect from 1 January 2014, the following have the most relevant impact:

- IFRS 10 Consolidated Financial Statements. The objective of this IFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It introduces a new model for assessing whether control exists. This IFRS supersedes IAS 27. No impact on the Group.
- IFRS 11 Joint Arrangements. The objective of this IFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. The proportionate consolidation option has been eliminated and definitions are provided for the terms “joint arrangement” and “joint venture”. The Group does not apply this consolidation method.
- IFRS 12 Disclosure of Interests in Other Entities. The objective of this IFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. Further disclosures are required in the consolidated financial statements.

At the date of authorisation for issue of these interim consolidated financial statements, new standards and interpretations have been published. These will be obligatory for forthcoming annual periods and have not been applied early. Taking into account the activity of the Group companies, the Company's directors do not expect the future application of the new standards to have a significant impact on the consolidated annual accounts.

NOTE 4 – ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting estimates and judgments used by the Group during this interim period have been applied consistently with those used for the latest approved annual accounts, which were for 2013.

NOTE 5 – SEASONAL OR CYCLICAL NATURE OF TRANSACTIONS

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

NOTE 6 – SIGNIFICANT EVENTS TAKING PLACE IN THE FIRST HALF OF 2014

Markets

In the first half of 2014 the stainless steel market performed satisfactorily, consolidating the trend that started in the third quarter of 2013. Recovering confidence in the economy is allowing restocking to start throughout the supply chain of goods manufactured with stainless steel, such as cars, electrical appliances and hardware.

According to the latest ISSF data (International Stainless Steel Forum), production of stainless steel from January to March 2014 amounted to 10.2 million tonnes, up 6.8% on the same period in 2013. This increase is occurring in all regions.

After three consecutive years of falls in nickel prices, there has been an upturn, with a hike of 34% in the first quarter of the year. The low for the year was 9 January, at 13,365 USD/MT, while the peak was reached on 13 May at 21,200 USD/MT. The improvement in demand for stainless steel, the ban on nickel exports imposed by the Indonesian government and greater activity on the London Metal Exchange were the main reasons for this rise.

Improved demand has allowed the rise in raw material costs to be passed on through alloy surcharges or increases in effective prices. However, it has only been possible to slightly raise base prices, due to the remaining surplus capacity in the sector.

Inventories remain at reasonable levels in all markets.

Production

At 1,249,073 tonnes, the Acerinox Group's melt shop production for the first six months of the year is up 6.9% on the first half of the previous year.

Hot-rolled output was 1,093,952 tonnes, up 9.5% on the same period in the prior year. It should be taken into account that in June of the prior year, Acerinox Europe factory's hot rolling mill was closed down for 21 days for modernisation works.

At 796,159 tonnes, cold rolling production climbed (6.7%) compared to the first half of 2013.

Results

The Group's turnover for the first half of the year, Euros 2,169.99 million, is 4.8% higher than for the same period of the prior year, mainly as a result of a 12% hike in the volume of sales. According to Metal Bulletin, average end prices have crept up 1% in Asia and 2% in the US, but have fallen by 3% in Europe.

Half-yearly EBITDA of Euros 213 million is up 78.9% on the prior year and up 95.3% on the prior six months. The results of the improvement plans are showing, with a reduction in personnel and operating expenses of Euros 15 million, despite brisker activity.

Pre-tax profit amounts to Euros 112 million, 4.8 times greater than in the first half of 2013 and 11.4 times the pre-tax profit for the prior six months.

Once adjusted for taxes and non-controlling interests, profit comes to Euros 76 million.

The Group's net financial debt is Euros 828 million. The increase on the prior quarter (of Euros 760 million) is primarily due to the greater working capital requirements related to the rise in the price of raw materials and particularly to the improvement in activity. As a result, despite greater debt, the net financial debt/EBITDA ratio has dropped from 2.14 in the first quarter to 1.94 in the second quarter.

Working capital management continues to be a priority for the Group. Inventories remain at tightly controlled levels which are in line with the brisker activity and higher prices. As a result of the greater liquidity of financial markets, the Group's use of monetisation instruments has fallen significantly. Acerinox has retained all of its factoring and reverse factoring facilities, although use thereof will depend on Group strategy.

NOTE 7 – INTANGIBLE ASSETS

Movement in intangible assets is as follows:

(Expressed in thousands of Euros)

COST	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Balance at 1 January 2013	7,908	24,312	22,609	54,829	69,124
Acquisitions	1,637	0	671	2,308	
Transfers	0	0	774	774	
Disposals	-1,865	0	-21	-1,886	
Translation differences	0	0	-838	-838	
Balance at 31 December 2013	7,680	24,312	23,195	55,187	69,124
Acquisitions	1,155	0	725	1,880	
Transfers	0	0	24	24	
Disposals	-1,980	0	-305	-2,285	
Translation differences	0	0	28	28	
Balance at 30 June 2014	6,855	24,312	23,667	54,834	69,124
ACCUMULATED AMORTISATION AND IMPAIRMENT	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Balance at 1 January 2013	2,561	24,308	20,995	47,864	0
Charge	0	2	826	828	
Impairment	274	0	0	274	
Transfers	0	0	367	367	
Disposals	0	0	-21	-21	
Translation differences	0	0	-770	-770	
Balance at 31 December 2013	2,835	24,310	21,397	48,542	0
Charge	0	0	355	355	
Reversals of impairment	-1,125	0	0	-1,125	
Transfers	0	0	0	0	
Disposals	0	0	-305	-305	
Translation differences	0	0	26	26	
Balance at 30 June 2014	1,710	24,310	21,473	47,493	0
CARRYING AMOUNT	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Cost at 1 January 2013	7,908	24,312	22,609	54,829	69,124
Accumulated amortisation and impairment	-2,561	-24,308	-20,995	-47,864	
Carrying amount at 1 January 2013	5,347	4	1,614	6,965	69,124
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 30 June 2014	6,855	24,312	23,667	54,834	69,124
Accumulated amortisation and impairment	-1,710	-24,310	-21,473	-47,493	
Carrying amount at 30 June 2014	5,145	2	2,194	7,341	69,124

Impairment

In 2014 the Group has reversed impairment of Euros 1,125 thousand for emission allowances. As explained in the relevant measurement standard of the Group's annual accounts, this has no impact on the income statement. This reversal has been recognised in the income statement under other operating income.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

Movement in property, plant and equipment is as follows:

(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 1 January 2013	670,442	2,871,552	129,813	492,802	4,164,609
Additions	1,102	38,259	6,835	77,768	123,964
Transfers	12,466	48,546	-7,205	-54,581	-774
Disposals	-2,556	-22,052	-8,877	0	-33,485
Translation differences	-20,335	-154,679	-3,570	-17,071	-195,655
Balance at 31 December 2013	661,119	2,781,626	116,996	498,918	4,058,659
Additions	425	9,761	964	20,368	31,518
Transfers	40,136	297,011	-34,937	-302,234	-24
Disposals	0	-3,801	-788	0	-4,589
Translation differences	3,173	15,173	278	4,848	23,472
Balance at 30 June 2014	704,853	3,099,770	82,513	221,900	4,109,036
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 1 January 2013	257,475	1,797,223	90,302	0	2,145,000
Charge	14,220	112,688	7,245		134,153
Transfers	899	-1,511	245		-367
Disposals	-985	-20,747	-5,135		-26,867
Translation differences	-5,299	-78,398	-2,373		-86,070
Balance at 31 December 2013	266,310	1,809,255	90,284	0	2,165,849
Charge	7,080	63,630	3,048		73,758
Transfers	29	16,800	-16,829		0
Disposals	0	-1,220	-771		-1,991
Translation differences	867	7,964	245		9,076
Balance at 30 June 2014	274,286	1,896,429	75,977	0	2,246,692
CARRYING AMOUNT	Land and buildings	Technical installations and machinery	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
Cost at 1 January 2013	670,442	2,871,552	129,813	492,802	4,164,609
Accumulated depreciation and impairment	-257,475	-1,797,223	-90,302	0	-2,145,000
Carrying amount at 1 January 2013	412,967	1,074,329	39,511	492,802	2,019,609
Cost at 31 December 2013	661,119	2,781,626	116,996	498,918	4,058,659
Accumulated depreciation and impairment	-266,310	-1,809,255	-90,284	0	-2,165,849
Carrying amount at 31 December 2013	394,809	972,371	26,712	498,918	1,892,810
Cost at 30 June 2014	704,853	3,099,770	82,513	221,900	4,109,036
Accumulated depreciation and impairment	-274,286	-1,896,429	-75,977	0	-2,246,692
Carrying amount at 30 June 2014	430,567	1,203,341	6,536	221,900	1,862,344

Investments during the period (additions to property, plant and equipment) total Euros 31,518 thousand, of which Euros 16,918 thousand are investments made by Bahru Stainless. Investments in the first half of 2013 amounted to Euros 65,653 thousand (Euros 34,952 thousand of which were made by Bahru Stainless).

On completion of the start-up period, phase I investments made by the Group company Bahru Stainless were reclassified from work in progress to finished tangibles assets. The amount reclassified in this company is Euros 300 million.

Commitments

At 30 June 2014 the Group has entered into agreements to purchase new equipment and facilities amounting to Euros 32,793 thousand (Euros 72,228 thousand at 31 December 2013), of which Euros 27,875 thousand are for investments in the new Malaysian plant.

NOTE 9 – INVENTORIES

Details are as follows:

(Expressed in thousands of Euros)

	At 30 June 2014	At 31 December 2013
Raw materials and other supplies	282,099	188,887
Work in progress	214,221	156,660
Finished goods	384,231	371,803
By-products, waste and recoverable materials	13,252	11,585
Advances	233	659
TOTAL	894,036	729,594

The adjustment recognised at 30 June 2014 to measure inventories at their net realisable value amounts to Euros 3,436 thousand (Euros 11,294 thousand at 31 December 2013).

NOTE 10 – FINANCIAL INSTRUMENTS

Details of the Group's financial assets, except investments in associates, at 30 June 2014 and the 2013 year end are as follows:

(Expressed in thousands of Euros)

Classes Categories	Non-current financial instruments						Current financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Loans and receivables					4,229	4,053					641,147	423,842
Held-to-maturity investments												
Assets available for sale												
- At fair value	10,137	9,136										
- At cost	9	13										
Assets at fair value through profit or loss												
- Held for trading											1,205	1,907
- Other												
Hedging derivatives					38	38					706	344
TOTAL	10,146	9,149	0	0	4,267	4,091	0	0	0	0	643,058	426,093

At 30 June 2014 and the 2013 year end the Group has the following financial liabilities:

(Expressed in thousands of Euros)

Classes Categories	Non-current financial instruments						Current financial instruments					
	Loans and borrowings		Bonds and other marketable securities		Payables, derivatives and other		Loans and borrowings		Bonds and other marketable securities		Payables, derivatives and other	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Debts and payables	731,528	750,656			2,625	2,260	483,669	408,271			1,081,709	979,570
Liabilities at fair value through profit or loss												
- Held for trading											15,897	23,989
- Other												
Hedging derivatives					23,178	19,053					12,973	20,966
TOTAL	731,528	750,656	0	0	25,803	21,313	483,669	408,271	0	0	1,110,579	1,024,525

NOTE 11 – LOANS AND BORROWINGS

At 30 June 2014 the Acerinox Group's bank financing facilities amount to Euros 1,742 million, down 3% on the figure at 31 December 2013 (Euros 1,804 million).

During the first semester of 2014, various Acerinox Group companies entered into a total of eight loan agreements with four financial institutions — Banco Santander, Banco Popular, Banco Sabadell and Kutxabank — for a total amount of Euros 240 million, of which Euros 115 million is fixed-rate.

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

The amortised cost of financial instruments does not differ significantly from their fair value.

Debt conditional on compliance with ratios

The Acerinox Group has entered into the following non-current loan agreements in recent years, which are conditional on compliance with certain ratios:

1.- In February 2011 Acerinox S.A. signed a loan contract with Banco Santander for Euros 76.1 million, with final maturity in 2020. This loan is subject to compliance with certain consolidated financial ratios each half-year: net financial debt / EBITDA, net financial debt / equity and EBITDA / net finance costs. At 30 June 2014 and 2013 the Company has complied with these ratios.

2.- Two loans extended to Acerinox S.A. by the ICO (Spain's Official Credit Institute) in 2007 and 2008 for original amounts of Euros 400 million and USD 160 million, respectively. These loans are subject to compliance with certain financial ratios at each year end, on the basis of the audited consolidated annual accounts: net financial debt / EBITDA and net financial debt / equity. During this half-year, repayments of Euros 32 million have been made for the first of these loans, and USD 8.2 million for the second. The outstanding balance on the two loans at 30 June 2014 is Euros 192 million and USD 73.47 million, respectively.

3.- In January 2012, Acerinox S.A. entered into a five-year syndicated financing agreement for USD 482 million. This loan is subject to compliance with two ratios each quarter based on the financial data of the Group company North American Stainless: adjusted debt / adjusted capitalisation, and hedges of the principal and interest. At both 31 March and 30 June this company has complied with these ratios. The outstanding balance on the loan at 30 June is USD 270 million.

4.- In September 2012, Acerinox S.A. entered into a loan agreement with Deutsche Bank AG, Tokyo Branch and JBIC (Japan Bank for International Cooperation) for Euros 31.99 million. This loan is subject to compliance with certain consolidated financial ratios at each year end: net financial debt / EBITDA, net financial debt / equity and EBITDA / net finance costs.

With regard to the loans received by Columbus mentioned in the consolidated annual accounts for 2013, the ZAR 300 million loan extended by Standard Bank was repaid in full in February of the current year, and at 30 June a balance of ZAR 31 million is outstanding on the ZAR 397 million loan granted by IFC (World Bank Group) in 2009, which is repayable in July 2014.

NOTE 12 – DERIVATIVE FINANCIAL INSTRUMENTS

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

As stated in the Group's annual accounts, in relation to market risk, the Group is essentially exposed to three types of risk in its activities: currency risk, interest rate risk and risk of changes in the price of raw materials. The Group uses derivative financial instruments to hedge its exposure to certain risks.

A breakdown of the Group's financial derivatives at 30 June 2014 and 31 December 2013 by type of hedged risk is as follows:

(Expressed in thousands of Euros)

	30-jun-14		31-dic-13	
	Assets	Liabilities	Assets	Liabilities
Forward exchange agreements	1,206	16,635	2,231	24,003
Interest rate swaps	45	10,748	58	11,382
Cross currency swaps	698	24,665		28,623
TOTAL	1,949	52,048	2,289	64,008

Derivative financial instruments are measured at fair value and classified, depending on the valuation method used, 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 30 June 2014 and 31 December 2013 are as follows:

(Expressed in thousands of Euros)

	30-jun-14			31-dic-13		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets held for sale	10,137			9,136		
Financial derivatives (assets)		1,949			2,289	
TOTAL	10,137	1,949	0	9,136	2,289	0
	NIVEL 1	NIVEL 2	NIVEL 3	NIVEL 1	NIVEL 2	NIVEL 3
Financial derivatives (liabilities)		52,048			64,008	
TOTAL	0	52,048	0	0	64,008	0

As illustrated by the table, no financial assets or financial liabilities at fair value have been transferred between levels.

In the case of Level 2 financial instruments, the Group uses generally accepted valuation techniques that take into account spot and future exchange rates at the valuation date, forward interest rates and interest rate spreads.

NOTE 13 – APPLICATION OF LOSSES AND DISTRIBUTION OF DIVIDENDS

At their general meeting held on 10 June 2014, the shareholders agreed that the Parent's losses for 2013, amounting to Euros 4,689 thousand, should be carried forward as prior years' losses.

At the same meeting the shareholders also 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 10 June 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 at 23:59 hours on 23 June 2014 were to be allocated one right for each share held in the share capital increase. The rights were traded on the stock exchange from 24 June to 8 July 2014 and entitled the shareholders to choose between the following options:

- Sell the rights to the Company for Euros 0.449 per right between 24 June and 2 July inclusive.
- Sell the rights on the stock exchange at the listed market price from 24 June to 8 July 2014 inclusive.
- Subscribe shares in Acerinox on the basis of one (1) new share for every twenty-nine (29) rights allocated to them on 23 June 2014.

At 30 June the final amount of the dividend payable and the resulting capital increase were not known. The Group has therefore recognised the distribution of a dividend for the entire amount, reducing capital and reserves by Euros 115 million, against a dividend payable for the same amount, which has been recognised in other current financial liabilities.

On 3 July 2014 the definitive amount of the dividend payable and the details of the share capital increase were established, as follows:

- 125,023,234 rights were sold to Acerinox 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 shares will be admitted to trading before the end of July 2014.

In July, the Group will cancel the Euros 115 million financial liabilities and will proceed with the 56 million dividend payment, recognising a Euros 59 million increase in equity.

NOTE 14 – CHANGES IN THE CONSOLIDATED GROUP

At 30 June 2014 there have been no changes in the consolidated group.

NOTE 15 – TAXATION

The tax rate resulting from the Group's consolidated income statement for the reported interim period was 36.1%, compared with 56.13% for the same period of the prior year. The main reason for this reduction is the increase in profits posted by European companies.

During this period there have been no significant changes in tax legislation that could affect the consolidated group, although the new tax reform in Spain could be approved before year end.

There have been no significant changes in the tax inspections and lawsuits in progress that are mentioned in the Acerinox Group's annual accounts for 2013.

In the case of the inspection in Italy, the Directorate-General for Taxation has accepted the initiation of the mutual agreement procedure relating to the Spanish entities and the Italian firm.

The inspection in Malaysia has been completed and no adjustments are required.

On 27 May the tax assessments were accepted, with no adjustments required, thereby concluding the inspection of Acerinox, S.A.'s duties and import VAT for 2012. The inspection of the same years and items is still underway with regard to Acerinox Europa, S.A.U.

On 24 June 2014 notice was received of the initiation of a tax inspection of transfer pricing for 2010 to 2012 in Columbus.

NOTE 16 – LITIGATION

There have been no other significant cases of litigation during the period.

NOTE 17 – CONTINGENT ASSETS AND LIABILITIES

At the end of the half-year period, the Group has no new contingent assets or liabilities other than those mentioned in the annual accounts for 2013.

NOTE 18 – 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, coils, plates, flats, circles and sheets.
- Long stainless steel products: bars, angles, wires and wire rod.
- Other: other stainless steel products not included in the previous segments.

The “unallocated” portion reflects the activities of the holding company and activities that cannot be allocated to specific operating segments.

Segment results 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 normal commercial terms and conditions governing unrelated third parties.

18.1 Operating segments

Details of revenues by operating segment are as follows:

(Expressed in thousands of Euros)

	30-jun-14			30-jun-13		
	Revenues from external customers	Inter-segment revenues	Total revenues	Revenues from external customers	Inter-segment revenues	Total revenues
Flat products	1,857,609	150,118	2,007,727	1,791,650	95,838	1,887,488
Long products	317,431	9,912	327,343	294,792	6,395	301,187
Other	5,741		5,741	8,806		8,806
(-) Adjustments and elimination of inter-segment revenues		-160,030	-160,030		-102,233	-102,233
TOTAL	2,180,781	0	2,180,781	2,095,248	0	2,095,248

Details of consolidated profit by operating segment are as follows:

(Expressed in thousands of Euros)

	At 30 June 2014	At 30 June 2013
Flat products	111,237	22,696
Long products	34,319	23,611
Other stainless steel products	2,041	259
Total result from reported segments	147,597	46,566
(+/-) Unallocated profit/loss	-36,064	-23,171
(+/-) Elimination of internal profit/loss (inter-segment)		
(+/-) Other profit/loss		
PRE-TAX PROFIT	111,533	23,395

18.2 Geographical segments

Revenues from geographical segments are presented on the basis of customer location.

Details of revenues by geographical area at 30 June 2014 and 2013 are as follows:

(Expressed in thousands of Euros)

	At 30 June 2014	At 30 June 2013
Spain	200,627	181,702
Rest of Europe	613,655	603,427
Americas	1,057,904	992,109
Africa	123,716	121,948
Asia	162,816	165,911
Other	11,272	6,427
TOTAL	2,169,990	2,071,524

NOTE 19 – AVERAGE HEADCOUNT

The average headcount of the Group in the first half of 2014 is 6,793 employees (7,223 employees in the first half of 2013). The headcount at 30 June is 6,713 employees (7,178 employees at 30 June 2013).

NOTE 20 – RELATED PARTY TRANSACTIONS

• Identity of related parties

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

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

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

All transactions between related parties are carried out under market conditions.

Details of transactions with related parties are as follows:

• Balances and transactions with associates

The Group did not conduct any transactions with associates during this interim period or during the same period of 2013.

• Balances and transactions with significant shareholders

At 30 June 2014 the Group has entered into the following financing transactions with Banca March, part of the March Group (shareholder of Corporación Financiera Alba), all of which are under market conditions:

- Non-current loan of Euros 34 million, of which Euros 30 million has been drawn down.
- Credit facilities drawn down in an amount of Euros 0.09 million.
- Guarantees totalling Euros 0.06 million.
- Confirming (reverse factoring) facilities for Euros 16 million, of which Euros 14.02 million has been drawn down.
- Non-recourse factoring facilities for Euros 105.23 million, of which Euros 35.23 million has been drawn down.

Transactions with this same entity at 30 June 2013 were as follows:

- Non-current loan of Euros 30 million, fully drawn down and with an associated interest rate hedge.
- Credit facilities drawn down in an amount of Euros 0.09 million.
- Guarantees totalling Euros 0.26 million.
- Confirming (reverse factoring) facilities for Euros 2.89 million, fully drawn down.
- Non-recourse factoring facilities for Euros 70 million, of which Euros 42.22 million has been drawn down.

Moreover, insurance premiums brokered through March-JLT Correduría de Seguros amount to Euros 9,802 thousand at 30 June 2014 (Euros 9,940 thousand in 2013).

The balance of transactions with Banca March is as follows:

(Expressed in thousands of Euros)

	At 30 June 2014	At 30 June 2013
Interest cost	830	785
Fee and commission expenses	31	0
TOTAL	861	785

The Acerinox Group has also carried out the following transactions with its shareholder Nisshin and other companies in that group (transactions in 2013 include those with Metal One, which was a shareholder at the time):

(Expressed in thousands of Euros)

	At 30 June 2014	At 30 June 2013
Management or cooperation agreements	71	61
Services received	179	234
Finance costs	21	
Goods sold	760	6,441

Since the end of 2013 Metal One has no longer held an interest in Acerinox, S.A.. As such, it is not a related party and transactions with this company have therefore not been included in the current year. At 30 June 2013 Metal One still held an interest in Acerinox, S.A., and this explains the drop in sales reflected in the table.

At period end receivables from the Nisshin group amount to Euros 387 thousand (Euros 1,505 thousand at 30 June 2013, which also includes Metal One).

• 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 927 thousand at 30 June 2014 (Euros 831 thousand in the same period of 2013). Euros 431 thousand of this amount reflects salaries (Euros 431 thousand in 2013), Euros 44 thousand are allowances (Euros 47 thousand in 2013) and Euros 452 thousand are other remuneration (Euros 353 thousand in 2013).

At 30 June 2014, the members of the board of directors of Acerinox, S.A., including those that hold key management positions and sit on the boards of other Group companies, have received Euros 1,060 thousand in fixed remuneration for attending board meetings and fixed and variable salaries (Euros 988 thousand in the same period of 2013), of which Euros 574 thousand reflect salaries and fixed board member remuneration (Euros 570 thousand in 2013), Euros 194 thousand are allowances (Euros 202 thousand in 2013) and Euros 292 thousand are other remuneration (Euros 216 thousand in 2013).

Long-term commitments with senior management personnel have been accounted for correctly and are adequately covered through insurance contracts. At 30 June 2014 and 2013 no advances or loans have been extended to the members of the board of directors or senior management personnel and the Company has no balances receivable from or payable to these executives.

All transactions carried out between members of the board of directors and the Company or Group companies in the first half of 2014 have been ordinary transactions under market conditions.

There have been no conflicts of interest between the directors and the Company during the period.

NOTE 21 – EVENTS AFTER THE REPORTING PERIOD

Scrip dividend

On 11 July Acerinox, S.A. paid out Euros 56,135,432.07 to those shareholders who sold their rights to the Company.

The share capital increase, through the issue of 4,555,963 new shares derived from the scrip dividend, was registered on 14 July. These shares will be admitted to trading before the end of July 2014.

In July, the Group will cancel the Euros 115 million financial liabilities and will proceed with the 56 million dividend payment, recognising a Euros 59 million equity increase.

Bond issue

On 17 July, the Spanish Securities Market Commission verified the Registration Document and Prospectus authorising Acerinox, S.A to issue bonds for a total maximum amount of Euros 500 million.