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

Auditors' Report on the Consolidated Annual Accounts

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

To the shareholders of
Acerinox, S.A.

We have audited the consolidated annual accounts of Acerinox, S.A. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet at 31 December 2013 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. As specified in note 2, the Directors are responsible for the preparation of these consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group. Our responsibility is to express an opinion on these consolidated annual accounts taken as a whole, based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2013 present fairly, in all material respects, the consolidated equity and consolidated financial position of Acerinox, S.A. and subsidiaries at 31 December 2013 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.

The accompanying consolidated directors' report for 2013 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 2013. 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 original in Spanish*)

Borja Guinea López

27 February 2014

Acerinox, S.A.
and Subsidiaries

Consolidated Annual Accounts
31 December 2013

Consolidated Directors' Report
2013

(With Auditors' Report Thereon)

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

ACERINOX, S.A. AND SUBSIDIARIES

Annual Accounts
of the Consolidated Group

31 December 2013

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

CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED FINANCIAL STATEMENTS

1. 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 31 December 2013 and 2012)

	Note	2013	2012
ASSETS			
Non-current assets			
Goodwill	7	69,124	69,124
Other intangible assets	7	6,644	6,965
Property, plant and equipment	8	1,892,810	2,019,609
Available-for-sale financial assets	9	9,149	7,455
Deferred tax assets	17	218,248	202,880
Other non-current financial assets		4,091	2,137
TOTAL NON-CURRENT ASSETS		**2,200,066**	**2,308,170**
Current assets			
Inventories	10	729,594	870,483
Trade and other receivables	9	413,931	429,540
Other current financial assets	9	12,162	16,607
Current tax assets	17	5,615	8,163
Cash and cash equivalents	11	629,602	582,671
TOTAL CURRENT ASSETS		**1,790,904**	**1,907,464**
TOTAL ASSETS		**3,990,970**	**4,215,634**

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

(In thousands of Euros at 31 December 2013 and 2012)

	Note	2013	2012
EQUITY AND LIABILITIES			
Equity			
Subscribed capital	12	64,287	62,326
Share premium	12	81,403	81,403
Reserves	12	1,477,870	1,535,877
Profit/loss for the year	12	22,068	-21,781
Translation differences	12	-208,583	-89,337
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		**1,437,045**	**1,568,488**
Non-controlling interests	12	116,180	144,525
TOTAL EQUITY		**1,553,225**	**1,713,013**
Non-current liabilities			
Deferred income	13	4,834	5,908
Loans and borrowings	9	750,656	895,400
Non-current provisions	14	13,580	13,616
Deferred tax liabilities	17	200,226	225,545
Other non-current financial liabilities	9	21,313	37,648
TOTAL NON-CURRENT LIABILITIES		**990,609**	**1,178,117**
Current liabilities			
Loans and borrowings	9	408,271	268,807
Trade and other payables	9	979,570	1,005,756
Current tax liabilities	17	14,340	12,282
Other current financial liabilities	9	44,955	37,659
TOTAL CURRENT LIABILITIES		**1,447,136**	**1,324,504**
TOTAL EQUITY AND LIABILITIES		**3,990,970**	**4,215,634**

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

2. CONSOLIDATED INCOME STATEMENTS

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

(In thousands of Euros)

	Note	2013	2012
Revenues	**15**	3,966,278	4,554,688
Other operating income	15	12,723	11,607
Self-constructed non-current assets	15	39,404	23,297
Changes in inventories of finished goods and work in progress		-54,090	-186,346
Supplies		-2,828,147	-3,253,743
Personnel expenses	15	-352,116	-371,792
Amortisation and depreciation	7.8	-134,981	-147,976
Other operating expenses	15	-560,787	-581,996
RESULTS FROM OPERATING ACTIVITIES		**88,284**	**47,739**
Finance income	16	9,509	4,140
Finance costs	16	-65,664	-68,860
Exchange gains	16	1,043	33,483
Remeasurement of financial instruments to fair value	16	8	-35,197
Share in profit/loss for the year of equity-accounted investees			-64
Impairment of financial instruments	9		-4,932
PROFIT/LOSS FROM ORDINARY ACTIVITIES		**33,180**	**-23,691**
Income tax	17	-21,748	-11,726
Other taxes	17	-1,847	-159
PROFIT/LOSS FOR THE YEAR		**9,585**	**-35,576**
Attributable to:			
NON-CONTROLLING INTERESTS		**-12,483**	**-13,795**
NET PROFIT/LOSS ATTRIBUTABLE TO THE GROUP		**22,068**	**-21,781**
Basic earnings/loss per share (in Euros)		0.09	-0.09
Diluted earnings/loss per share (in Euros)		0.09	-0.09

Figures for 2012 have been restated as indicated in note 2.1.

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

3. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(In thousands of Euros)

	Note	2013	2,012
A) PROFIT/LOSS FOR THE YEAR		**9,585**	**-35,576**
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
I. Measurement of financial instruments			
1. Available-for-sale financial assets	9.2.5	1,695	-4,932
2. Other income/expenses			
II. Cash flow hedges	9.2.6	-5,605	-38,534
III. Translation differences	12.3	-135,899	-36,583
IV. Actuarial gains and losses and other adjustments	14.1	776	
V. Tax effect		1,930	13,081
B) TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		**-137,103**	**-66,968**
AMOUNTS TRANSFERRED TO THE INCOME STATEMENT			
I. Measurement of assets and liabilities			
1. Measurement of financial instruments	9.2.5		4,932
2. Other income/expenses			
II. Cash flow hedges	9.2.6	21,677	23,626
III. Translation differences			
IV. Actuarial gains and losses and other adjustments			
V. Tax effect		-6,668	-8,021
C) TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		**15,009**	**20,537**
TOTAL COMPREHENSIVE INCOME		**-112,509**	**-82,007**
a) Attributable to the Parent		**-84,164**	**-66,332**
b) Attributable to non-controlling interests		**-28,345**	**-15,675**

Figures for 2012 have been restated as indicated in note 2.1.

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.)

(In thousands of Euros)

		Equity attributable to shareholders of the Parent												
	Notes	Subscribed capital	Share premium	Retained earnings (including profit/loss 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 31/12/2011		**62,326**	**106,334**	**1,648,033**	**5,242**	**-12,896**	**-7,861**		**-55,256**	**-24,930**		**1,720,992**	**160,200**	**1,881,192**
Loss for 2012				**-18,329**								**-18,329**	**-13,795**	**-32,124**
Restatement of loss for 2012 due to change in accounting policies	**2.1**			**-3,452**								**-3,452**		**-3,452**
Restated loss for 2012				**-21,781**								**-21,781**	**-13,795**	**-35,576**
Measurement of available-for-sale assets (net of tax)	**9.2.5**											**0**		**0**
Cash flow hedges (net of tax)	**9.2.6**					-10,470						**-10,470**	622	**-9,848**
Translation differences	**12.3**								-34,081			**-34,081**	-2,502	**-36,583**
Income and expense recognised in equity		**0**	**0**	**0**	**0**	**-10,470**	**0**		**-34,081**	**0**		**-44,551**	**-1,880**	**-46,431**
Total comprehensive income		**0**	**0**	**-21,781**	**0**	**-10,470**	**0**	**0**	**-34,081**	**0**		**-66,332**	**-15,675**	**-82,007**
Distribution of dividends	**12.5**			-87,256						49,860		**-37,396**		**-37,396**
2011 interim dividend	**12.5**									-24,930		**-24,930**		**-24,930**
Distribution of share premium	**12.1**		-24,931									**-24,931**		**-24,931**
Transactions with shareholders		**0**	**-24,931**	**-87,256**	**0**	**0**	**0**		**0**	**24,930**		**-87,257**	**0**	**-87,257**
Other movements				1,085								**1,085**		**1,085**

	Notes	Equity attributable to shareholders of the Parent												
		Subscribed capital	Share premium	Retained earnings (including profit/loss 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 31/12/2012		**62,326**	**81,403**	**1,540,081**	**5,242**	**-23,366**	**-7,861**		**-89,337**	**0**		**1,568,488**	**144,525**	**1,713,013**
Profit for 2013				**22,068**								**22,068**	**-12,483**	**9,585**
Measurement of available-for-sale assets (net of tax)	**9.2.5**						1,186					**1,186**		**1,186**
Cash flow hedges (net of tax)	**9.2.6**					11,430						**11,430**	664	**12,094**
Actuarial valuation of employee benefit commitments	**14.1**							398				**398**	127	**525**
Translation differences	**12.3**								-119,246			**-119,246**	-16,653	**-135,899**
Income and expense recognised in equity		0	0	0	0	**11,430**	**1,186**	**398**	**-119,246**	0		**-106,232**	**-15,862**	**-122,094**
Total comprehensive income		**0**	**0**	**22,068**	**0**	**11,430**	**1,186**	**398**	**-119,246**	**0**		**-84,164**	**-28,345**	**-112,509**
Capital increase	**12.5**	1,961		-2,028								**-67**		**-67**
Distribution of dividends	**12.5**			-46,831								**-46,831**		**-46,831**
Transactions with shareholders		**1,961**	**0**	**-48,859**	**0**	**0**	**0**		**0**	**0**		**-46,898**	**0**	**-46,898**
Acquisition of own shares											-74	**-74**		**-74**
Disposal of own shares				19							74	**93**		**93**
Other movements				-400								**-400**		**-400**
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**

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.)

(In thousands of Euros)

	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/loss before income tax	**33,180**	**-23,691**
Adjustments for:		
Amortisation and depreciation	134,981	147,976
Impairment	-2,576	2,162
Change in provisions	4,317	2,038
Grants recognised in the income statement	-2,977	-2,098
Gains on disposal of fixed assets	-358	-863
Change in fair value of financial instruments	12,260	6,790
Finance income	-7,258	-4,140
Finance costs	75,621	68,860
Share of profit/loss of associates	0	64
Other income and expenses	-28,336	1,777
Changes in working capital:		
Increase/decrease in trade and other receivables	-42,763	79,022
Increase/decrease in inventories	84,473	230,330
Increase/decrease in trade and other payables	107,429	160,776
Other cash flows from operating activities		
Interest paid	-61,141	-65,946
Interest received	7,144	3,771
Income tax paid	-54,716	-41,369
NET CASH FROM OPERATING ACTIVITIES	**259,280**	**565,459**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	-163,912	-152,504
Acquisition of intangible assets	-601	-313
Acquisition of subsidiary, net of cash acquired		
Acquisition of other financial assets	-786	-449
Proceeds from sale of property, plant and equipment	3,066	2,020
Proceeds from sale of intangible assets	0	12
Proceeds from sale of other financial assets	113	362
Dividends received	1	160
Other amounts received/paid for investments		
NET CASH USED IN INVESTING ACTIVITIES	**-162,119**	**-150,712**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of own equity instruments	-67	
Acquisition of own shares	-78	
Disposal of own shares	98	469,546
Repayment of interest-bearing liabilities	365,929	-352,132
Dividends paid	-347,314	-87,256
Distribution of share premium	-46,831	-24,931
Contribution from non-controlling shareholders		
NET CASH FROM/USED IN FINANCING ACTIVITIES	**-28,263**	**5,227**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**68,898**	**419,974**
Cash and cash equivalents at beginning of year	582,671	164,631
Effect of exchange rate fluctuations	-21,967	-1,934
CASH AND CASH EQUIVALENTS AT YEAR END	**629,602**	**582,671**

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

CONTENTS: NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

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

Statutory and principal activity: the Company's statutory activity, as described in its articles of association, is the manufacture and sale of stainless steel products and other similar or derivative products, either directly or indirectly through shareholdings in companies with the same or similar statutory activities. Its 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. The Group's principal activity, conducted through its subsidiaries, is the manufacture, transformation and marketing of stainless steel products. The Acerinox Group has six stainless steel factories: two manufacturing flat products in Spain and South Africa; one producing flat and long steel in the United States; a further two making long steel products in Spain; and another in Malaysia for flat products, where the first cold rolling activity is now operative and the second entered service in 2013 and now is in testing phase. The Group also has a network of sales subsidiaries in Spain and abroad that sell all its products as their main activity.

Financial year: the financial year of Acerinox, S.A. and all the Group companies is the 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 26 February 2014.

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.

With the exception of the new standards and amendments adopted by the European Union (listed below and of mandatory application as of 1 January 2013 but with no significant impact on the Group) and the change in accounting criteria mentioned below and explained further in **note 2.9.2**, the annual accounts for 2013 have been prepared using the same accounting principles as in 2012 (IFRS-EU).

For comparison purposes, the Group has restated its 2012 financial statements, recognising the impairment of its investment in Nisshin Steel, as evidenced by a drop in this company's share price, in the income statement. In 2012 this impairment was not recognised in profit and loss but rather in reserves, as it was considered at the time that the share price had been greatly affected by stock market upheaval following the merger between Nisshin Steel, Co. Ltd. and Nippon Metal Industry and was not, therefore, representative of the expected future cash flows.

Nevertheless, considering recent recommendations from the ESMA and the Spanish Securities Market Commission (CNMV), the Group has adjusted its accounting policy for recognising and calculating the impairment of available-for-sale assets and restated the 2012 financial statements, as a result of which the post-tax loss recognised in the consolidated income statement for that year has been increased by Euros 3.5 million. This restatement has had no impact on comprehensive income.

Among the standards taking effect from 1 January 2013, the following have the most relevant impact:

- IFRS 13 Fair Value Measurement: this standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. While IFRS 13 does not require any additional fair value measurements to those already in place, it does clarify how to apply an entity's own credit risk to these measurements. The Group has applied this standard in 2013. Although the impact has not been significant, it has led to a decrease in the fair value of derivatives as, disclosed in **note 9.2.6**.

- Amendments to IAS 1 in *Presentation of Items of Other Comprehensive Income*: items that will never be reclassified to the income statement must now be presented separately in the statement of comprehensive income. As all items in the Group's statement of comprehensive income could be reclassified to the income statement, this standard has no impact on the Group and the structure of this statement has not been changed.

- Amendments to IAS 19 Employee Benefits: effective for annual periods beginning on or after 1 January 2013. The measurement criteria for defined benefit liabilities and the components of actuarial calculations have changed. The Group has taken these changes into account and the impact, although not significant, has led to an increase in equity due to changes in actuarial value amounting to Euros 525 thousand, which has been recognised in the consolidated statement of recognised income and expense. The disclosures required by this standard are provided in **note 14.1**.

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

- IFRS 10 Consolidated Financial Statements. Effective for annual periods beginning on or after 1 January 2014. 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.
- IFRS 11 Joint Arrangements. Effective for annual periods beginning on or after 1 January 2014. 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".
- IFRS 12 Disclosure of Interests in Other Entities. Effective for annual periods beginning on or after 1 January 2014. 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, requiring additional disclosures in consolidated financial statements. Effective for annual periods beginning on or after 1 January 2014.
- IAS 32 (revised) Financial Instruments: Presentation. Effective for annual periods beginning on or after 1 January 2014. The revised standard clarifies requirements for offsetting financial assets and financial liabilities (pending adoption by the European Union).
- IFRS 9 Financial Instruments: pending to be adopted by the EU. Categories of financial instruments are reduced to two – at amortised cost and at 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 (characteristics of loans), 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 do not have to be taken to the income statement, even in the event of impairment. 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.

These amendments are not expected to have a relevant impact on the Group's annual accounts, although they will probably entail more in-depth disclosures.

The Group has not opted for the early adoption of any disclosure requirements or accounting policies.

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 financial position at 31 December 2013 and 2012, as well as the consolidated results of its operations and changes in consolidated equity and consolidated cash flows for the years then ended.

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.

The preparation of the consolidated annual accounts in conformity with 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 4**. Qualitative and quantitative details of the risks assumed by the Group which could have an effect on future years are provided in **note 3**.

The accompanying consolidated annual accounts have been prepared on the basis of the individual accounting records of the Company and the 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 2012 were approved by the shareholders at their annual general meeting held on 5 June 2013. The Group's consolidated annual accounts for 2013 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 Group has the ability to control financial and operating policies. This is generally where the Group holds more than 50% of the voting rights.

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 Acerinox Group's consolidated subsidiaries at 31 December 2013 and 2012 are listed in **note 5**.

b) Non-controlling interests

Non-controlling interests are disclosed in consolidated equity separately from equity attributable to shareholders of the Parent. Non-controlling interests' shares in consolidated profit or loss for the year and in consolidated total comprehensive income for the year are disclosed separately in the consolidated income statement and the consolidated statement of comprehensive income.

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

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

c) Business combinations

As permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to IFRS-EU, using the acquisition method. Entities acquired prior to that date were recognised in accordance with the generally accepted accounting principles (GAAP) prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group has applied IFRS 3 Business Combinations, revised in 2008, to transactions carried out as of 1 January 2010.

The Group applies the acquisition method for business combinations.

No business combinations took place in 2013 or 2012.

d) Associates

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

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.

The accounting policies of associates have been harmonised in terms of timing and measurement, applying the policies described in section a).

Investments in associates are initially recognised at cost of acquisition, including any cost directly attributable to the acquisition and any consideration receivable or payable contingent on future events or on compliance with certain conditions.

The excess of the cost of the investment over the Group's share of the fair values of the identifiable net assets is recognised as goodwill, which is included in the carrying amount of the investment. Any shortfall, once the cost of the investment and the identification and measurement of the associate's net assets have been evaluated, is recognised as income when determining the investor's share of the profit or loss of the associate for the year in which it was acquired.

The Group's share of the profit or loss of an associate from the date of acquisition is recognised as an increase or decrease in the value of the investments, with a credit or debit to share of the profit or loss for the year of equity-accounted associates in the consolidated income statement (consolidated statement of comprehensive income). The distribution of dividends is recognised as a decrease in the value of the investment.

Losses of an associate attributable to the Group are limited to the extent of its net investment, except where the Group has legal or constructive obligations or when payments have been made on behalf of the associate.

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.

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

2.5 Translation differences

i) Functional and presentation currency

The annual accounts 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.

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.

Exchange gains or losses on monetary financial assets or financial liabilities denominated in foreign currencies are also recognised in profit or loss.

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.

iii) Translation of foreign operations

The Group has applied the exemption permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards relating to cumulative translation differences. Consequently, translation differences recognised in the consolidated annual accounts generated prior to 1 January 2004 are recognised in retained earnings. As permitted by IFRS 1, 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. Since that date, 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, including goodwill and net asset adjustments derived from the acquisition of the foreign operations, 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 translation differences are recognised separately in equity under translation differences.

For presentation of the consolidated statement of cash flows, cash flows of foreign subsidiaries, including comparative balances, are translated into Euros applying the exchange rates prevailing at the transaction date.

No Group companies operate in hyperinflationary economies.

2.6 Intangible assets

a) Goodwill

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

As permitted by IFRS 1, goodwill on acquisitions completed prior to this date is recognised at historical cost, less amortisation accumulated following the generally accepted accounting principles prevailing in Spain at the acquisition date. As this amount was neither an intangible asset recognised under local principles but not permitted under IFRS-EU, nor a contingent liability, none of the adjustments stipulated in IFRS 1 were required, and it was considered as 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**). Goodwill is allocated to cash-generating units for the purposes of impairment testing.

Negative goodwill arising on an acquisition of a business combination is recognised directly in the consolidated income statement, after reassessing the measurement of 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 fair market value, which is generally the market price of the allowances on receipt. 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. Valuation adjustments are made as appropriate to reflect any reduction in market value at the end of each year provided that the carrying amount is not considered to be recoverable through the generation of sufficient future income to cover all of the costs incurred or they are expected to be realised through the cancellation of the provision for greenhouse gas emissions described below. Provisions are released when the factors leading to the valuation adjustment have ceased to exist.

A provision for liabilities and charges is 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.

Detailed information on emission allowances received and consumed in 2013 and 2012 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 deemed cost of property, plant and equipment at the transition date included the cost of purchase and revaluations carried out under local accounting principles applied prior to 1 January 2004. Historical cost includes all expenses directly attributable to the acquisition of the items. At 1 January 2004 the Group applied the exemption permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards relating to fair value or revaluation as deemed cost.

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 equipmen 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 used to finance the investments, applying a capitalisation rate to amounts disbursed to finance the asset based on the weighted average of the borrowing costs incurred on loans other than those specifically used to finance the asset in question. 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. These costs also include exchange gains or losses on effective cash flow hedges of acquisitions of property, plant and equipment in foreign currency.

Subsequent to initial recognition of the asset, improvement costs are only capitalised if they are likely to generate future economic benefits and can be measured reliably. Costs of day-to-day servicing 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.

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
- 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.

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 Group classifies financial instruments into different categories based on the nature of the instruments and its intentions on initial recognition.

2.9.2 Financial assets

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

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.

The measurement criteria applied to the financial assets held by the Group in 2013 and 2012 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 remeasurement of financial instruments to 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.

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

The Group makes the necessary valuation adjustments where there is evidence that a 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 reversed when their causes are eliminated. The amount reversed is recognised as income.

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 and any gain or loss is accounted for in the consolidated statement of comprehensive income. Equity investments included in this category whose market value cannot be reliably defined are measured at acquisition cost, as permitted by IFRS-EU. 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 increase in the fair value subsequent to this impairment is recognised as a valuation adjustment 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.

In view of recent recommendations from the ESMA and CNMV, the Group has adjusted its policy for recognising impairment of available-for-sale financial assets. It has defined the criteria that constitute objective evidence of impairment, considering that the impairment of listed securities will be calculated on the sole basis of the share price, even when this is not considered representative of how the fair value has evolved or the expected impact on the Group’s future cash flows.

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, which includes trade and other payables, 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.

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 Transfers between categories of financial instruments

The Group reclassifies non-derivative financial assets to other categories when they are not held for the purpose of sale or repurchase in the near term. Financial assets that meet the definition of loans and receivables are reclassified if they are not designated to this category on initial recognition, provided that the Group has the intention and ability to hold the assets in the near term or until maturity.

On reclassification, financial assets are recognised at fair value, which is their prospective new cost or amortised cost.

2.9.5 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 qualify for hedge accounting 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 gain or loss depends on the nature of the hedged item. The effective part of the gain or loss on the financial instrument is initially recognised in the consolidated statement of comprehensive income and 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 in subsequent years in achieving offsetting changes in cash flows attributable to the hedged risk, throughout the period for which the hedge 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 or 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.

2.10 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.

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

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.

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

Raw materials and other supplies are not written down below cost if the finished goods in which they will be incorporated 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 known amounts of cash and which are subject to an insignificant risk of changes in value.

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 from financing activities.

2.12 Deferred income

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

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

2.13 Employee benefits

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

a) Defined contribution plans

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

Certain Group companies pay contributions to pension and life insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once 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:

- <u>Pension plans:</u> certain Group companies have commitments with some employees reaching retirement age.
- <u>Early retirement benefits:</u> certain Group companies have undertaken to pay benefits to employees who opt to take early retirement.
- <u>Supplements:</u> these plans are obligations agreed with certain Group employees to supplement their remuneration on retirement.
- <u>Other post-employment commitments</u>: 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 statement of financial position 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.

An independent expert calculates the actuarial value of commitments using the Projected Unit Credit method.

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. Current assets and liabilities are those that the Group expects to settle, realise, sell or consume in its normal operating cycle, those that are held primarily for the purpose of trading, those that it expects to realise or settle within twelve months after the reporting date or those that are cash or cash equivalents.

2.16 Income taxes

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

Current tax is the estimated tax payable on the consolidated taxable income or tax loss for the year using tax rates enacted at the 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 taxes of a change in the tax rate is recognised in the income statement, except to the extent that it relates to items previously charged or credited to the consolidated statement of comprehensive income.

Deferred tax liabilities are always recognised. 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. These consolidated financial statements reflect the tax effect that would arise in the event that these reserves were 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 the Spanish-domiciled subsidiaries form part of a consolidated tax group on an indefinite basis, with the exception of Metalinox Bilbao, S.A. and Inoxidables de Euskadi, S.A., which file individual tax returns. At 31 December 2013 and 2012 the consolidated tax group comprises Acerinox, S.A., Acerinox Europa, S.A.U, Roldán, S.A., Inoxfil, S.A., Inoxcenter, S.L. 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 all the significant 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, associated costs or the possible return of goods.

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

b) Income from lease agreements

Lease 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. Nonetheless, the Group recognises environmental provisions, where applicable, by applying the general criteria described in **note 2.14.**

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 future pollution from the Group's activities, are recognised as assets applying the measurement, presentation and disclosure criteria described in **note 2.7.**

NOTE 3 – FINANCIAL RISK MANAGEMENT

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

3.1 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.

3.1.1 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.

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

Not all of the exchange rate insurance contracts entered into by the Group qualify for cash flow hedge accounting as established in **note 2.9.5**. Those contracts that do not comply with these criteria have been accounted for as financial instruments at fair value through profit or loss.

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

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.

Note 9.2.6 includes details of the financial instruments arranged by the Group to hedge this type of risk at 31 December 2013 and 2012.

Finally, 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. In 2013 the Group company Bahru Stainless adopted the US Dollar as its functional currency because, as a result of completing the first stage of its investments, this company began to invoice a much larger volume of materials in US Dollars. Bahru's exports are expected to exceed local sales significantly, so this is the currency in which most commercial transactions have been denominated and settled. Purchases of raw materials for the manufacturing process are also made in US Dollars. The Group's exposure to the Malaysian Ringgit has been greatly reduced as a result of this change in functional currency.

The sensitivity to changes in the value of these currencies against the Euro, with other variables remaining constant, is as follows:

(In thousands of Euros)

	Profit and loss		Equity	
	10% appreciation	**10% depreciation**	**10% appreciation**	**10% depreciation**
31 December 2013				
USD	9,486	-7,761	143,213	-117,174
ZAR	-1,499	1,227	22,430	-18,377
31 December 2012				
USD	11,356	-9,291	110,115	-90,093
ZAR	-2,040	1,669	30,967	-25,336
MYR	-3,744	3,063	47,106	-38,541

3.1.2 Interest rate risk

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

The Group's financial liabilities and financial assets are exposed to fluctuations in interest rates. To manage this risk interest 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 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 2013 and 2012.

Risk premiums and credit spreads have increased since 2009 as a result of the international financial crisis and money market turbulence. The Group has minimised exposure to this risk by ensuring that its non-current borrowings exceed its current borrowings.

On respect to the Group sensitivity to interest rates, had interest rates been 100 basis points higher, with all other variables remaining constant, the Group's consolidated profit after tax would have been Euros 2.55 million lower due to a higher finance cost on variable-rate debt (in 2012, the loss would have been increased by Euros 2.86 million). The effect on the Group's equity of higher interest rates across the entire curve would have been a net increase of Euros 13.74 million (Euros 20.95 million in 2012), as the ensuing increases in the values of its interest rate hedging derivatives held at the reporting date would more than compensate for the higher borrowing costs.

3.1 Price risk

The Group is exposed to three types of price fluctuation 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. The stainless steel market grew by 6.8% in 2013 (5.4% in 2012). Stainless steel is required for all industrial applications and used in all sectors, which guarantees that this growth will be sustained in the coming years. With end consumption stable, the fact that this market is largely controlled by independent wholesalers leads to volatility in apparent consumption (in line with fluctuations in the price of nickel on the London Metal Exchange).

To counter the risk derived from the fact that independent wholesalers, which follow an inventory stockpiling/realisation policy, 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 and Vietnam 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. At the end of 2013, the level of inventories was close to the level targeted by the Group.

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 helps to alleviate the risk of raw material price fluctuations.

However, fluctuations in the price of nickel on the London Metal Exchange drive apparent consumption, as wholesalers' expectations of this price determine whether they choose to realise or stockpile inventories.

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

3.2 Credit risk

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

The Group's exposure to credit risk is determined by the individual characteristics of each customer and, where applicable, by the 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 Standard & Poor's and an "A excellent" rating from A.M. Best.

In 2013 payouts of Euros 5,825 thousand have been collected under the credit insurance policy (Euros 2,868 thousand in 2012).

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

The Group has long-standing commercial relationships with many of its customers. In the event of any delays in 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. Details of movement in impairment of trade receivables are provided in **note 9.2.2**.

At 31 December 2013, consolidated trade receivables amount to Euros 376,618 thousand (Euros 386,259 thousand in 2012). Revenues for 2013 total Euros 3,966,278 thousand (Euros 4,554,688 thousand in 2012). Credit risk insurance has been contracted for 49% of consolidated net sales, (48% in 2012). Cash conditions exist for 3% (4% in 2012). Confirmed letters of credit are used to hedge credit risk in 3% of consolidated net sales (3% in 2012). 40% of consolidated net sales (40% in 2012) are domestic sales by North American Stainless Inc. with a collection period of under 30 days.

The ageing analysis of past-due receivables is as follows:

(In thousands of Euros)

	2013	**2012**
Less than 30 days	52,008	46,224
30-60 days	6,371	12,360
60-90 days	3,417	3,962
Over 90 days	14,915	16,744
TOTAL	**76,711**	**79,290**

The Group has made provisions for Euros 10,219 thousand (Euros 7,650 thousand in 2012). Most of the Group's past-due receivables are insured and generally reflect customary delays in trading activity. Over 87% of the above past-due debt has been collected at the date of authorising the consolidated annual accounts for issue (76% in 2012).

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.

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

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.

3.3 Liquidity risk

In an economic climate as complex as today's, with liquidity scarce and increasingly expensive, the Group ensures its solvency and flexibility through long-term loans and financing facilities for amounts exceeding the quantities required at 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 85% of total 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 2013 and 2012 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 1,804 million and facilities for factoring without recourse for Euros 480 million. Euros 1,159 million has been drawn at 31 December 2013. In 2012, the Group had current and non-current financing facilities of Euros 2,070 million and facilities for factoring without recourse of Euros 475 million. Total drawdowns amounted to Euros 1,164 million. At 31 December 2013 cash and cash equivalents amount to Euros 630 million (Euros 583 million in 2012).

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 2013, Acerinox Europa, S.A.U. and several trading subsidiaries of Acerinox, S.A. entered into a Euros 370 million agreement with a syndicate of banks for the factoring of invoices to end customers in several European countries. The syndicate is led by Banesto and the other participants are Banco Español de Crédito S.A., 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.

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

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

An analysis of the Group's payment obligations at the 2013 close is as follows:

(In thousands of Euros)							
	Amount at 31/12/2013	**Future cash flow maturities**	**Less than 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
Non-current payables	750,656	-786,965	-8,408	-8,621	-371,991	-384,265	-13,680
Current payables	408,271	-415,701	-270,968	-144,733			
Suppliers and other payables	960,889	-960,889	-960,889				
FINANCIAL DERIVATIVES							
Hedged using interest rate swaps	-39,947	-40,947	-8,082	-7,248	-11,033	-14,644	60
Export exchange rate insurance	3,228	205,247	205,247				
Import exchange rate insurance	18,545	544,821	544,821				
TOTAL	**2,101,642**	**-1,454,434**	**-498,279**	**-160,602**	**-383,024**	**-398,909**	**-13,620**

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

3.4 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, less cash and cash equivalents. EBITDA reflects operating profit or loss before amortisation, depreciation and changes in trade provisions.

Net financial debt is 2.3 times EBITDA, 21% down on the 2012 ratio (2.9x) and far below the limit of 3.5 stipulated in the covenants linked to the majority of the Group's borrowings.

The Group's gearing ratio is 34.1%, similar to the ten-year low of 33.9% recorded in 2012.

Despite the ongoing economic crisis and its effects on the global iron and steel sector, the volume of investments is in line with the Group's strategic plan. The Group did not base its 2008-2020 strategic plan 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 in 2013 (as in 2012). Nevertheless, at the ordinary annual general meeting held on 5 June 2013, the shareholders approved a scrip dividend – also known as a flexible dividend – in which Acerinox shareholders were able to choose between cash or new shares. Through this decision the Company abided by its traditional policy of maintaining shareholder remuneration.

On 17 July 2013, 7,841,631 new Acerinox shares, created as a result of shareholders representing 56% of the Company's share capital opting to receive their dividend in the form of shares, began trading. As a result, Acerinox, S.A.'s share capital now amounts to Euros 64,286,544.25, represented by 257,146,177 shares.

Major efforts made by the Acerinox Group to reduce working capital financing requirements have led to a reduction in net financial debt, which, at Euros 529.3 million, is 9% down on the prior year (Euros 581.5 million) and at a low for the last eleven years.

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

3.5 Insurance

As the Group's three integrated flat product production plants and three long product production plants are located in different regions, an accident would not affect more than one-third of total production. This guarantees the continuity of the business, while adequate 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 32.70% of the Acerinox Group's insurance expenditure. Assets under construction are covered by both the insurance policies taken out by the respective suppliers and 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 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 4 – 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. The main estimates are as follows:

a) Impairment of goodwill and other non-financial assets

The Group tests goodwill, property, plant and equipment and other intangible assets annually for impairment, in accordance with the accounting policy described in **note 2.8**. For goodwill and property, plant and equipment, recoverable amounts of cash-generating units have been determined based on calculations of 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 2013 and 2012.

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 or non-strategic assets which have been abandoned or sold.

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 the classification of financial instruments using a fair value hierarchy as established in IFRS 7.

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.

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

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 five-year projections of profit and loss approved by management, to conclude as to whether they will be recoverable in the future. Details of the basis on which the Group assesses the recoverability of tax credits are provided in **note17.2**.

The judgements and accounting estimates used by the Group in 2013 and 2012 are the same as in prior years.

NOTE 5 – SCOPE OF CONSOLIDATION

5.1 Subsidiaries and associates

At 31 December 2013, in addition to Acerinox, S.A., the Acerinox consolidated group includes 40 fully consolidated subsidiaries and one equity-accounted associate. In 2012 the Group included 40 fully consolidated subsidiaries and one equity-accounted associate.

Investments in subsidiaries and associates in 2013 are as follows:

	2013				
		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 EUSKADI, S.A.	
ACERINOX AUSTRALASIA PTY. LTD.	Sydney, Australia	385	100%	ACERINOX, S.A.	KPMG
ACERINOX BENELUX S.A. - N.V.	Brussels, Belgium	209	100%	ACERINOX, S.A.	KPMG
ACERINOX BRASIL, LTDA	Sao Paulo, Brazil	373	100%	ACERINOX, S.A.	
ACERINOX 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	Madrid, 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 EUSKADI	
ACERINOX INDIA PTE LTD	Mumbai, India	155	100%	ACERINOX, S.A.	Mehta Chokshi & Shah
ACERINOX ITALIA S.R.L.	Milan, Italy	99,954	100%	ACERINOX, S.A.	KPMG
ACERINOX MALAYSIA SDN. BHD	Johor, Malaysia	4,752	100%	ACERINOX S.C. MALAYSIA SDN. BHD	KPMG
ACERINOX MIDDLE EAST DMCC	Dubai, United Arab Emirates	10	100%	ACERINOX, S.A.	
ACERINOX METAL SANAYII VE TICARET L.S.	Gumussuyu/Beyoglu, Turkey	150	99.73%	ACERINOX, S.A.	
		0	0.27%	INOXIDABLES EUSKADI	
ACERINOX NORWAY A.S	Oslo, Norway	13	100%	ACERINOX, S.A.	KPMG
ACERINOX PACIFIC LTD.	Wanchai, Hong Kong	10,876	100%	ACERINOX, S.A.	KPMG
CORPORACIÓN ACERINOX PERU S.A.C	Lima, Peru	58	100%	ACERINOX, S.A.	
ACERINOX POLSKA, SP Z.O.O	Warsaw, Poland	25,174	99.98%	ACERINOX, S.A.	KPMG
		4	0.02%	INOXIDABLES EUSKADI	
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

	2013				
		INTEREST			
FULLY CONSOLIDATED COMPANIES	**COUNTRY**	**COST (in thousands of Euros)**	**% OWNERSHIP**	**COMPANY HOLDING INVESTMENT**	**AUDITORS**
ACERINOX SOUTH EAST ASIA 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 LTDA.	Maia, Portugal	13,930	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
D.A. ACERINOX CHILE, S.A.	Santiago de Chile, Chile	7,545	100%	ACERINOX, S.A.	KPMG
INOX RE, S.A.	Luxembourg	1,225	100%	ACERINOX, S.A.	KPMG
INOXCENTER CANARIAS, S.A.	Telde (Gran Canaria), Spain	270	100%	INOXCENTER	KPMG
INOXCENTER, S.L.	Barcelona, Spain	8,609	97.5%	ACERINOX, S.A.	KPMG
INOXFIL S.A.	Igualada (Barcelona), Spain	6,247	100%	ROLDAN S.A	KPMG
INOXIDABLES DE EUSKADI S.A.	Vitoria, Spain	2,705	100%	ACERINOX EUROPA, S.A.U	KPMG
INOXPLATE, LTDA.	Maia, Portugal	14,843	100%	ACEROL PORTUGAL	KPMG
METALINOX BILBAO, S.A.	Galdácano (Vizcaya), Spain	2,986	97.5%	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.	KPMG
ROLDAN S.A.	Ponferrada, Spain	17,391	99.74%	ACERINOX, S.A.	KPMG

		2013		
		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.: the holding company of the Acerinox Group since the 2011 spin-off of its industrial and commercial lines of business. The Company also 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 2012 are as follows:

	2012				
		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 EUSKADI, S.A.	
ACERINOX AUSTRALASIA PTY. LTD.	Sydney, Australia	385	100%	ACERINOX, S.A.	KPMG
ACERINOX BENELUX S.A. - N.V.	Brussels, Belgium	209	100%	ACERINOX, S.A.	KPMG
ACERINOX DO BRASIL, LTDA	Sao Paulo, Brazil	373	100%	ACERINOX, S.A.	
ACERINOX COLOMBIA S.A.S	Bogotá D.C. - Colombia	68	100%	ACERINOX, S.A.	
ACERINOX DEUTSCHLAND GMBH	Langenfeld, Germany	45,496	100%	ACERINOX, S.A.	KPMG
ACERINOX EUROPA, S.A.U	Madrid, Spain	341,381	100%	ACERINOX, S.A.	KPMG
ACERINOX FRANCE S.A.S	Paris, France	18,060	99.98%	ACERINOX, S.A.	KPMG
		0	0.02%	INOXIDABLES EUSKADI	
ACERINOX INDIA PTE LTD	Mumbai, India	155	100%	ACERINOX, S.A.	Mehta Chokshi & Shah
ACERINOX ITALIA S.R.L.	Milan, Italy	99,954	100%	ACERINOX, S.A.	KPMG
ACERINOX MALAYSIA SDN. BHD	Johor, Malaysia	4,752	100%	ACERINOX, S.A.	KPMG
ACERINOX METAL SANAYII VE TICARET L.S.	Gumussuyu/Beyoglu, Turkey	150	99.73%	ACERINOX, S.A.	
		0	0.27%	INOXIDABLES EUSKADI	
ACERINOX NORWAY A.S	Oslo, Norway	13	100%	ACERINOX, S.A.	KPMG
ACERINOX PACIFIC LTD.	Wanchai, Hong Kong	10,876	100%	ACERINOX, S.A.	KPMG
CORPORACIÓN ACERINOX PERU S.A.C	Lima, Peru	58	100%	ACERINOX, S.A.	
ACERINOX POLSKA, SP Z.O.O	Warsaw, Poland	25,174	99.98%	ACERINOX, S.A.	KPMG
		4	0.02%	INOXIDABLES EUSKADI	
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	557	100%	ACERINOX, S.A.	KPMG
ACERINOX SHANGAI CO., LTD.	Shanghai, China	6,347	100%	ACERINOX, S.A.	Shanghai Shenzhou Dalong
ACERINOX SOUTH EAST ASIA PTE.LTD.	Singapore, Singapore	193	100%	ACERINOX, S.A.	KPMG
ACERINOX U.K, LTD.	Birmingham, United Kingdom	28,444	100%	ACERINOX, S.A.	KPMG
ACEROL LTDA.	Maia, Portugal	13,930	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
D.A. ACERINOX CHILE, S.A.	Santiago de Chile, Chile	7,545	100%	ACERINOX, S.A.	KPMG
INOX RE, S.A.	Luxembourg	1,225	100%	ACERINOX, S.A.	KPMG
INOXCENTER CANARIAS, S.A.U.	Telde (Gran Canaria), Spain	270	100%	INOXCENTER	KPMG
INOXCENTER, S.L.	Barcelona, Spain	8,609	97.5%	ACERINOX, S.A.	KPMG
INOXFIL S.A.	Igualada (Barcelona), Spain	6,247	100%	ROLDAN S.A	KPMG
INOXIDABLES DE EUSKADI S.A.	Vitoria, Spain	2,705	100%	ACERINOX EUROPA, S.A.U	KPMG
INOXPLATE, LTDA.	Maia, Portugal	14,843	100%	ACEROL PORTUGAL	KPMG

	2012				
		INTEREST			
FULLY CONSOLIDATED COMPANIES	COUNTRY	COST (in thousands of Euros)	% OWNERSHIP	COMPANY HOLDING INVESTMENT	AUDITORS
METALINOX BILBAO, S.A.	Galdácano (Vizcaya), Spain	2,986	97.5%	ACERINOX, S.A.	KPMG
NEWTECINVEST AG	Zug - Suiza	4,455	100%	ACERINOX, S.A.	KPMG
NORTH AMERICAN STAINLESS INC.	Kentucky, U.S.A.	545,072	100%	ACERINOX, S.A.	KPMG
NORTH AMERICAN STAINLESS CANADA, INC	Canada	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.	KPMG
ROLDAN S.A.	Ponferrada, Spain	17,391	99.74%	ACERINOX, S.A.	KPMG

		2012		
		INTEREST		
ASSOCIATES	COUNTRY	COST (in thousands of Euros)	% OWNERSHIP	COMPANY HOLDING INVESTMENT
BETINOKS PASLANMAZ ÇELIK A.S.	Turkey	313	25%	ACERINOX, S.A.

5.2 Changes in the consolidated Group

Changes in the consolidated Group during 2013 are as follows:

Acerinox Middle East DMCC

On 27 October 2013 the Group incorporated a new trading company in the United Arab Emirates. This company's statutory activity is the marketing of stainless steel products manufactured by any of the Group's factories in the Middle East. Acerinox, S.A. owns 100% of its share capital, represented by 50 shares of UAE Dirhams 50,000 par value each. Paid-in capital totals UAE Dirhams 50 thousand (Euros 10 thousand).

Acerinox Malaysia, Sdn. Bhd.

The board of directors of Acerinox, S.A. agreed to restructure the Group's commercial network in South-East Asia by integrating its Malaysia-based sales branches (Acerinox S.C. Malaysia and Acerinox Malaysia Sdn. Bhd.). Accordingly, Acerinox, S.A. sold its ownership interest in Acerinox Malaysia, Sdn. to Acerinox S.C. Malaysia Bhd. for the carrying amount of the investment, and injected capital into the resulting company through a share capital increase for the Malaysian Ringgit equivalent of Euros 37 million. On 9 April 2013, Acerinox S.C. Malaysia assumed the assets and liabilities of Acerinox Malaysia Sdn. Bhd. This restructuring has had no impact on the Group's consolidated financial statements since it is an internal restructuring of Group companies.

Newtecinvest, A.G.

Acerinox, S.A.'s solely owned Swiss subsidiary, Newtecinvest, A.G., was dissolved in September 2013. Acerinox, S.A.'s interest in this company amounted to Euros 4,455 thousand and Newtecinvest's capital and reserves totalled Euros 8,981 thousand at 31 December 2012. The Group has recorded a gain of Euros 2.3 million on the repatriation of this company's capital and reserves.

Changes in the consolidated group during 2012 were as follows:

Corporación Acerinox Perú, S.A.C.

Acerinox, S.A. incorporated its Peruvian subsidiary (Corporación Acerinox Perú, S.A.C) by converting its former branch in Peru into a company. This company's statutory activity is the marketing of stainless steel products manufactured by any of the Group's six factories. Its share capital is represented by 120,001 shares of PEN 1 par value each.

Acerinox Russia, L.L.C.

On 27 December 2012 a new Group company was incorporated in Russia. Acerinox, S.A. holds a 95% interest in this company, while the remaining 5% is held by Acerinox Scandinavia, A.B., also an Acerinox Group company. Share capital amounted to RUB 4,170 thousand. This company's statutory activity is the marketing of stainless steel products manufactured by any of the Group's six factories.

5.3 Capital increases

In 2013 the Group company Acerinox S.C. Malaysia's share capital was increased by Malaysian Ringgit 146 million (equivalent to Euros 37 million). Acerinox, S.A. owns 100% of this company's share capital, which has been increased by 146 million shares of Ringgit 1 par value each, bringing the total number of shares to 156 million. The purpose of this increase was to capitalise the company following its recent acquisition of the Group company Acerinox Malasia, Sdn. Bhd.

No share capital reductions were carried out in any Group companies.

No share capital increases or reductions were carried out in any Group companies in 2012. Acerinox, S.A. extended a five-year participating loan to the Group company Inoxcenter, S.L. Pursuant to article 20 of Royal Decree-Law 7/1996 of 7 June 1996, this loan is considered as equity for the purposes of a share capital reduction and for liquidation of companies provided for under commercial law. The loan is to be repaid in full upon maturity. However, the borrower has the option of making full or partial early repayment at any time during the term of the loan. Each early repayment will increase equity by the same amount.

NOTE 6 – SEGMENT REPORTING

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

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

- Flat stainless steel products: slabs, 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 2013 are as follows:

(In thousands of Euros)

	2013					
	Flat product	**Long product**	**Other**	**Unallocated**	**Adjustments**	**Total**
Income statement						
Revenue	3,598,325	577,625	9,759	5,111	-172,415	4,018,405
Inter-segment sales	-161,017	-11,398	0	0	172,415	0
Total revenue	**3,437,308**	**566,227**	**9,759**	**5,111**	**0**	**4,018,405**
Gross operating profit	185,213	50,739	778	-13,465	0	223,265
Amortisation and depreciation	-119,981	-14,262	-211	-527	0	-134,981
Impairment losses	0	0	0	0	0	0
Finance income	3,072	98	41	6,298	0	9,509
Finance costs	-27,657	-674	1,369	-38,702	0	-65,664
Exchange gains/losses	-720	-151	-3	1,925	0	1,051
Impairment of financial instruments	0	0	0	0	0	0
Profit/loss before income tax	**39,927**	**35,750**	**1,974**	**-44,471**	**0**	**33,180**
Income tax	-24,621	-12,315	-588	13,929	0	-23,595
Consolidated profit/loss for the year	**15,306**	**23,435**	**1,386**	**-30,542**	**0**	**9,585**
Attributable to:						
Non-controlling interests	**-12,398**	**-21**	**-64**	**0**		**-12,483**
Net profit/loss attributable to the Group	**27,704**	**23,456**	**1,450**	**-30,542**	**0**	**22,068**
Balance sheet						
Segment assets	3,214,146	361,797	14,891	400,136	0	3,990,970
Equity-accounted investees	0	0	0	0	0	0
Unallocated assets	0	0	0	0	0	0
Total consolidated assets	**3,214,146**	**361,797**	**14,891**	**400,136**	**0**	**3,990,970**
Segment liabilities	1,299,859	50,705	16,907	1,070,274		2,437,745
Unallocated liabilities						0
Total consolidated liabilities (excluding equity)	**1,299,859**	**50,705**	**16,907**	**1,070,274**	**0**	**2,437,745**
Property, plant and equipment	**1,739,347**	**137,036**	**5,347**	**11,080**	**0**	**1,892,810**
Investments in property, plant and equipment and intangible assets	**121,605**	**3,946**	**6**	**715**	**0**	**126,272**

2012 figures are as follows:

(In thousands of Euros)

	2012					
	Flat product	**Long product**	**Other**	**Unallocated**	**Adjustments**	**Total**
Income statement						
Revenue	4,131,239	653,561	13,387	6,516	-215,111	4,589,592
Inter-segment sales	-196,878	-18,233	0	0	215,111	0
Total revenue	**3,934,361**	**635,328**	**13,387**	**6,516**	**0**	**4,589,592**
Gross operating profit	160,020	44,158	897	-9,361	0	195,714
Amortisation and depreciation	-132,965	-14,347	-218	-446	0	-147,976
Impairment losses	0	0	0	0	0	0
Share in profit/loss for the year of equity-accounted investees	0	0	0	-64	0	-64
Finance income	2,469	577	88	1,007	0	4,141
Finance costs	-45,785	-904	1,141	-23,312	0	-68,860
Exchange gains/losses	-1,684	70	0	-100	0	-1,714
Impairment of financial instruments	0	0	0	-4,932	0	-4,932
Profit/loss before income tax	**-17,945**	**29,554**	**1,908**	**-37,208**	**0**	**-23,691**
Income tax	-14,101	-9,845	-558	12,619	0	-11,885
Consolidated profit/loss for the year	**-32,046**	**19,709**	**1,350**	**-24,589**	**0**	**-35,576**
Attributable to:						
Non-controlling interests	**13,602**	**14**	**179**	**0**	**0**	**13,795**
Net profit/loss attributable to the Group	**-18,444**	**19,723**	**1,529**	**-24,589**	**0**	**-21,781**
Balance sheet						
Segment assets	3,554,786	334,065	21,030	305,711	0	4,215,592
Equity-accounted investees	0	0	0	42	0	42
Unallocated assets	0	0	0	0	0	0
Total consolidated assets	**3,554,786**	**334,065**	**21,030**	**305,753**	**0**	**4,215,634**
Segment liabilities	1,339,221	40,070	20,869	1,102,460	0	2,502,620
Unallocated liabilities	0	0	0	0	0	0
Total consolidated liabilities (excluding equity)	**1,339,221**	**40,070**	**20,869**	**1,102,460**	**0**	**2,502,620**
Property, plant and equipment	**1,850,526**	**157,891**	**0**	**11,192**	**0**	**2,019,609**
Investments in property, plant and equipment and intangible assets	**197,273**	**11,664**	**0**	**210**	**0**	**209,147**

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 2013 is presented below:

(In thousands of Euros)

	2013						
	Spain	**Rest of Europe**	**Americas**	**Africa**	**Asia**	**Other**	**Total**
Revenue by destination of goods	344,368	1,119,416	1,941,040	220,045	326,196	15,213	**3,966,278**
Segment assets by origin	1,114,901	335,020	1,386,798	456,465	697,449	337	**3,990,970**
Property, plant and equipment at origin	291,384	82,754	766,760	179,527	572,350	35	**1,892,810**
Investments in property, plant and equipment and intangible assets at origin	42,029	221	8,541	15,951	59,530	0	**126,272**

2012 figures are as follows:

(In thousands of Euros)

	2012						
	Spain	**Rest of Europe**	**Americas**	**Africa**	**Asia**	**Other**	**Total**
Revenue by destination of goods	366,193	1,328,533	2,229,367	290,592	319,590	20,413	**4,554,688**
Segment assets by origin	994,584	392,483	1,515,872	601,615	710,721	359	**4,215,634**
Property, plant and equipment at origin	286,507	89,260	864,451	241,197	538,139	55	**2,019,609**
Investments in property, plant and equipment and intangible assets at origin	42,854	750	17,622	7,721	140,157	44	**209,148**

The Group sells its products in several countries spanning five continents. The following countries accounted for more than 5% of total consolidated sales in 2013 or 2012: the United States, 41.12% (40.75% in 2012); Spain, 8.33% (8.04% in 2012); Germany, 7.37% (6.99% in 2012); and South Africa, 5.61% (6.34% in 2012).

No single transaction with an external customer exceeds 10% of the Group's consolidated revenues for 2013 or 2012.

NOTE 7 – INTANGIBLE ASSETS

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

(In thousands of Euros)

COST	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Balance at 31 December 2011	**8,546**	**24,312**	**22,679**	**55,537**	**69,124**
Acquisitions	1,742	0	376	2,118	
Transfers	0	0	44	44	
Disposals	-2,380	0	-244	-2,624	
Translation differences	0	0	-246	-246	
Balance at 31 December 2012	**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**

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Balance at 31 December 2011	**3,257**	**24,275**	**20,800**	**48,332**	**0**
Charge	0	33	652	685	
Reversal of impairment losses	-696	0	0	-696	
Disposals	0	0	-237	-237	
Translation differences	0	0	-220	-220	
Balance at 31 December 2012	**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**

CARRYING AMOUNT	Emission allowances	Industrial property	Computer software and other	SUBTOTAL	Goodwill
Cost at 31 December 2011	8,546	24,312	22,679	55,537	69,124
Accumulated amortisation and impairment losses	-3,257	-24,275	-20,800	-48,332	
Carrying amount at 31 December 2011	**5,289**	**37**	**1,879**	**7,205**	**69,124**
Cost at 31 December 2012	7,908	24,312	22,609	54,829	69,124
Accumulated amortisation and impairment losses	-2,561	-24,308	-20,995	-47,864	
Carrying amount at 31 December 2012	**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 losses	-2,835	-24,310	-21,397	-48,542	
Carrying amount at 31 December 2013	**4,845**	**2**	**1,798**	**6,645**	**69,124**

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

Research and development cost directly recognised as expenses for the year and taken to the income statement amount to Euros 953 thousand (Euros 1,609 thousand in 2012).

At 31 December 2013 the Group has entered into contracts to acquire intangible assets for Euros 6 thousand (Euros 32 thousand at 31 December 2012).

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	2014	2015	2016	2017	2018	2019	2020
248,936	244,613	240,239	235,818	231,350	226,839	222,272	217,687

In 2013, $C0_2$ emissions were made requiring 198,874 allowances, which will be surrendered in 2014 (167,936 in 2012, surrendered in 2013). Therefore, as in 2012, it has not been necessary to acquire more allowances on the market. 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.

Movement in emission allowances in 2013 and 2012 is as follows:

	Number of allowances	Value (in thousands of Euros)
Balance at 31/12/11	**603,294**	**8,546**
Allocation for the year	278,698	1,742
Disposals	-167,502	-2,380
Balance at 31/12/12	**714,490**	**7,908**
Allocation for the year	248,936	1,637
Disposals	-167,936	-1,865
Balance at 31/12/13	**795,490**	**7,680**

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 2013 the emission allowances held have a fair value of Euros 4,846 thousand (Euros 5,347 thousand at 31 December 2012). In 2013 the Group has recognised impairment of Euros 274 thousand, reflecting the difference between the cost and the listed price of allowances not used at the reporting date. As explained in the corresponding accounting policy, this has no impact on the income statement. This impairment loss has been recognised in the income statement under other operating expenses. In 2012 the Group recognised income of Euros 696 thousand as a result of reversing impairment losses.

The expense for the year in respect of CO_2 emissions totals Euros 1,859 thousand in 2013 (Euros 1,875 thousand in 2012) 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 2013, 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.

Nevertheless, 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 to the most recent market values at all times.

The unfavourable circumstances and global economic crisis have led to delays in estimated recovery periods, which have been taken into account. Nevertheless, the Company is confident in the recovery of flows to perpetuity, 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 5.9%, as is mentioned further on).

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

	2013	2012
Budgeted EBIT margin (*)	4.5%	4.2%
Weighted average growth rate (**)	2.5%	2.5%
Discount rate applied (***)	10.9%	10.5%

(*) EBIT margin, considered equivalent to operating profit/loss (as a percentage of revenue)
(**) Used to extrapolate cash flows beyond the budgeted period
(***) Pre-tax discount rate applied

The rise in interest rates on South African sovereign debt (ten-year swap on the South African Rand) is noteworthy in terms of calculating the discount rate applied (WACC or weighted average cost of capital). The rate used in 2013 was 7.1%, up on the 6.4% used in 2012.

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, 2018, 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 2013 the global stainless steel market continued to consolidate the historical market growth rate of 5.9% (1950-2013 period). Nevertheless, in 2013 the South African market was 9% down on the record figure recorded in 2012 (+8.2%). This performance meant that the local manufacturer, Columbus Stainless Ltd, saw its turnover on this market reduced by 11.5% (+4.8% in 2012).

In 2013 Columbus Stainless billed the Group's new Malaysian operation, Bahru Stainless, for close to 70,000 tonnes of black coil. Bahru Stainless will continue to receive materials in the years to come, as it develops and starts up new production lines. At the 2013 reporting date, two production stages (of four projected in total) have started operating in the Malaysian factory, with theoretical installed capacity of 400,000 tonnes. The Company's budgets reflect a gradual increase in sales to Bahru as the Malaysian factory achieves higher utilisation of its present installed production capacity.

Other relevant key assumptions are the Euro-Rand exchange rate (14.566) and the price of raw materials (USD 15,000/MT). Both are extrapolated using highly conservative criteria, at all times referring to the most recent market values at the time of analysis.

The impairment test performed at 31 December 2013 reveals that the recoverable amount of goodwill exceeds its carrying amount by Euros 158 million. 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 over 35% while simultaneously bringing the growth rate (g) down to zero. The EBIT margin would have to fall 35% to 2.9%, with the other two assumptions remaining constant, for impairment to occur.

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and movement in 2013 and 2012 are shown in the following table:

(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 2011	**668,203**	**2,890,811**	**125,907**	**336,478**	**4,021,399**
Additions	4,829	15,062	7,693	179,446	207,030
Transfers	2,554	23,740	7,800	-28,027	6,067
Disposals	-1,549	-7,370	-10,949	0	-19,868
Translation differences	-3,595	-50,691	-638	4,905	-50,019
Balance at 31 December 2012	**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**

ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES	Land and buildings	Technical installations and machinery	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
Balance at 31 December 2011	**244,672**	**1,704,229**	**86,778**	**0**	**2,035,679**
Charge	14,831	124,864	7,596	0	147,291
Transfers	-16	13	3	0	0
Disposals	-261	-6,967	-3,593	0	-10,821
Translation differences	-1,751	-24,916	-482	0	-27,149
Balance at 31 December 2012	**257,475**	**1,797,223**	**90,302**	**0**	**2,145,000**
Charge	14,220	112,688	7,245	0	134,153
Transfers	899	-1,511	245	0	-367
Disposals	-985	-20,747	-5,135	0	-26,867
Translation differences	-5,299	-78,398	-2,373	0	-86,070
Balance at 31 December 2013	**266,310**	**1,809,255**	**90,284**	**0**	**2,165,849**

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 2011	668,203	2,890,811	125,907	336,478	4,021,399
Accumulated depreciation and impairment losses	-244,672	-1,704,229	-86,778	0	-2,035,679
Carrying amount at 31 December 2011	**423,531**	**1,186,582**	**39,129**	**336,478**	**1,985,720**
Cost at 31 December 2012	670,442	2,871,552	129,813	492,802	4,164,609
Accumulated depreciation and impairment losses	-257,475	-1,797,223	-90,302	0	-2,145,000
Carrying amount at 31 December 2012	**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 losses	-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**

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

Property, plant and equipment under construction

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

(In thousands of Euros)

	2013	2012
Buildings	42,841	101,066
Technical installations and machinery	455,361	388,304
Other property, plant and equipment	685	664
Advances	31	2,768
TOTAL	**498,918**	**492,802**

Of the total, Euros 494 million are assets under construction relating to the investment in the Malaysia plant (Euros 452 million in 2012).

Assets located outside Spain

Details of assets located outside Spain are as follows:

(In thousands of Euros)

	2013		2012	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and buildings	401,741	-116,378	425,509	-110,225
Technical installations and machinery	1,693,885	-881,674	1,819,461	-876,377
Other property, plant and equipment	38,372	-32,876	50,395	-33,388
Property, plant and equipment under construction	498,353	0	457,725	0
TOTAL	**2,632,351**	**-1,030,928**	**2,753,090**	**-1,019,990**

Changes in accounting estimates

Estimated useful lives remained unchanged in 2013 and 2012.

Guarantees

At 31 December 2013 the Group company Columbus Stainless has pledged assets of Euros 27,276 thousand to secure loans and borrowings (Euros 35,560 thousand in 2012).

Commitments

At 31 December 2013 the Group has entered into contracts to purchase new equipment and facilities amounting to Euros 72,228 thousand (Euros 72,228 thousand at 31 December 2012), of which Euros 67,326 thousand are for investments in the new Malaysian plant.

Capitalised borrowing costs

Borrowing costs of Euros 9,569 thousand have been capitalised in 2013 (Euros 7,622 thousand in 2012). The capitalisation rate in 2013 was 3.89% (4.66% in 2012).

Asset disposals

A loss of Euros 514 thousand on the sale of property, plant and equipment or removal of assets from service has been recorded under other operating expenses in the 2013 income statement (Euros 545 thousand in 2012).

The gain on the sale of property, plant and equipment or the removal of assets from service totals Euros 872 thousand and is recognised under other operating income in the 2013 income statement (Euros 712 thousand in 2012).

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 2013 and 2012 are as follows:

(In thousands of Euros)

	2013		2012	
Nature and use	**Gross value**	**Accumulated depreciation**	**Gross value**	**Accumulated depreciation**
Water treatment	62,097	-32,828	64,108	-31,081
Acid neutralisation	24,817	-15,143	25,614	-14,556
Gas emission treatment	52,026	-39,261	51,049	-38,756
Automatic additions systems	7,568	-4,841	7,736	-4,683
Other items	138,053	-83,029	140,692	-68,807
Total	**284,561**	**-175,102**	**289,199**	**-157,883**

In 2013 and 2012 the Group received no grants for investment in infrastructure aimed at protecting the environment.

The Group incurred environment-related ordinary expenses of Euros 92,491 thousand in 2013 (Euros 96,912 thousand in 2012), of which Euros 15,389 thousand relate to Acerinox Europa, S.A.U. (Euros 16,856 thousand in 2012) and Euros 53,032 thousand to North American Stainless, Inc.

At 31 December 2013 and 2012 no significant contingencies exist relating to the protection and improvement of the environment and, accordingly, no provision has been made in this respect.

Property, plant and equipment not used in ordinary activities

The Group has no items of property, plant and equipment that are idle or not used in operating activities.

Other information

At 31 December 2013 and 2012 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

Acerinox, S.A. has leased certain floors of one of its buildings to third parties, thereby obtaining income of Euros 152 thousand (Euros 277 thousand in 2012). The associated operating expenses, including maintenance and repairs, amount to Euros 50 thousand (Euros 149 thousand in 2012).

At the 2013 reporting date, an industrial bay in Pinto (Madrid) belonging to Acerinox Europa, S.A.U., which is earmarked for either lease or sale, has been reclassified to this category. The reclassified carrying amount totals Euros 378 thousand. No rental income has been generated on this property this year.

At 31 December 2013 this investment property has a market value of Euros 8,140 thousand (Euros 4,140 thousand in 2012) and a carrying amount of Euros 5,944 thousand (Euros 3,163 thousand in 2012).

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.

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 value of an asset is impaired when its carrying amount exceeds its recoverable amount. The Group has assessed whether there is any indication that its assets may be impaired at the reporting date. The companies that have reported losses show indications of impairment, so the Group has estimated the recoverable amount of these assets.

Property, plant and equipment and intangible assets represent 49% 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 36 other trading subsidiaries.

SUBSIDIARIES	**% of property, plant and equipment**
ACERINOX EUROPA, S.A.U.	10.66%
ROLDAN, S.A.	1.57%
INOXFIL, S.A.	0.26%
NORTH AMERICAN STAINLESS INC.	39.18%
COLUMBUS STAINLESS PTY Ltd	12.67%
BAHRU STAINLESS	28.73%
Rest of subsidiaries	6.92%
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 (IAS 36 paragraphs 22 and 66). 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 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 or gearing is not company-specific, but 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 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 adverse 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, particular 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 to the most recent market values at all times.

   The unfavourable circumstances and global economic crisis have led to delays in estimated recovery periods, which have been taken into account. Nevertheless, the Company is confident in the recovery of flows to perpetuity, 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 higher (around 5.9%, as is mentioned in the next section).

c) Projections for years subsequent to the projected period are estimated by extrapolating previous projections using a growth rate between 1.8% and 2% (2.5% in the case of Columbus Stainless; see **note 7.2**). The historical growth rate for the global stainless steel market is 5.9% (1950-2013 period).

No impairment has been recognised on property, plant and equipment during the year, as the enterprise value, calculated applying the discounted free cash flow method, exceeds the carrying amount of the Group's operating assets.

NOTE 9 – FINANCIAL INSTRUMENTS

9.1 General considerations

A financial instrument is a contract 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	Non-current financial instruments						Current financial instruments					
	Equity instruments		Debt securities		Loans, derivatives and other		Equity instruments		Debt securities		Loans, derivatives and other	
Categories	**2013**	**2012**	**2013**	**2.12**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Loans and receivables					4,053	2,137					423,842	440,525
Held-to-maturity investments												
Available-for-sale assets												
- At fair value	9,136	7,441										
- At cost	13	14										
Assets at fair value through profit or loss												
- Held for trading											1,907	5,619
- Other												
Hedging derivatives					38						344	3
TOTAL	**9,149**	**7,455**	**0**	**0**	**4,091**	**2,137**	**0**	**0**	**0**	**0**	**426,093**	**446,147**

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		Payables, derivatives and other		Loans and borrowings		Bonds and other marketable securities		Payables, derivatives and other	
Categories	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Debts and payables	750,656	895,400			2,260	2,293	408,271	268,807			979,570	1,005,756
Liabilities at fair value through profit or loss												
- Held for trading											23,989	24,955
- Other												
Hedging derivatives					19,053	35,355					20,966	12,704
TOTAL	**750,656**	**895,400**	**0**	**0**	**21,313**	**37,648**	**408,271**	**268,807**	**0**	**0**	**1,024,525**	**1,043,415**

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 2013 and 2012 are as follows:

(In thousands of Euros)

	2013			2012		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Available-for-sale financial assets	9,136			7,441		
Financial derivatives (assets)		2,250			5,622	
TOTAL	**9,136**	**2,250**	**0**	**7,441**	**5,622**	**0**
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial derivatives (liabilities)		64,008			73,014	
TOTAL	**0**	**64,008**	**0**	**0**	**73,014**	**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)

	2013	2012
Trade receivables	376,618	386,259
Personnel	518	880
Public entities	26,791	30,988
Other receivables	11,231	10,057
Prepayments	8,992	9,006
Impairment of bad debts	-10,219	-7,650
TOTAL	**413,931**	**429,540**

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

(In thousands of Euros)

	2013	2012
Initial balance	7,650	6,898
Charge	5,203	1,936
Application	-1,266	-573
Reversal	-1,199	-629
Translation differences	-169	18
Balance at 31 December	**10,219**	**7,650**

Impairment losses due to bad debts have been included under other operating expenses in the income statement.

No interest was accrued on impaired financial assets in 2013 or 2012.

No allowances have been made for bad debts with related parties in 2013 or 2012.

Certain Group companies factored receivables without recourse through financial institutions during the year ended 31 December 2013. These receivables amounted to Euros 209,964 thousand (Euros 363,602 thousand in 2012) and represented 90% of total factored invoices. 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 2013 and 2012 are as follows:

(In thousands of Euros)

	2013	2012
Suppliers and trade payables	902,379	862,522
Personnel	21,168	14,005
Suppliers of fixed assets	17,461	82,763
Tax and Social Security	18,681	21,484
Other payables	9,826	14,857
Current provisions	10,055	10,125
TOTAL	**979,570**	**1,005,756**

In compliance with the disclosure requirements of the Spanish Accounting and Auditing Institute (ICAC) resolution of 29 December 2010, details of the Spanish Group companies' payments to domestic suppliers, and of balances payable to these suppliers that exceed the maximum legal payment term, are as follows:

(In thousands of Euros)

	Payments made and outstanding at 31/12/13		Payments made and outstanding at 31/12/12	
Within maximum legal period (60 days)	220,704	44.67%	414,933	58.70%
Other	273,338	55.33%	291,899	41.30%
TOTAL PAYMENTS FOR THE YEAR	**494,042**	**100.00%**	**706,832**	**100.00%**
Weighted average late payment days	32		14	
Late payments exceeding the maximum legal period at the reporting date	23,649		67,304	

9.2.4 Loans and borrowings

Details at 31 December 2013 and 2012 are as follows:

(In thousands of Euros)

	Non-current		Current	
	2013	2012	2013	2012
Bank loans	750,656	895,400	408,271	268,807
Total debt	**750,656**	**895,400**	**408,271**	**268,807**

Details of the maturity of outstanding debt at 31 December 2013 are as follows:

(In thousands of Euros)

	2014	2015	2016	2017	2018 and subsequent years	TOTAL
Loans and borrowings	408,271	359,723	218,697	139,684	32,552	**1,158,927**
Total debt	**408,271**	**359,723**	**218,697**	**139,684**	**32,552**	**1,158,927**

2012 figures are as follows:

(In thousands of Euros)

	2013	2014	2015	2016	2017 and subsequent years	TOTAL
Loans and borrowings	268,807	308,406	261,416	146,803	178,775	**1,164,207**
Total debt	**268,807**	**308,406**	**261,416**	**146,803**	**178,775**	**1,164,207**

Bank debt by currency is as follows:

(In thousands of Euros)

	Non-current loans		Current loans	
	2013	2012	2013	2012
EUR	466,461	518,175	264,793	164,079
USD	284,195	362,306	79,980	70,276
ZAR		14,919	57,477	34,069
GBP			266	383
MYR			5,755	
TOTAL	**750,656**	**895,400**	**408,271**	**268,807**

Details of bank debt by interest rate are as follows:

(In thousands of Euros)

	Non-current loans		Current loans	
	2013	2012	2013	2012
Fixed	9,599	102,717	90,259	34,280
Variable	741,057	792,683	318,012	234,527
TOTAL	**750,656**	**895,400**	**408,271**	**268,807**

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 is Euros 99,628 thousand at 31 December 2013. The fair value of these borrowings at 31 December 2012 was Euros 133,257 thousand.

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

At year end the Group's Euro-denominated borrowings, Euros 731 million in total, have an average cost, before hedging, of 2.68%, while the average pre-hedging cost of borrowings in US Dollars, amounting to US Dollars 505 million, is 1.87%. In 2012, the Group's Euro-denominated borrowings, Euros 684 million in total, bore an average cost of 2.42%, while the average cost of borrowings in US Dollars, amounting to US Dollars 554 million, was 1.89% and Rand-denominated loans, South African Rands 548 million in total, had an average cost of 8.41%.

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 2013 accrued interest of Euros 4.1 million is payable (Euros 3.8 million in 2012).

Borrowing costs calculated using the effective interest rate on loans at amortised cost amount to Euros 2,080 thousand (Euros 2,036 thousand in 2012).

At 31 December 2013 the Group has credit facilities with financial institutions with a maximum available limit of Euros 1,804 million, of which Euros 1,159 million has been drawn down. In 2012 the maximum available limit was Euros 2,070 million, of which Euros 1,164 million had been drawn down.

Certain Group companies have arranged reverse factoring facilities with 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 2013 the Acerinox Group entered into eleven new loan agreements with seven financial institutions (Banco Popular, Bankia, Bankinter, La Caixa, Kutxabank, Banco de Brasil and Banco Cooperativo) for a total of Euros 175 million. The Group has hedged the interest rates for four of these eleven new loans through interest rate swaps for a total amount of Euros 84 million.

In April 2013, Acerinox Europa, S.A.U. and several trading subsidiaries of Acerinox, S.A. entered into a Euros 370 million agreement with a syndicate of banks for the factoring of invoices to end customers in several European countries. The syndicate is led by Banesto and the other participants are Banco Español de Crédito S.A., 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.

The following loans were obtained in 2012:

- In December 2012 Acerinox S.A. entered into a one-year Euros 14 million loan agreement with Banco do Brazil.

- In September 2012 Acerinox S.A. took out a Euros 31.99 million loan with Deutsche Bank AG, Tokyo Branch and JBIC (Japan Bank for International Cooperation). This loan agreement specifies repayment in ten equal half-yearly instalments, with the final instalment due in July 2017.

- In June 2012 Acerinox S.A. reached an agreement with Banca March S.A. to extend the term of a Euros 30 million loan granted in December 2009. The new due date for this loan is June 2015, when repayment in full will be required.

- In April 2012 Acerinox S.A. reached an agreement with Banesto to extend the term of a Euros 45 million loan granted in 2010. The new due date for this loan is March 2014 and the outstanding balance is repayable in full at that date.

- In March 2012 Acerinox S.A. extended the term of a Euros 30 million loan arranged with Banco Santander, S.A. in May 2010. The original due date for this loan was May 2012 and the two entities reached an agreement to extend the term until May 2014. The loan is repayable in full at the due date.

- In February 2012 Acerinox S.A. reached an agreement with Banco Sabadell to extend the term of a Euros 50 million loan granted in November 2009. The new due date for this loan is February 2015 and the outstanding balance is repayable in full at that date.

- In January 2012 Acerinox S.A. entered into a contract with Caixabank S.A. for a Euros 20 million loan falling due in January 2015. This loan is repayable in full at the due date.

- In January 2012, Acerinox, S.A. and North American Stainless signed a USD 482 million syndicated financing agreement with a group of ten US banks: BB&T, JP Morgan Chase Bank, Wells Fargo Bank, Fifth Third Bank, Regions Bank, US Bank National Association, BMO Harris Bank, The Huntington National Bank, PNC Bank National Association and The Bank of Kentucky.

USD 385.6 million of this financing was in the form of a loan extended to Acerinox S.A. This loan falls due on 17 February 2017 and is repayable in quarterly instalments. The remaining USD 482 million was received in the form of working capital financing facilities for North American Stainless, Inc.

The guarantor of the loan extended to Acerinox, S.A. is North American Stainless, as the co-borrower. As the debt refinancing processes have not resulted in significant changes, the Group has not recognised the effects of the new agreement as if it were a cancellation and, simultaneously, a new loan.

Non-current borrowings subject to covenants

At the 2013 reporting date several loans are subject to covenants. These loans include the syndicated loan signed in the United States in 2012, the loans taken out in 2007 and 2008 from the ICO (Spain's Official Credit Institute) in both Euros and US Dollars, as well as borrowings covered by export credit agencies, namely those taken out with Banco Santander/OEKB, and Deutsche Bank/JBIC (Japan Bank for International Cooperation).

The most significant covenants established in loan agreements relate to the net financial debt/EBITDA ratio, the EBITDA/finance cost ratio and the net debt/capital and reserves ratio.

Acerinox, S.A. is the borrower in all of the loans mentioned in the previous paragraph. At the reporting date the Group is in compliance with all of these covenants.

At the 2013 reporting date Columbus holds two loans with the IFC (International Finance Corporation, from the World Bank Group) and with Standard Bank, both of which are subject to covenants linked to the ratio of current assets to current liabilities. Columbus is in breach of these covenants at the 2013 reporting date, but has classified the amounts outstanding on these loans as current. The amounts outstanding on these loans at year end totalled South African Rands 91.6 million and South African Rands 75 million, with final maturity in July 2014 in both cases. This breach of covenants is therefore irrelevant and will have no consequences in 2014.

9.2.5 Available-for-sale financial assets

This category includes the investment held by Acerinox in the Japanese company Nisshin Steel Holding Co. Limited., which is listed on the Tokyo Stock Exchange with a share value of JPY 1,259 at 31 December 2013 (JPY 807 at the 2012 close). Acerinox holds 1,052,600 shares in this company, representing a percentage ownership of 0.96% (0.96% in 2012). As Nisshin Steel holds a 15.65% interest in Acerinox, this is a strategic investment that Acerinox has no intention of selling. Nisshin Steel not only holds a significant interest in the Company but is also Acerinox's partner in the new Malaysian venture Bahru Stainless, the Group's fourth flat stainless steel factory.

The Japanese company Nisshin Steel Holding, Co. Limited was formed on 26 September 2012 when Nisshin Steel Co. Limited merged with Nippon Metal Industry. In this merger, one share in the new company was received for every ten shares held in Nisshin Steel Co. Limited.

Acerinox has not purchased or sold any shares in Nisshin Steel Co. or Nisshin Steel Holding Co. Limited in 2013.

In 2013 the Group recognised the Euros 1,695 thousand gain in the fair value of assets classified in this category in reserves. As explained in **note 2.1**, for comparison purposes, the loss of Euros 4,932 thousand generated as a result of changes in fair value in 2012 has been recognised in the income statement in these annual accounts.

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 3** in relation to market risk, in its activities the Group is essentially exposed to three types of risk: currency risk, interest rate risk and risk of changes in prices of raw materials. The Group uses derivative financial instruments to hedge its exposure to certain risks.

Derivative financial instruments classified by category are as follows:

(In thousands of Euros)

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives	382	40,019	3	48,059
Derivatives at fair value through profit or loss	1,907	23,989	5,619	24,955
TOTAL	**2,289**	**64,008**	**5,622**	**73,014**

A breakdown of the Group's financial derivatives at 31 December 2013 and 2012 by type of hedged risk is as follows:

(In thousands of Euros)

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Exchange rate insurance	2,231	24,003	5,622	25,001
Interest rate swaps	58	11,382		19,963
Cross-currency swaps		28,623		28,050
TOTAL	**2,289**	**64,008**	**5,622**	**73,014**

Currency risk

The Group operates in a large number of countries and bills customers in several currencies, and therefore uses 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 2013 the effect of measuring these derivatives at market value totals Euros 8 thousand and has been recognised under remeasurement of financial instruments to fair value in the income statement (Euros 35,197 thousand in 2012).

At 31 December 2013 all exchange rate insurance contracts cover mainly receivables (assets) and payables (liabilities) and include both trade and financing transactions between Group companies. At 31 December 2013 the Group has exchange rate insurance cover of Euros -21,772 thousand (Euros -19,379 thousand in 2012), of which Euros 2,231 thousand is recognised under assets and Euros 24,003 thousand under liabilities. Only Euros 309 thousand of this amount qualifies for recognition as hedging instruments. In 2013, equity was reduced by Euros 128 thousand to reflect changes in the fair value of this insurance (reduced by Euros 133 thousand in 2012).

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

At 31 December 2013 the Group has used currency transaction agreements for currency sales of Euros 205 million and currency purchases of Euros 545 million (sales of Euros 485 million and purchases of Euros 953 million at 31 December 2012). Details of these contracts by currency are as follows:

(In thousands of Euros)

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
USD	153,089	672,191	546,132	1,168,460
EUR	23,601	41,787	11,611	42,051
GBP	28,734		10,066	
SEK	60,382		118,904	
PLZ	18,244		61,936	
AUD	8,888		8,817	
CHF	228		862	
NZD	336		703	
MYR	98,356			
JPY		15,000		

The reduction in derivatives in US Dollars is mainly due to Bahru's change of functional currency, as well as the arrangementof exchange rate insurance for financing transactions for net financial asset and liability positions in the same currency.

The financial effect of discounting is equivalent to the difference between the carrying amount of the financial liability and the amount the entity would be contractually obliged to pay to discharge the liability on maturity.

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

Interest rate risk

At 31 December 2013 the Group has arranged the following interest rate swaps – and cross-currency swaps, for those cases in which the loan currency differs from the company's functional currency – for the majority of its current and non-current loans and borrowings:

	Notional value arranged	**Outstanding amount**	**Maturity**
Variable to fixed rate	EUR 35 million	EUR 35 million	2014
Variable to fixed rate	ZAR 300 million	ZAR 75 million	2014
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 15 million	2016
Variable to fixed rate	EUR 10 million	EUR 10 million	2016
USD variable to EUR fixed rate	USD 385.6 million	USD 308.48 million	2017
Variable to fixed rate	EUR 400 million	EUR 224 million	2017
USD variable to USD fixed rate	USD 63 million	USD 59.29 million	2017
USD variable to EUR fixed rate	USD 160 million	USD 81.63 million	2018
Variable to fixed rate	EUR 76.13 million	EUR 58.22 million	2020

With effect from 1 January 2013, Bahru Stainless Sdn Bhd changed its functional currency from the Malaysian Ringgit, which it had used until that date, to the US Dollar (USD). As a result of this change in functional currency, on 2 January 2013 the Group cancelled the cross-currency swap that Bahru Stainless had taken out to hedge the currency and interest rate risk arising from the USD 63 million loan granted to Bahru Stainless Sdn Bhd by the Bank of Tokyo Labuan in 2010. The cost of cancelling this cross-currency swap was Malaysian Ringgit 13,7 million. Bahru Stainless then arranged a hedge fixing the interest rate on this USD-denominated loan at 2.03%, including the applicable credit spread.

Moreover, in 2013, Acerinox, S.A. hedged the interest rates on certain bilateral bank loans with a nominal amount of Euros 70 million.

The average interest rate applicable to USD-denominated loans for which an interest rate hedge has been arranged is 3.03%. The average rate for Euro-denominated loans with an associated interest rate hedge is 3.53%. The credit spread has been included in both cases.

Details at 31 December 2012 were as follows:

	Notional value arranged	Outstanding amount	Maturity
USD variable to EUR fixed rate	USD 385.6 million	USD 347 million	2017
Variable to fixed rate	EUR 10 million	EUR 10 million	2013
Variable to fixed rate	EUR 30 million	EUR 30 million	2015
Variable to fixed rate	EUR 35 million	EUR 35 million	2014
Variable to fixed rate	EUR 20 million	EUR 20 million	2013
Variable to fixed rate	EUR 50 million	EUR 50 million	2015
Variable to fixed rate	EUR 20 million	EUR 20 million	2013
Variable to fixed rate	ZAR 300 million	ZAR 300 million	2014
Variable to fixed rate	EUR 76.13 million	EUR 67.17 million	2020
Variable to fixed rate	EUR 400 million	EUR 288 million	2017
USD variable to EUR fixed rate	USD 160 million	USD 97.96 million	2018
USD variable to MYR fixed rate	USD 63 million	USD 63 million	2017

In terms of amount, the most significant of these hedges 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 2012, Acerinox S.A. extended the term of two bilateral loans denominated in Euros and simultaneously renegotiated the interest rate hedge for these loans. The terms of these loans, for Euros 50 million and Euros 30 million, were extended with Banco Sabadell and Banca March, respectively. Both loans now fall due in 2015.

In 2012 the average interest rate applicable to USD-denominated loans for which an interest rate hedge had been arranged was 2.80%. The average rate for Euro-denominated loans with an associated interest rate hedge was 3.77%. The credit spread has been included in both cases.

The fair values of both interest rate swaps and cross-currency swaps are based on the reporting-date market values of equivalent derivative instruments and total Euros -39,947 thousand (Euros -48,013 thousand at 31 December 2012). These amounts are recognised as follows:

	2013		2012	
	Current	Non-current	Current	Non-current
Other financial assets	20	38		
Other financial liabilities	20.952	19.053	12.658	35.355
TOTAL	**20.972**	**19.091**	**12.658**	**35.355**

At 31 December 2013 and 2012 the derivatives contracted qualify as cash flow hedges and therefore the unrealised loss of Euros 5,605 thousand on their measurement at fair value has been recorded in the consolidated statement of comprehensive income (loss of Euros 38,535 thousand in 2012).

In 2013 an amount of Euros 21,804 thousand was transferred from the consolidated statement of comprehensive income to profit and loss for the year (Euros 23,759 thousand in 2012).

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.

As a result of adapting its measurement method for interest rate hedges to the new IFRS 13, the Acerinox Group now considers both the credit risk of the financial institutions with which it operates and that of its own counterparty. These changes to the measurement of these derivatives have generated a gain of Euros 688 thousand. For this measurement, the Group used credit risk curves of the financial institutions with which the hedges have been arranged, while prudently using the credit risk curves of a sector company with a more favourable credit risk than its own.

9.2.7 Other information

At 31 December 2013 and 2012:

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

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

NOTE 10 – INVENTORIES

Details at 31 December are as follows:

(In thousands of Euros)

	2013	2012
Raw materials and other supplies	188,887	244,828
Work in progress	156,660	141,809
Finished goods	371,803	467,500
By-products, waste and recoverable materials	11,585	15,782
Advances	659	564
TOTAL	**729,594**	**870,483**

The cost of goods sold is Euros 3,675 million in 2013 (Euros 4,282 million in 2012).

In 2013 the Group wrote inventories down to net realisable value where this was lower than cost, with a total adjustment of Euros 11,294 thousand. The adjustment for 2012 amounted to Euros 16,973 thousand.

At 31 December 2013 and 2012 no inventories have been pledged as collateral to guarantee repayment of debts or commitments undertaken with third parties.

Commitments

At 31 December 2013 the consolidated Group has commitments to purchase raw materials for Euros 116,225 thousand (Euros 126,807 thousand in 2012). Although no firm sales commitments exist at the reporting date, 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.

The 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:

(In thousands of Euros)

	2013	2012
Cash in hand and at banks	368,071	163,991
Current bank deposits	261,531	418,680
TOTAL	**629,602**	**582,671**

The effective interest rate on short-term bank deposits is 0.31% for the US Dollar, 2.60% for the Malaysian Ringgit, 4.95% for the South African Rand and 1.90% for the Euro (0.45% for the US Dollar, 2.45% for the Malaysian Ringgit, 4.95% for the South African Rand and 3.65% for the Euro in 2012). At the reporting date 97% of all deposits have been made by the Parent. In 2012 29% of the total deposits were placed by Acerinox, S.A. and 58% by North American Stainless. Deposits are generally placed for between 45 days and one week with banks of recognised solvency. In 2012 the Group companies generally invested their cash surpluses in deposits with an average term of 45-15 days.

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 2013 and 2012 is as follows:

(In thousands of Euros)

	Number of shares (thousand)	Ordinary shares (thousand)	Own shares (thousand)	Share capital (thousands of Euros)	Share premium (thousands of Euros)
At 1 January 2012	**249,305**	**249,305**	**0**	**62,326**	**106,334**
Distribution of share premium					-24,931
At 31 December 2012	**249,305**	**249,305**	**0**	**62,326**	**81,403**
Capital increase	7,842	7,842		1,961	
Acquisition of own shares			-74		
Disposal of own shares			74		
At 31 December 2013	**257,147**	**257,147**	**0**	**64,287**	**81,403**

At the Annual General Meeting held on 5 June 2013, 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".

Under the agreements reached by the shareholders and the board of directors, those parties who were shareholders of Acerinox at 23:59 hours on 17 June 2013 were to be allocated one right for each share held in the share capital increase. The rights were traded on the stock exchange from 18 June to 2 July 2013 and entitled the shareholders to choose between the following options:

- Sell the rights to the Company for Euros 0.433 per right between 18 June and 26 June inclusive.
- Sell the rights on the stock exchange at the market price.
- Subscribe shares in Acerinox on the basis of one (1) new share for every eighteen (18) rights allocated to them on 17 June 2013.

On 26 June 2013 the definitive amount of the dividend payable and the details of the share capital increase were established, as follows:

- 108,155,168 rights were sold to Acerinox for Euros 0.433 per right, with the Company therefore paying out Euros 46,831,187.74 to its shareholders on 5 July 2013.

- 7,841,631 new shares were issued in the share capital increase. These shares were admitted to trading on 17 July 2013.

The share capital increase, through the issue of 7,841,631 new shares derived from the scrip dividend, was registered on 11 July. These new shares were admitted to trading on 17 July.

On 5 July 2013 Acerinox, S.A. paid out Euros 46,831,187.74 to those shareholders who sold their rights to the Company.

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 2013 share capital is represented by 257,146,177 ordinary shares (249,304,546 in 2012) 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 2013 and 2012 the only holders of 10% or more of the share capital of Acerinox, S.A. are Alba Participaciones, S.A. (23.50% in 2013 and 24.24% in 2012), Feynman Capital S.L./Morinvest, SICAV S.A. (Omega) (10.99% in 2013 and 11.59% in 2012) and Nisshin Steel Holding, Co. Ltd. (15.65% in 2013 and 15.30% in 2012).

In 2013 there has been no distribution of the share premium. On 7 June 2012 the shareholders at the annual general meeting approved the reimbursement of capital contributions to Company shareholders with a charge of Euros 0.10 per share to the share premium, for a total amount of Euros 24,930 thousand.

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

12.2 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 12.4**.

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 2013 Euros 20,207 thousand of the Group's reserves and retained earnings are subject to restrictions (Euros 21,865 thousand at 31 December 2012).

The legal reserve, which is included under retained earnings in the statement of changes in equity, has been appropriated in compliance with article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital. At 31 December 2013 the Company has appropriated Euros 12,465 thousand, an amount equivalent to 19.39% of its share capital, to this reserve (Euros 12,465 thousand and 20% of share capital in 2012).

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 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.

Article 9 of Law 16/2012 of 27 December 2012, enacting various tax measures aimed at consolidating public finances and boosting economic activity, provided the option for income tax payers to revalue their balance sheet items. The Group chose not to avail of this revaluation.

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.

12.3 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 2013 and 2012 reporting dates are as follows:

(In thousands of Euros at 31 December 2013 and 2012)

GROUP COMPANIES	2013	2012
ACERINOX (SCHWEIZ) A.G.	1,002	1,064
ACERINOX ARGENTINA, S.A.	-2,795	-1,805
ACERINOX AUSTRALASIA PTY.LTD.	48	130
ACERINOX DO BRASIL, LTDA	-78	14
ACERINOX COLOMBIA S.A.S	-11	7
ACERINOX INDIA PTE LTD	-101	-35
ACERINOX MALAYSIA SDN. BHD	1,104	-330
ACERINOX METAL SANAYII VE TICARET L.S.	-63	17
ACERINOX NORWAY A.S	-59	34
ACERINOX PACIFIC LTD.	-2,240	-2,570
ACERINOX POLSKA,SP Z.O.O	-837	-384
ACERINOX RUSSIA LLC.	-8	
ACERINOX SCANDINAVIA AB	-1,311	-475
ACERINOX SOUTH EAST ASIA PTE.LTD.	66	129
ACERINOX SHANGAI CO., LTD.	1,629	1,772
ACERINOX U.K., LTD.	-4,915	-4,423
BAHRU STAINLESS, SDN. BHD	13,619	19,121
COLUMBUS STAINLESS INC.	-128,500	-84,162
CORPORACIÓN ACERINOX PERU S.A.C	-29	0
D.A. ACERINOX CHILE S.A.	290	1,012
NORTH AMERICAN STAINLESS CANADA, INC	-2,056	-578
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	58	979
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS, LTD	1	1
NEWTECINVEST AG	0	2,227
NORTH AMERICAN STAINLESS INC.	-80,640	-20,430
ACERINOX S.C. MALAYSIA SDN. BHD.	-2,708	-603
SUBTOTAL	**-208,534**	**-89,288**

ASSOCIATES	2013	2012
BETINOKS PASLANMAZ ÇELIK A.S.	-49	-49
SUBTOTAL	**-49**	**-49**
TOTAL	**-208,583**	**-89,337**

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

Details at 31 December 2013 and 2012 are as follows:

(In thousands of Euros)

	2013			2012		
	Reserves	Profit/loss	Non-controlling interests	Reserves	Profit/loss	Non-controlling interests
ACERINOX, S.A	711,022	-17,546		757,018	-21,770	
ACERINOX (SCHWEIZ) A.G.	2,230	-120		3,000	-772	
ACERINOX ARGENTINA, S.A.	4,924	403		4,502	422	
ACERINOX AUSTRALASIA PTY. LTD.	143	-147		251	-108	
ACERINOX BENELUX S.A. - N.V.	26	106		411	215	
ACERINOX DO BRASIL, LTDA	117	59		-136	253	
ACERINOX COLOMBIA S.A.S	28	92		2	27	
ACERINOX DEUTSCHLAND GMBH	-21,632	1,360		-22,122	490	
ACERINOX EUROPA S.A.U	-66,290	-26,615		-30,354	-35,935	
ACERINOX FRANCE S.A.S.	-11,665	1,177		-11,108	-557	
ACERINOX ITALIA S.R.L.	-14,271	580		-14,330	59	
ACERINOX INDIA PTE LTD	266	87		72	194	
ACERINOX MALAYSIA SDN. BHN	-17,856	35		-6,046	-11,809	
ACERINOX S.C. MALAYSIA SDN. BHD	-17,538	-1,632		-11,572	-5,966	
ACERINOX METAL SANAYII VE TICARET L.S.	106	174		-69	175	
ACERINOX NORWAY A.S	471	239		395	200	
ACERINOX PACIFIC LTD.	-15,918	-48		-16,222	304	
ACERINOX POLSKA, SP Z.O.O	-891	1,031		-997	106	
ACERINOX RUSSIA LLC.	0	-52				
ACERINOX SCANDINAVIA AB	-5,672	1,436		-3,290	-2,383	
ACERINOX SHANGAI CO., LTD.	39	-178		1,403	-14	
ACERINOX SOUTH EAST ASIA PTE.LTD.	206	-168		-4	210	
ACERINOX U.K., LTD.	-352	833		739	-1,092	
ACEROL LTDA.	-3,365	-44		-3,228	-136	
BAHRU STAINLESS, BDN. BHD	-22,835	-16,533	71,927	-8,889	-15,811	81,828
COLUMBUS STAINLESS (PTY) LTD.	68,753	-13,826	43,740	88,068	-18,945	62,094
CORPORACIÓN ACERINOX PERU S.A.C	4	-32		-28	10	
D.A. ACERINOX CHILE S.A.	-1,930	-1,309		-1,043	-887	
INOX RE, S.A.	20,032	3,031		16,814	3,218	
INOXCENTER CANARIAS S.A.U.	2,065	20	60	2,273	-208	60
INOXCENTER S.A.	-21,197	-2,514	-201	-14,409	-6,789	-136
INOXFIL S.A.	1,765	-1,082	17	2,664	-899	19
INOXIDABLES DE EUSKADI S.A.	532	-409		760	-228	
INOXPLATE, LTDA.	569	307		263	306	
METALINOX BILBAO S.A.	17,198	56	523	17,685	-487	522
NORTH AMERICAN STAINLESS CANADA, INC	4,313	2,019		2,076	2,241	
NORTH AMERICAN STAINLESS MEXICO S.A. DE C.V.	765	706		815	-49	
NORTH AMERICAN STAINLESS FINANCIAL INVESTMENTS LTD.	-9,029	9,027		-2	0	
NEWTECINVEST AG	0	0		2,234	71	
NORTH AMERICAN STAINLESS INC.	836,590	90,863		735,786	100,911	
ROLDAN S.A.	36,411	-9,319	114	42,695	-6,284	138
SUBTOTAL	**1,478,134**	**22,068**	**116,180**	**1,536,077**	**-21,717**	**144,525**

	2013			2012		
	Reserves	Profit/loss	Non-controlling interests	Reserves	Profit/loss	Non-controlling interests
ASSOCIATES						
BETINOKS PASLANMAZ ÇELIK A.S.	-264			-200	-64	
SUBTOTAL	**-264**	**0**	**0**	**-200**	**-64**	**0**
TOTAL	**1,477,870**	**22,068**	**116,180**	**1,535,877**	**-21,781**	**144,525**

12.5 Distribution of profit/application of loss

At the board meeting held on 18 December 2013, the directors resolved to postpone any decisions regarding distribution of profit until the annual general meeting of shareholders.

At the board meeting held on 18 December 2012, directors resolved not to distribute an interim dividend for the year, in light of estimated losses for 2012, and to postpone any decisions regarding shareholder remuneration until the annual general meeting scheduled for 5 June.

At their general meeting held on 5 June 2013, the shareholders agreed that the Parent's losses for 2012 were to be carried forward as prior years' losses.

12.6 Earnings per share

Basic earnings per share are calculated by dividing 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.

(In thousands of Euros)

	2013	2012
Profit/loss attributable to the Group	22,068	-21,781
Weighted average number of ordinary shares outstanding	252,913,844	249,304,546
Earnings/loss per share (in Euros)	**0.09**	**-0.09**

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

(In thousands of Euros)

	2013	2012
Balance at 1 January	**5,908**	**5,490**
Grants awarded	2,294	3,075
Transfer to the income statement	-3,368	-2,659
Translation differences	0	2
Balance at 31 December	**4,834**	**5,908**

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 consumed 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 2013 and 2012 are as follows:

(In thousands of Euros)

	2013	2012
Employee benefits	9,844	10,200
Other provisions	3,736	3,416
TOTAL	**13,580**	**13,616**

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 7,010 thousand has been recognised for the year under personnel expenses in respect of such plans (Euros 8,569 thousand in 2012).

14.1.2 Defined benefit plans

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

(In thousands of Euros)

	2013	2012
Pension plans	1,669	1,339
Early retirement benefits	302	356
Supplements	689	766
Post-employment benefits	7,184	7,739
TOTAL	**9,844**	**10,200**

Post-employment obligations reflect post-retirement medical care plans provided by certain Group companies to specified plan members. This liability has been measured by an independent actuary using the following assumptions: discount rate of 8.8%, medical inflation of 6.9%. The opening balance for the period reconciles with the closing balance as follows:

(In thousands of Euros)

Balance at 31 December 2012	**7,739**
Contributions paid	-198
Service cost recognised in the income statement	179
Interest cost	530
Actuarial loss recognised in comprehensive income	737
Translation differences	-1,803
Balance at 31 December 2013	**7,184**

14.2 Other provisions

Movement in 2013 is as follows:

(In thousands of Euros)

	Lawsuits	CO_2	Other provisions	Total
At 31 December 2012	**1,177**	**1,889**	**350**	**3,416**
Charge to provision	170	1,859	386	2,415
Application			-230	-230
Reversal		-1,865		-1,865
At 31 December 2013	**1,347**	**1,883**	**506**	**3,736**

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 2013 totalling Euros 1,865 thousand (Euros 2,380 thousand in 2012) (see **note 7.1**).

Lawsuits

This provision reflects additional income tax due from the Group subsidiary Acerinox Italia, S.r.l. for 2004 as a result of an inspection. Although this tax assessment was dismissed by the first court of appeal, for the moment the Company has decided not to reverse the provision until the ensuing lawsuits have been concluded. The Italian taxation authorities have appealed the dismissal of this assessment and the company has submitted its objections. The corrections required by this tax assessment include adjustments to the transfer prices applied in transactions between Acerinox Italy and the Spanish Group company Roldán, S.A., which in July 2011 applied to Spain's Directorate-General for Taxation (part of the Ministry of Economy and Finance) for the elimination of double taxation in connection with the adjustment of profits of associated enterprises, pursuant to Convention 90/436/EEC of 23 July 1990.

Other provisions

In 2013 other provisions reflect Inoxcenter, S.L.'s estimate of the probable obligations arising from the workforce restructuring plan implemented that year pursuant to Royal Decree-Law 5/2013.

14.3 Guarantees provided

At 31 December 2013 the Group has provided guarantees to third parties, mainly government bodies, totalling Euros 17 million (Euros 17 million in 2012). 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 2013 and 2012 are as follows:

(In thousands of Euros)

	2013	2012
Sale of goods	3,962,938	4,549,304
Rendering of services	3,340	5,384
Self-constructed assets	39,404	23,297
Operating lease income	373	519
Gains on disposal of fixed assets	872	712
Reversal of impairment of intangible assets	0	696
Income from grants and subsidies	1,235	764
Income from emission allowances	2,133	1,895
Other income	8,110	7,021
TOTAL	**4,018,405**	**4,589,592**

15.2 Personnel expenses

Details of personnel expenses in 2013 and 2012 are as follows:

(In thousands of Euros)

	2013	2012
Salaries and wages	267,676	284,891
Social Security	63,145	50,991
Contributions to employee benefit plans	7,010	8,569
Termination benefits	4,617	6,123
Change in the provision for employee benefits	1,473	-131
Other personnel expenses	8,195	21,349
TOTAL	**352,116**	**371,792**

The average headcount in 2013 and 2012, distributed by category, is as follows:

	2013	2012
University graduates	874	797
Administrative staff	1,126	1,204
Manual workers	5,145	5,287
TOTAL	**7,145**	**7,288**

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

		2013	2012
Board members	Male	14	14
	Female	1	1
Senior management personnel	Male	4	5
	Female	0	0
University graduates	Male	664	611
	Female	196	192
Administrative staff	Male	615	728
	Female	431	484
Manual workers	Male	4,952	5,129
	Female	120	102
TOTAL		**6,997**	**7,266**

At 31 December 2013 the number of employees in Spain with a disability of at least 33% is 59 (56 male and 3 female) (66 in 2012; 65 male and one female).

All the Spanish companies meet the 2% quota established in the Spanish Law on the Social Integration of People with Disabilities (LISMI)

15.3 Other operating expenses

Details are as follows:

(In thousands of Euros)

	2013	2012
Rentals	9,220	10,125
Trading costs	145,128	169,621
Utilities	190,030	178,067
Maintenance	52,345	68,903
External services	69,917	28,430
Insurance	14,783	16,326
Other operating expenses	63,429	93,232
Taxes other than income tax	14,890	16,599
Losses on sale of property, plant and equipment and intangible assets	514	545
Impairment of intangible assets	274	
Other expenses	257	148
TOTAL	**560,787**	**581,996**

Other operating expenses include Euros 3,076 thousand in bank fees and securities depository fees (Euros 2,957 thousand in 2012).

NOTE 16 – NET FINANCE COST

Details of the net finance cost are as follows:

(In thousands of Euros)

	2013	2012
Interest and other finance income	7,257	3,980
Income from dividends	1	160
Gain on disposal of investments in consolidated companies	2,251	0
Gain on remeasurement of financial instruments to fair value (exchange rate insurance)	5,323	3,170
Exchange gains	1,043	33,483
TOTAL FINANCE INCOME	**15,875**	**40,793**
Interest expense and other finance costs	-65,664	-68,860
Loss on remeasurement of financial instruments to fair value (exchange rate insurance)	-5,315	-38,367
TOTAL FINANCE COSTS	**-70,979**	**-107,227**
NET FINANCE COST	**-55,104**	**-66,434**

NOTE 17 – TAXATION

At 31 December 2013 and 2012 the consolidated tax group in Spain comprises Acerinox, S.A., Acerinox Europa, S.A.U, Roldán, S.A., Inoxfil, S.A., Inoxcenter, S.L. and Inoxcenter Canarias, S.A.U.

17.1 Income tax expense

Details of the tax expense are as follows:

(In thousands of Euros)

	2013	2012
Current tax	57,580	55,705
Deferred tax	-35,832	-43,979
Total income tax	**21,748**	**11,726**

In 2013 the Parent received dividends from some of its foreign subsidiaries amounting to Euros 11.5 million. Under the corresponding double taxation conventions, some of these dividends were subject to withholdings at source amounting to Euros 872 thousand, which have been recognised under other taxes in the income statement. This account also reflects other withholdings on interest paid to Group companies, as well as taxes paid overseas in relation to activities conducted by Acerinox, S.A. and Acerinox Europa, S.A.U.'s permanent foreign operations.

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

(In thousands of Euros)

	2013		2012	
Net profit/loss for the year		**22,068**		**-21,781**
Non-controlling interests		-12,483		-13,795
Income tax		21,748		11,726
Other taxes		1,847		159
Profit/loss before income tax		**33,180**		**-23,691**
Income tax at the local tax rate	30.00%	9,954	30.00%	-7,108
Effects on tax payable:				
Effect of tax rates of foreign operations		6,049		10,395
Non-deductible expenses		2,707		3,780
Tax incentives not recognised in the income statement		-2,628		-945
Non-taxable income		-1,895		-4,975
Prior year adjustments		-544		-849
Adjustment of tax rates, deferred taxes		-4		1,374
Unrecognised tax credits		4,995		6,995
Other		3,114		3,059
Total income tax		**21,748**		**11,726**

The tax rate resulting from the Group's consolidated income statement for 2013 has been gretar than 50%, compared due to 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 losses in certain companies whose tax credits have not been capitalised.

The tax rates applicable to certain Group companies have been amended also in 2013 and in 2012 pursuant to local legislation:

- Canada: the tax rate was reduced from 26.5% in 2011 to 25% from 2013 onwards.
- UK: the income tax rate was reduced from 26% in 2012 to 24% for 2013 and thereafter.
- Sweden: the income tax rate was reduced from 26.3% in 2012 to 22% for 2013 and thereafter.
- Norway: As of 2014, the tax rate in Norway has been reduced from 28% to 27%.

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

17.2 Deferred tax

Movement in deferred tax assets and liabilities is as follows:

(In thousands of Euros)

	2013		2012	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Balance at 1 January	**202,880**	**225,545**	**164,562**	**241,529**
Expense/income for the period	17,877	-17,955	37,384	-5,114
Taxes recognised directly in equity	-4,486	251	6,540	
Exchange rate fluctuations	-549	-10,580	355	-4,857
Transfers	2,966	2,967	-6,026	-6,026
Other changes	-440	-2	65	13
Balance at 31 December	**218,248**	**200,226**	**202,880**	**225,545**

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

(In thousands of Euros)

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Goodwill	2,819	2,819	-11,446	-11,245	-8,627	-8,426
Property, plant and equipment	1,712	1,153	-244,562	-277,784	-242,850	-276,631
Financial assets	-1,078		-26,312	-30,576	-27,390	-30,576
Inventories	796	575	39	-30	835	545
Other assets			-211	-231	-211	-231
Provisions	3,512	7,255	-10,863	-9,716	-7,351	-2,461
Employee benefit plans	8,332	4,341	91	418	8,423	4,759
Financial liabilities	5,348	9,279	-2	-2	5,346	9,279
Other liabilities			-570	-572	-570	-572
Non-deductible finance costs	27,198	12,986			27,198	12,986
Other tax deductions	36,841	34,837			36,841	34,837
Unused tax losses	226,378	233,828			226,378	233,828
Deferred tax assets/liabilities	**311,858**	**307,073**	**-293,836**	**-329,738**	**18,022**	**-22,665**
Offsetting of deferred tax assets and liabilities	-93,610	-104,193	93,610	104,193		0
Deferred tax assets/liabilities	**218,248**	**202,880**	**-200,226**	**-225,545**	**18,022**	**-22,665**

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 and Columbus Stainless.

A number of changes were made to Spanish legislation in 2012 and 2013, affecting income tax and the recognition and application of deferred tax assets and liabilities. Among the measures introduced, the following affect the consolidated tax Group:

- Otherwise tax-deductible amortisation/depreciation is capped at 70% for 2013 and 2014. Any undeducted amortisation/depreciation will be deductible on a straight-line basis over a ten-year period or over the useful life of the asset from 2015 onwards.
- Article 12.3 of the Revised Spanish Corporate Income Tax Law, on the impairment of interests in Group companies, has been repealed. Under a transitional regime introduced in the same amendment, if the impaired equity is recovered or dividends are distributed, the impairment recognised in previous years must be reversed.

- Impairment losses on receivables or other assets as a result of possible debtor insolvency, as well as allowances or contributions to employee benefit systems that have given rise to deferred tax assets, must now be included in taxable income. The inclusion of these amounts is capped at the amount of positive taxable income before both their inclusion and the offsetting of tax loss carryforwards. Any amounts not included in one tax period must be included in the next tax periods, up to the same limit.
- If a company's tax due is of an insufficient amount for it to apply available R&D tax credits, it can cash in on these credits by applying a 20% discount for credits generated from 1 January 2013 onwards, capped at Euros 1 million for technological innovation activities and Euros 3 million for all R&D&I credits as a whole. The first year that this option can be availed of in the income tax return is 2014, and there are certain conditions that must be met.

Royal Decree 12/2012 of 30 March 2012 introduced several changes to income tax applicable from 2012 onwards. The measures adopted included a cap on the deductibility of finance costs. This Royal Decree stipulated that net finance costs in excess of 30% of operating profit for the year would not be deductible, with a minimum limit of Euros 1 million. Undeducted net finance costs are available for deduction in the tax periods ending in the 18 immediately subsequent years. The Group therefore recognised a deferred tax asset of Euros 12,164 thousand in this respect in 2013 (Euros 12,986 thousand in 2012).

This Royal Decree also reduced the limit on deductions that could be applied during a particular year and extended their offset period, as well as increasing the offset period for tax loss carryforwards from 15 to 18 years.

Moreover, certain temporary modifications introduced in RD 12/2012 and RD 20/2012 have been 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 Group was not affected by this last limitation in 2013 as the taxable base of the consolidated tax group for the year was negative, i.e. a tax loss.

Certain temporary changes to the calculation of instalment payments brought in by RD 20/2012 – 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 – have also been extended to 2014 and 2015.

Legislation was also passed in the provincial tax regimes of Alava, Vizcaya, Gipuzkoa or Navarra this year, with income tax among the areas affected. The measures include the introduction of a 15-year limit on the offsetting of tax loss carryforwards, measures aimed at improving the capitalisation of companies, the restriction of the deductibility of certain expenses and the review and elimination of certain deductions of little effect as incentives.

Amendments were also introduced in 2012 in other countries in relation to deductibility of tax losses:

- In Italy losses may only be offset against a maximum of 60% of taxable income generated during the year, while the period over which prior years' tax losses may be offset, previously capped at five years, is now indefinite.
- In France the offset period for prior years' tax losses was reduced from three years to one year, while the amount that may be offset against future taxable income was limited to Euros 1 million plus 60% of the remaining unused taxable income.

At 31 December 2013 and 2012, the Group has tax credits available as follows:

(In thousands of Euros)

Availability limit	**2013**	**2012**
1 to 5 years	2,179	2,543
6 to 10 years	3,958	305
10 to 15 years	104,544	100,919
16 to 20 years	36,935	36,512
No prescription date	78,762	93,549
TOTAL	**226,378**	**233,828**

The Group also has tax credits in respect of loss carryforwards of Euros 22,314 thosand (Euros 13,308 thousand in 2012), which, following prudent criteria, have not been capitalised.

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. The Group also assesses the existence of deferred tax assets 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 is currently preparing documentation to support its eligibility for certain tax benefits offered by the Malaysian government in relation to investments in assets for the construction of the Bahru Stainless plant. These tax benefits would enable the company to reduce its taxable income once it starts generating a profit on its activities.

17.3 Current tax

At 31 December 2013 the Group has a current tax asset of Euros 5,615 thousand (Euros 8,163 thousand in 2012) and a current tax liability of Euros 14,340 thousand (Euros 12,282 thousand in 2012).

Various changes to legislation have been introduced in Spain, affecting the calculation of tax instalments. The Group has considered all these changes for tax consolidation purposes. However, as the Group has a tax loss, there is no impact on payments on account for the current year.

17.4 Tax inspections and years open to inspection

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or until the inspection period has elapsed.

At 31 December 2013 Acerinox, S.A. and the companies in the consolidated tax group have open to inspection by the taxation authorities all the main applicable taxes since 2009. The other Group companies have open to inspection all 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 2013 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 Italy and the Group's manufacturing companies.

- On 27 December 2012 the company received the assessment notice for 2007, indicating transfer pricing adjustments for its sales and purchases with the Group's factories. As a result of this assessment notice Acerinox Italy was required to pay Euros 8.4 million, plus interest of Euros 1.3 million. 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. 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 assessment for 2008 was received on 13 December 2013, indicating transfer pricing adjustments for this company's sales and purchases with the Group's factories. The amount payable in Italy as a result of this assessment is Euros 7.3 million plus Euros 1.2 million in late payment interest. The Company will present its objections by the established deadline, following the same procedures carried out in relation to the 2007 assessment.

- The assessment notice for 2009 has not yet been received. The deadline for issuing assessments in Italy is the expiry date of the prescription period, i.e. five years after the end of the tax period. The deadline for receiving the assessment for 2009 would therefore be the end of 2014. In view of the assessments already received, the 2009 assessment is expected to give rise to tax payable in Italy of Euros 839 thousand.

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:

- Deal with the taxation authorities
- 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.

Furthermore, as explained in **note 14.2** under the section on lawsuits, transfer pricing adjustments handed down in assessments regarding prior years have been overturned by the Italian court of first appeal. The company therefore 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 and 2008.

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.

Germany

Inspections of taxes for 2007, 2008, 2009 and 2010 initiated in 2011 at the Group subsidiary Acerinox Deutschland, GmbH have been completed. The final assessment notices concluding these inspections have not, however, been received. On 19 November 2013 the preliminary inspection report was received, indicating possible transfer pricing adjustments for sales and purchases between the subsidiary and the Group's factories. The report does not impose any penalties. The company presented its objections by the established deadline. The German authorities may take these objections into account in the preparation of the definitive assessment.

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.

Malaysia

During 2013 the Group company Acerinox Malasia Sdn, Bhd. has undergone an inspection of the 2007-2012 period. Although this inspection has not yet been completed, no significant adjustment is expected. The company is entitled to a special ten-year exemption granted by the Malaysian authorities, so any adjustment relating to income tax would not give result in payments to the taxation authorities.

Spain

The import duties and VAT paid by the Group company Inoxidables de Euskadi in 2011 were inspected this year. This inspection was concluded on 27 June 2013, when the company signed in acceptance of the final assessment, which did not contain any adjustments.

On 13 February 2012 the Group received notification from the taxation authorities of the commencement of an inspection of import duties, import VAT and anti-dumping duties for 2009, 2010 and 2011 in Acerinox, S.A. and Acerinox Europa, S.A.U. On 31 May 2012 the Group contested the tax assessments issued on completion of the inspection. These assessments only imposed adjustments for certain cases relating to anti-dumping. The company submitted its objections for these cases to the taxation authorities, which were partly upheld. The final amount to be settled was Euros 775 thousand for anti-dumping and import duties, plus Euros 109 thousand in late payment interest, and Euros 649 thousand for VAT. The amount relating to VAT was paid, whereas a guarantee was deposited for the amount corresponding to anti-dumping and import duties. The assessments consider that no offence has been committed and, accordingly, no tax penalties have been imposed. Appeals for judicial review have been filed in relation to the settlement agreements and the objections for these cases have been submitted. The company expects the objections submitted to be upheld, either by the judicial review chamber or in subsequent hearings.

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. As most of these transactions were with the companies resident in Spain (Acerinox S.A. and Roldán, S.A.), the adjustment relating to transfer prices is protected by Convention 90/436/EEC of 23 July 1990. 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. The Spanish authorities have already notified the Portuguese authorities and are awaiting their reply.

The period for negotiations between the two authorities is two years, i.e. until 31 July 2014, whereupon, if no agreement has been reached, an arbitration committee may be appointed whose remit is to determine how to eliminate the double taxation.

France

In 2012 inspections of taxes for 2009 and 2010 were carried out at the Group subsidiary Acerinox France, S.A.S. No significant adjustments were required as a result of these inspections.

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 2013 or 2012.

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 1,523 thousand. Euros 1,076 thousand of this amount reflect salaries, Euros 94 thousand are allowances and Euros 353 thousand are other remuneration. In 2012, the five senior management personnel received Euros 2,281 thousand, of which Euros 1,322 thousand reflected salaries, Euros 112 thousand were allowances and Euros 847 thousand were other forms of remuneration.

In 2013 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 1,950 thousand in fixed remuneration for attending board meetings and fixed and variable salaries (the latter based on profit from the prior year), of which Euros 1,330 thousand reflect salaries and fixed board member remuneration, Euros 404 thousand are allowances and Euros 216 thousand are other remuneration. In 2012, the remuneration received totalled Euros 2,169 thousand, of which Euros 1,356 thousand reflected salaries and fixed remuneration, Euros 384 thousand were allowances and Euros 429 thousand were other forms of remuneration.

Commitments with all senior management, totalling Euros 1,266 thousand in 2013, have been accounted for correctly and are adequately covered through insurance contracts (Euros 1,357 thousand in 2012). No commitments have been contracted with directors representing shareholders or independent directors of Acerinox, S.A. At 31 December 2013 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.

Details of investments held by the directors of the Parent or their related parties in companies with identical, similar or complementary statutory activities to that of the Parent, as well as positions held and functions and activities performed in these companies, are as follows:

Director	Company	Position and duties
Bernardo Velázquez Herreros	Acerinox Europa, S.A.U.	Chairman
Bernardo Velázquez Herreros	Bahru Stainless Sdn. Bhd.	Chairman
Bernardo Velázquez Herreros	Inoxcenter, S.L.	Chairman
Yukio Nariyoshi	Nisshin Steel Holding Co., Ltd.	Board member and vice-chairman

The other directors and its related parties have declared that during the year ended 31 December 2013 they did not hold any interests or positions or performed any duties, either on their own behalf or on behalf of third parties, in companies with statutory activities that are identical, similar or complementary to that of Acerinox, S.A. and subsidiaries.

All transactions carried out between members of the board of directors and the Company or Group companies in 2013 were ordinary transactions under market conditions.

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 2 million, of which Euros 0.06 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.
- Reverse factoring facilities for Euros 16 million, of which Euros 14.18 million have been drawn down.
- Non-current loan of Euros 30 million, fully drawn down.
- Factoring facilities for Euros 79 million, of which Euros 25.74 million have been drawn down.

In 2012 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 16 million, from which no drawdowns had been made at 31 December 2012.
- Guarantees up to a limit of Euros 0.39 million, of which Euros 0.39 million had been drawn down.
- Factoring of receivables for Euros 2 million, with no drawdowns at 31 December 2012.
- Reverse factoring facilities for Euros 3 million, of which Euros 2.69 million had been drawn down.
- Non-current loan of Euros 30 million, fully drawn down.

Details of the Group's transactions with Banca March in 2013 and 2012 are as follows:

(In thousands of Euros)

	2013	2012
Interest cost	2,123	1,654
Fee and commission expenses	133	61
TOTAL	**2,256**	**1,715**

Regarding terms and conditions of the detailed loans and financial transactions all are done at arm's length.

Insurance premiums and other transactions totalling Euros 10,755 thousand (Euros 12,841 thousand in 2012) have been brokered through March J.L.T. Correduría de Seguros (a March Group company).

At 31 December 2013, Metal One no longer holds an interest in Acerinox, S.A., and is therefore not a related party this year, so transactions with this company are not included below. The Acerinox Group has carried out the following trade transactions with its shareholder Nisshin and other Group companies (transactions with Metal One *are* included in 2012 figures):

(In thousands of Euros)

	2013	2012
Purchases of goods		8,487
Sales of goods		14,242
Services rendered	285	1,809

Trade receivables from these entities amounted to Euros 2,852 thousand at 31 December 2012. Trade balances payable to these companies totalled Euros 2,218 thousand.

Acerinox, S.A. has received dividends from Nisshin Steel Holding, Co., Ltd. amounting to Euros 40 thousand (Euros 158 thousand in 2012).

Threre are no situations of conflicts of interest between the directors and the Company during the period.

NOTE 19 – AUDIT FEES

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

2013	KPMG Auditores, S.L.	KPMG Europe, LLP	KPMG International	TOTAL
Audit services	307	97	346	**750**
Tax advisory services		295	118	**413**
Other services	59		31	**90**
TOTAL	**366**	**392**	**495**	**1.253**

2012	KPMG Auditores, S.L.	KPMG Europe, LLP	KPMG International	TOTAL
Audit services	324	87	355	**766**
Tax advisory services		269	85	**354**
Other services	63	44	32	**139**
TOTAL	**387**	**400**	**472**	**1,259**

The amounts detailed in the above table include the total fees for services rendered in 2013 and 2012, irrespective of the date of invoice.

Other audit firms invoiced the Group fees and expenses for audit services amounting to Euros 81 thousand in 2013 (Euros 103 thousand for audit services in 2012).

NOTE 20 – EVENTS AFTER THE REPORTING PERIOD

The European Commission authorisation of the acquisition of the Terni (Italy) factory by ThyssenKrupp.

One of the most unsettling factors within the European Market was the merger of Outokumpu and Inoxum, a ThyssenKrupp subsidiary. The operation, structured as an absorption of the latter by the former, immediately came into conflict with the determinations of the European Commission, which then forced the sale of the Acciai Speciali Terni factory in Italy and set a deadline for the operation.

The inability to find a buyer within the initial period first led to the extension of the deadline and finally the repurchase of this and other assets by ThyssenKrupp.

The result provides better stability within the European market and ends this period of uncertainty which had put a halt to the process of consolidating European manufacturers.

Steel Action Plan.

In January 2014, Spanish authorities created a Working Group on the future of the steel industry in Spain, presided by the Minister of Industry, José Manuel Soria. This initiative is based of the Tajani Plan and which must project its impact in the area of Spain. Three work groups have been planned to examine energy, the environment and market access, respectively.

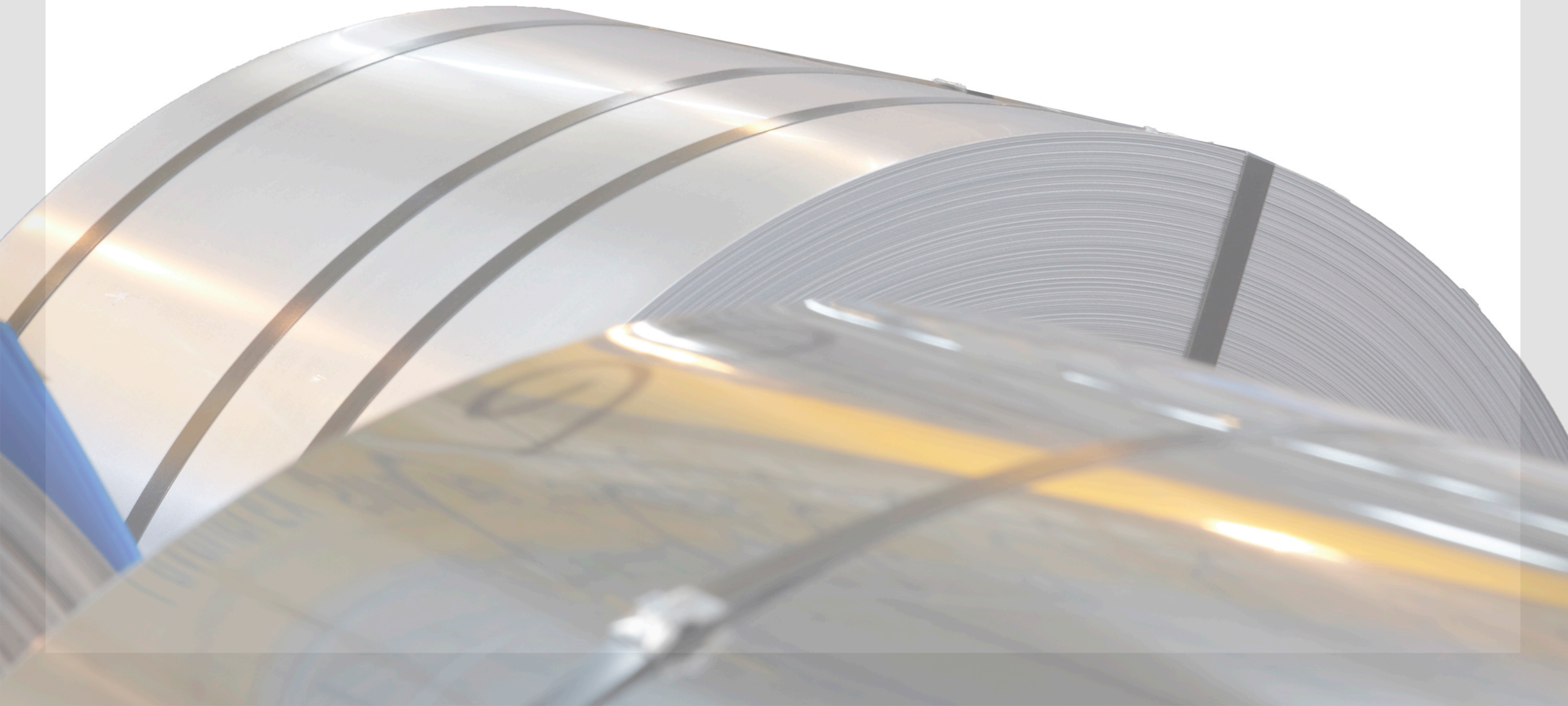
At the end of 2012, European Commission Vice-President Antonio Tajani unveiled an ambitious project intended to relaunch the European steel industry. The Plan, finally approved in 2013, committed European authorities to find a new competitiveness framework for the industry. Measures from environmental proposals to the analysis of commerce treaties would be successively implemented over the next few years with the monitoring of interested parties.

The Indonesian government has prohibited the export of a series of minerals, among them nickel. This mineral was being exported to China, which processed it for its use in stainless steel manufacturing within its own territory.

The need to process this mineral in Indonesia means that the nickel yielded will be made available to international markets. The near-exclusive access to cheaper nickel was one of the advantages Chinese manufacturers enjoyed, but now all world producers can access the metal under equal conditions.

DIRECTORS´ REPORT 2013

ACERINOX



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INDIVIDUAL CORPORATIONS OF THE ACERINOX GROUP

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2.- Acerinox Europa

3.- North American Stainless

4.- Columbus

5.- Bahru Stainless

6.- Roldán e Inoxfil

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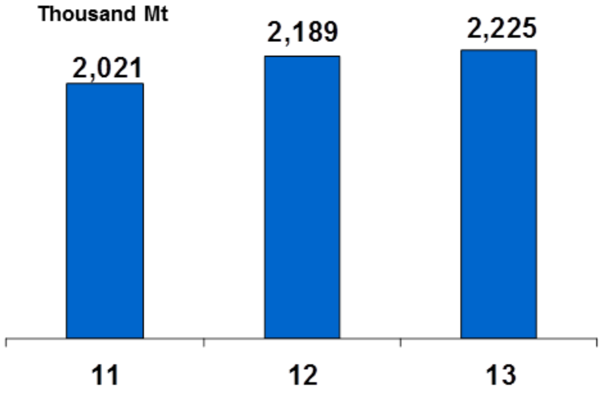
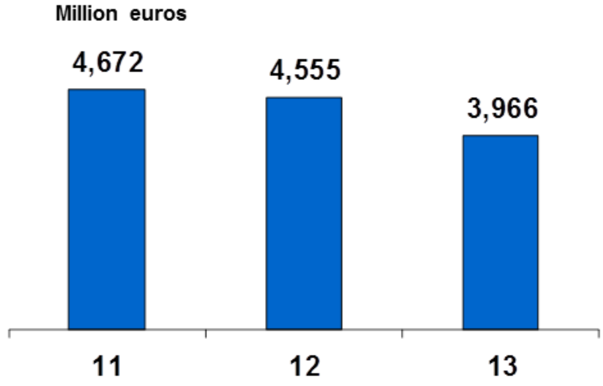
8.- Top Executives in Our Group Companies

Acerinox Group in Figures

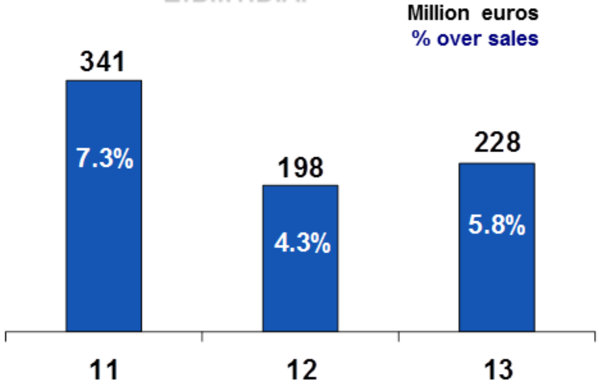
MELTING SHOP PRODUCTION



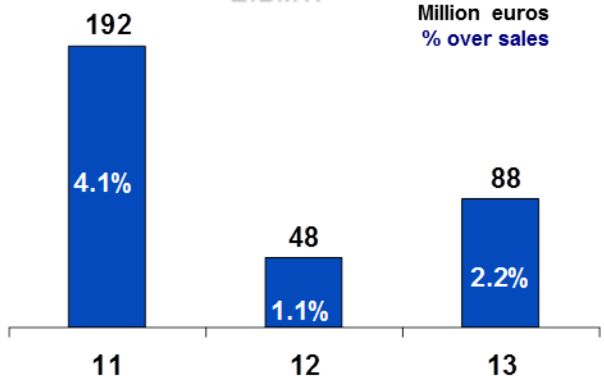
NET SALES



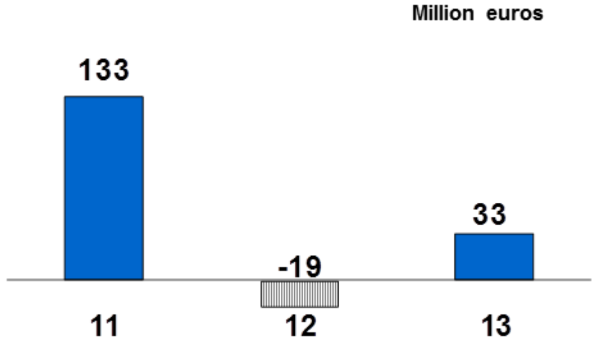
E.B.I.T.D.A.



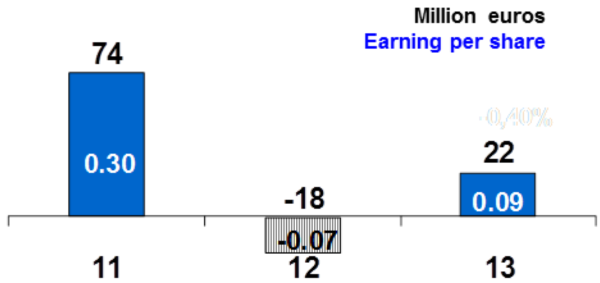
E.B.I.T.



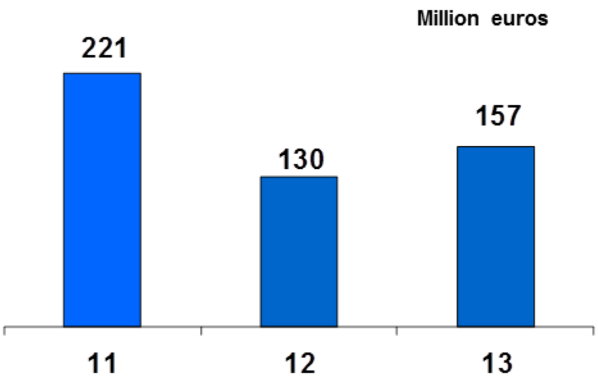
RESULT BEFORE TAXES



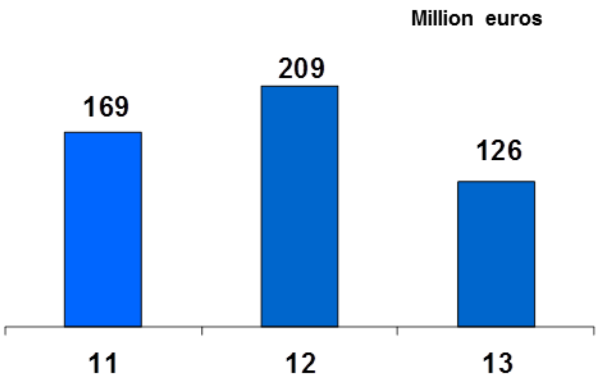
RESULT AFTER TAXES AND MINORITIES

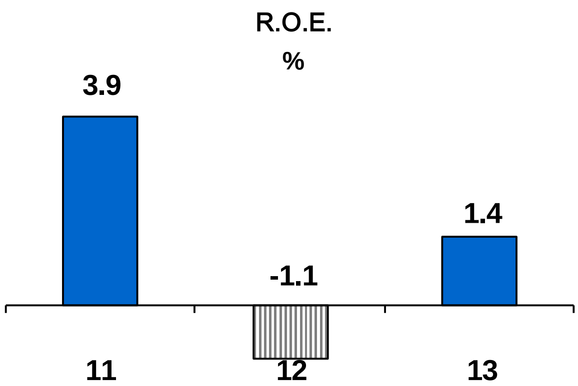


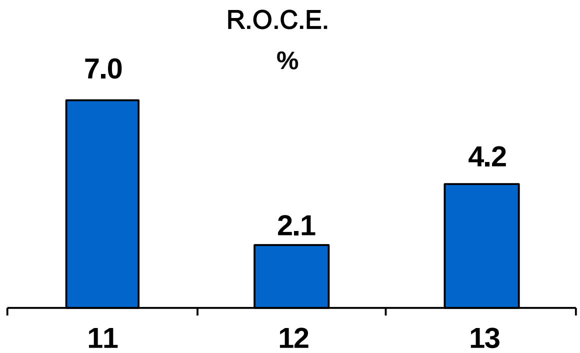
NET CASH FLOW

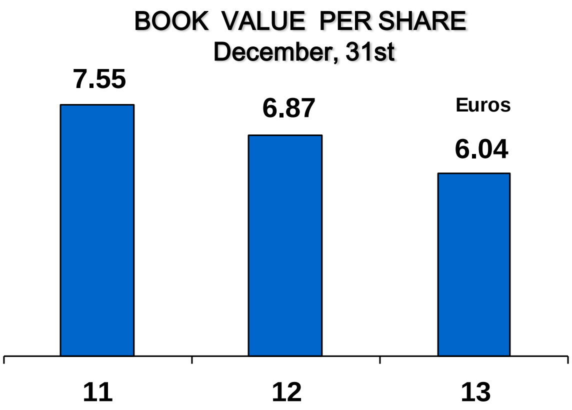


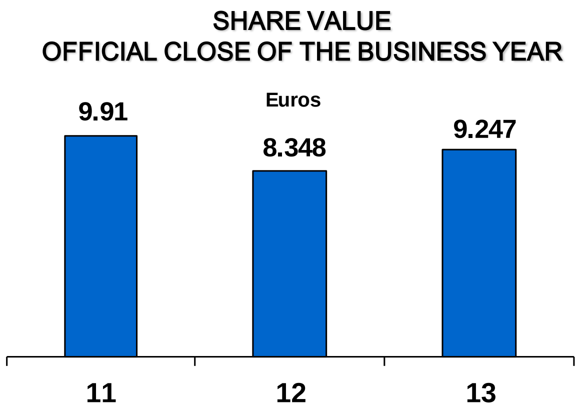
INVESTMENTS

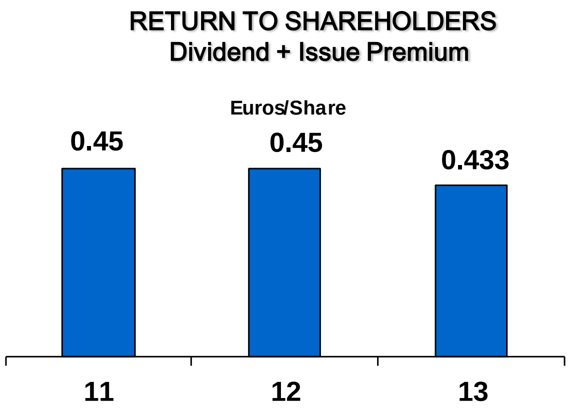


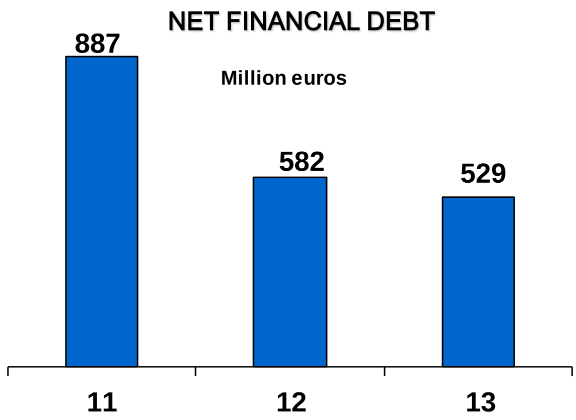

R.O.E.
%
3.9
-1.1
1.4
11
12
13

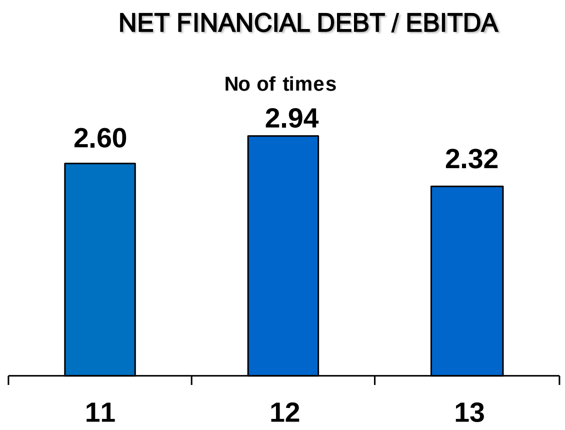

R.O.C.E.
%
7.0
2.1
4.2
11
12
13

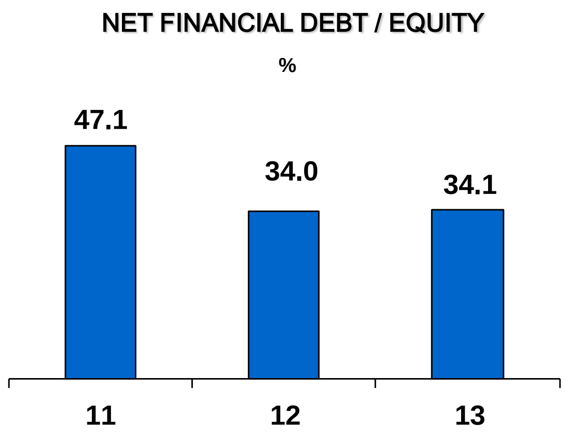

BOOK VALUE PER SHARE
December, 31st
Euros
7.55
6.87
6.04
11
12
13


SHARE VALUE
OFFICIAL CLOSE OF THE BUSINESS YEAR
Euros
9.91
8.348
9.247
11
12
13


RETURN TO SHAREHOLDERS
Dividend + Issue Premium
Euros/Share
0.45
0.45
0.433
11
12
13


NET FINANCIAL DEBT
Million euros
887
582
529
11
12
13


NET FINANCIAL DEBT / EBITDA
No of times
2.60
2.94
2.32
11
12
13


NET FINANCIAL DEBT / EQUITY
%
47.1
34.0
34.1
11
12
13

1. ACERINOX

1.- A Spanish Multinational with Factories on Four Continents

Acerinox is one of the world's most competitive companies in stainless steel manufacturing. From its very foundation, the company has developed thanks to an ongoing programme of investment which has led the development of its own technological innovations which, in certain cases, have meant technological breakthroughs in stainless steel technology.

In production capacity, Acerinox is one of the world's top manufacturers, manufacturing 3.5 million tonnes of steel. It has three steelworks with integrated production processes for flat steel products: its Campo de Gibraltar plant (Spain, 1970), the first to surpass the million tonnes mark in 2001 and one of the most profitable in Europe; North American Stainless, NAS (Kentucky, the United States, 1990), the largest and most efficient plant in the United States, a nationwide leader and probably the most competitive in the world; and Columbus Stainless (Middelburg, South Africa), which joined the Group in 2002, is the only steelworks in Africa and located in one of the world's richest regions in terms of raw materials.

Acerinox is building a new fully integrated plant in Johor Bahru (Malaysia). Currently, the Bahru Stainless steelworks has started up its first two phases, producing cold-rolled steel. In its final phase, it will have the capacity for 1 million tonnes of steel products.

In long products, our plants in Roldan (Ponferrada, Spain), NAS (Kentucky, the United States), and Inoxfil (Igualada, Spain) can boast of being at the forefront internationally.

Acerinox also has subsidiaries in 36 countries on 5 continents and sells its products in 84 countries. The company is one of Spain's most international businesses due to the location of its assets, the nationality of its employees and the percentage of its sales, 92% of which were made overseas, with the United States being the country which most contributed to company revenue.

Acerinox S.A. is a corporation whose securities are admitted to trading in the Madrid and Barcelona Stock Exchanges. The share capital on 31 December, 2013 rose to 64,286,544.25 euros, comprised of 257,146,177 shares with a nominal value of 0.25 euros each.

2.- Commercial Network

In 2013, the strategic development plan for the Asian commercial network continued with deployment by opening offices in Bangkok (Thailand), Manila (the Philippines) and Taipei (Taiwan), and soon to be joined by Seoul (Korea). In addition, an office in Dubai (the United Emirates) has also recently opened.

On 31 December, the group's commercial network was composed of 19 service centres, 28 warehouses and 23 sales offices, not to mention the countless sales agents in various countries which do not have a permanent office.

In terms of sales figures, the Group's largest market in 2013 was the United States, followed by Spain, South Africa and Germany.

3.- Human Resources

At the end of 2013, the Group's staff consisted of 6,983 people. The absolute number of workers was slightly lower in respect to the year before, fundamentally due to adjustments made by certain European commercial subsidiaries in order to adapt to the new realities of the market.

54.5% of the Group's employees perform their jobs outside Spain. By continent, Europe still has the highest percentage of the Group's employees with 49.7%, followed by Africa (22.9%), America (20.3%) and Asia/Pacific (6.5%).

	2013	2012
Acerinox, S.A.	62	65
Acerinox Europa	2,334	2,413
NAS	1,381	1,374
Columbus	1,601	1,592
Bahru Stainless	385	405
Roldan and Inoxfil	534	557
Spanish Trading Companies	244	305
Overseas Trading Companies	442	541
Total	6,983	7,252

4.- Board of Directors of Acerinox, S.A.

The General Shareholder Meeting held on 5 June, 2013, on the motion of the Board of Directors and following a report from the Appointments and Remunerations Committee, agreed to re-elect the following Board Members for a period of four years, as established in the corporate statutes:

- Mr. Diego Prado Pérez-Seoane, as Stakeholding Director representing Feynman Capital, S.L. (Omega Group).

- Mr. Ryo Hattori, as Stakeholding Director representing Nisshin Steel Co. Ltd.

On the motion of the Appointments and Remunerations Committee, at its meeting on 30 October, 2013, the Board of Directors agreed to the appointment by co-option of Ms. Rosa María García García, current president of Siemens Spain, as Independent Director in replacement of Ms. Belén Romana García. This appointment shall be submitted for approval at the next General Shareholder Meeting.

On 31 December, 2013, the composition of the Board of Directors and its Delegate Committees was the following:

Board of Directors of Acerinox, S.A.

Chairman:
Mr. RAFAEL NARANJO OLMEDO

Managing Director:
Mr. BERNARDO VELÁZQUEZ HERREROS

Members of the Board:
Mr. PEDRO BALLESTEROS QUINTANA
Mr. CLEMENTE CEBRIÁN ARA
Mr. MANUEL CONTHE GUTIÉRREZ
Mr. ÓSCAR FANJUL MARTÍN
Ms. ROSA MARÍA GARCÍA GARCÍA
Mr. JOSÉ RAMÓN GUEREDIAGA MENDIOLA
Mr. RYO HATTORI
Mr. LUIS LOBÓN GAYOSO
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN
Mr. BRAULIO MEDEL CÁMARA
Mr. YUKIO NARIYOSHI
Mr. DIEGO PRADO PÉREZ-SEOANE
Mr. MVULENI GEOFFREY QHENA

Secretary of the Board:
Mr. ÁLVARO MUÑOZ LÓPEZ

Executive Committee

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

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ

Appointment and Remuneration Committee

Mr. MANUEL CONTHE GUTIÉRREZ (Chairman)
Mr. OSCAR FANJUL MARTÍN
Mr. SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN
Mr. BRAULIO MEDEL CÁMARA

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ

Audit Committee:

Mr. JOSÉ RAMÓN GUEREDIAGA MENDIOLA (Chairman)
Mr. PEDRO BALLESTEROS QUINTANA
Mr. CLEMENTE CEBRIÁN ARA
Mr. RYO HATTORI
Mr. DIEGO PRADO PÉREZ-SEOANE

Secretary:
Mr. ÁLVARO MUÑOZ LÓPEZ

5.- ANNUAL CORPORATE GOVERNANCE REPORT. RISK MANAGEMENT

The Acerinox Annual Corporate Governance Report corresponding to the 2013 financial year forms part of the Management Report, and when the annual accounts have been published, it will be available for consultation on the web page of the Spanish Securities and Investment Board and the Acerinox web page.

The Annual Corporate Governance Report includes the description of its risk management and control systems as well as the risk control system related to its financial data release process or SCIIF.

Results

2. RESULTS

1.- PRODUCTION OF ACERINOX

The Group's production in 2013 was slightly higher than that of 2012, and is the highest since 2007. With respect to the previous year, melting production increased by 1.6%, hot rolling by 1.4% and cold rolling by 5.7%.

Due to the low inventories of finished products at the end of 2012 in all markets, the first quarter of 2013 was the highest production of the year, closely followed by the second quarter. Melting production in the third quarter was affected by the planned maintenance outages and installation of new equipment at the Campo de Gibraltar factory.

Thousand Mt	2013					2012
	1Q	2Q	3Q	4Q	Accumulated	Jan-Dec
Melting shop	586.9	581.5	509.8	546.8	2,225.0	2,189.1
Hot rolling shop	514.8	484.8	464.5	476.9	1,941.0	1,914.9
Cold rolling shop	365.5	380.6	362.6	390.6	1,499.4	1,418.1
Long product (Hot rolling)	58.4	58.1	53.2	53.3	223.0	221.5

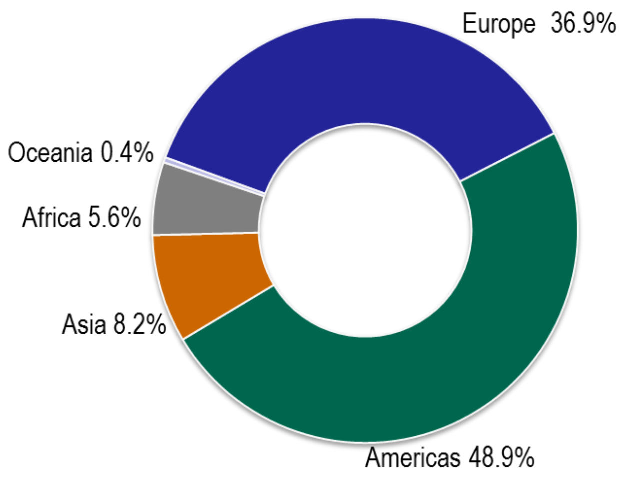
By factories, Acerinox Europa output in 2013 improved compared to 2012, by 1.5% in melting, 1.8% in hot rolling and 2.6% in cold rolling. NAS production improved by 3.7%, 2.9% and 4.7% in each shop. In the case of Columbus, although the outputs of the melt shop (-2.4%) and hot rolling (-1.8%) were lower than those of 2012, cold rolling production improved by 7.1% due to the increase in deliveries to South America and the Middle East.

It is also important to highlight the evolution of the production at Bahru Stainless which increased by 63% over 2012.

2.- SALES

In 2013, the Consolidated Group invoiced 3,966 million euros, a 12.9% decrease in respect to 2012. Although the sales volume was similar to that of the previous year, the continuation of low base prices and the sustained drop in alloy surcharges as a consequence of the decline in nickel prices, resulted in a fall of the Group's revenue.

Geographical Distribution of Acerinox Group Net Sales, 2013

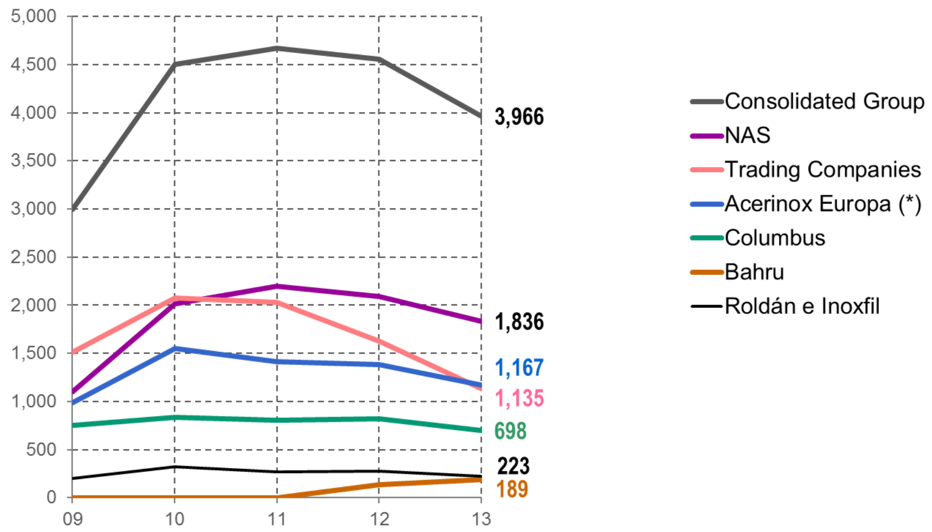


Bahru Stainless is the only company in the Group with positive comparative net sales figures in respect to 2012. In 2013, the net sales figures at this company rose by 40%.

Sale prices tended to drop in all markets, with average reductions of 12.6% in the United States, 8.4% in Europe and 7.8% in Asia.

Evolution of Acerinox Group Net Sales, Year 2013

Million euros



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

3.- ECONOMIC REPORT

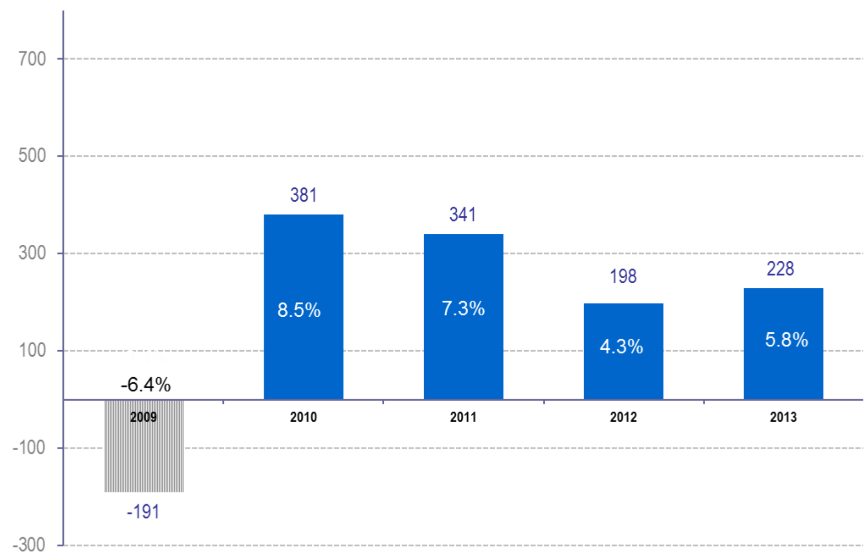
The Consolidated Group achieved positive results in 2013 despite experiencing one of the most complicated years in the history of stainless steel.

The EBITDA, 228 million euros, was 15.5% higher than that of year 2012, while net sales was reduced by 13% due to weak pricing. It is important to highlight the reduction in staff and operating expenses for an amount of 43 million euros, as a result of the Excellence Plan and savings and improvement plans carried out.

The result includes the adjustment of inventories to their net realizable value for an amount of 11 million euros, as a result of price weakness in the last part of the year and the beginning of 2014.

Evolution of the Consolidated Group EBITDA

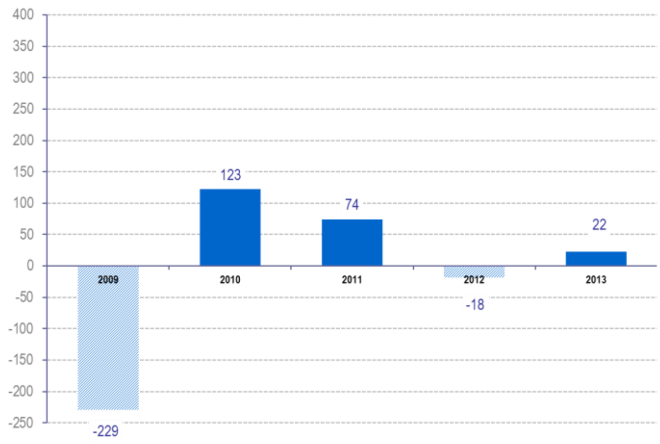
Million euros (% over sales)



The operating result (EBIT) amounted to 88 million euros, 84.9% higher than the year 2012 and the profit after taxes and minorities was 22 million euros (which significantly improves on the 18 million loss of the prior year).

Results after tax and minority interest

Millions of euros



Presented below are the most important figures of 2013 compared to 2012:

Thousand euros	2013	2012	Variation
Net sales	3,966,278	4,554,688	-12.9%
EBITDA	228,143	197,599	15.5%
EBIT	88,284	47,739	84.9%
Result before taxes and minorities	33,180	-18,759	---
Depreciation	134,981	147,976	-8.8%
Gross cash flow	168,161	129,217	30.1%
Result after taxes and minorities	22,068	-18,329	---
Net cash flow	157,049	129,647	21.1%

ASSETS (Million euros)	2013	2012	Variation
Non current assets	2,200.07	2,308.17	-4.7%
Current assets	1,790.90	1,907.46	-6.1%
Inventories	729.59	870.48	-16.2%
Debtors	410.55	428.70	-4.2%
Trade debtors	*376.62*	*386.26*	*-2.5%*
Other debtors	*33.94*	*42.44*	*-20.0%*
Cash and other current assets	650.76	608.28	7.0%
Total assets	3,990.97	4,215.63	-5.3%

Liabilities (Million euros)	2013	2012	Variación
Equity	1,553.22	1,713.01	-9.3%
Non current liabilities	990.61	1,178.12	-15.9%
Interest bearing loans and borrowings	750.66	895.40	-16.2%
Other non current liabilities	239.95	282.72	-15.1%
Current liabilities	1,447.14	1,324.50	9.3%
Interest bearing loans and borrowings	408.27	268.81	51.9%
Trade creditors	865.18	827.76	4.5%
Other current liabilities	173.68	227.93	-23.8%
Total equity and liabilities	3,990.97	4,215.63	-5.3%

The strategy of working capital management which Acerinox has been executing in the last few years is oriented in three directions: to reduce as much as possible inventories of material in process and finished goods, to extend the period of payment to suppliers and to factor accounts receivable.

Working capital

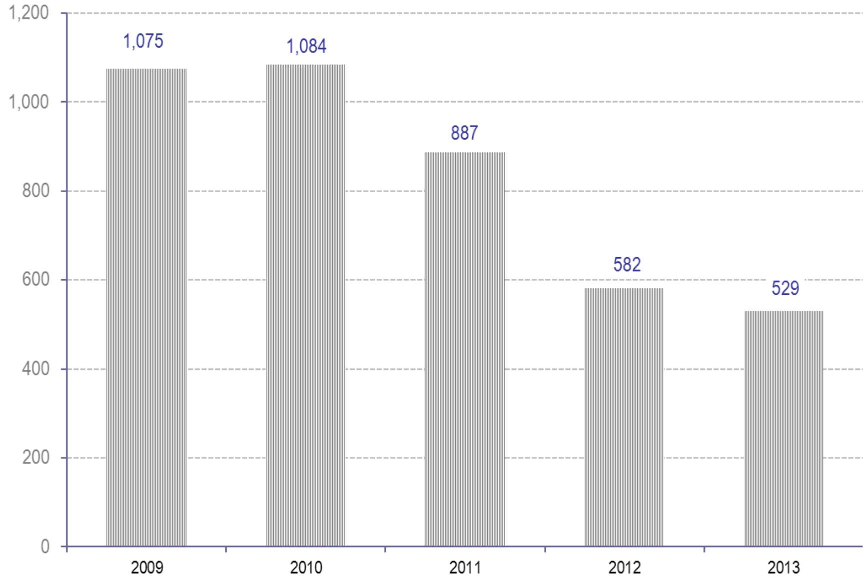
Millions of euros

	2013	2012
Inventories	730	870
Debtors	377	386
Creditors	865	828
WORKING CAPITAL	**241**	**429**

Finance charges decreased by 17.1% as a result of debt reduction.

Evolution in the net financial debt

Millions of euros



At December 31st, 2013 Acerinox had 1,804 million euros of credit lines in force, of which 36% were available. In April of 2013, a syndicated facility for factoring without recourse was signed for an amount of 370 million euros and a tenor of 18 months. Banesto Bank served as structuring agent for the operation, whose participating entities were: Santander Factoring and Confirming, Banco Español de Crédito, Banca March, Caixabank, Banco Popular Español, Bankinter, Banco de Sabadell, and Banque Marocaine du Commerce Exterieur International.

All covenants included in financing agreements and related to the ratios of the Group were met by a significant margin. The ratio of net financial debt/ EBITDA was 2.3 times at December 31st, and net debt/ equity was 34.1%.

The total cash flow generated was 97.2 million euros after making payments for investments in fixed assets for an amount of 161 million euros.

Working capital

Millions of euros

	Jan - Dec 2013	Jan - Dec 2012
Result before taxes	**33.2**	**-18.8**
Adjustments for:	**185.7**	**217.6**
Depreciation and amortisation	*135.0*	*148.0*
Changes in provisions and impairments	*1.7*	*4.2*
Other adjustments in the result	*49.0*	*65.5*
Changes in working capital	**149.1**	**470.1**
Changes in operating working capital	*187.9*	*530.5*
· Inventories	*140.9*	*248.9*
· Trade debtors	*9.6*	*90.7*
· Trade creditors	*37.4*	*190.8*
Others	*-38.8*	*-60.4*
Other cash-flow from operating activities	**-108.7**	**-103.5**
Income tax	*-54.7*	*-41.4*
Financial expenses	*-54.0*	*-62.2*
NET CASH-FLOW FROM OPERATING ACTIVITIES	**259.3**	**565.5**
Payments for investments on fixed assets *	**-160.8**	**-150.5**
Others	**-1.3**	**-0.2**
NET CASH-FLOW FROM INVESTING ACTIVITIES	**-162.1**	**-150.7**
NET CASH-FLOW GENERATED	**97.2**	**414.7**
Acquisition of treasury shares	**0.0**	**0.0**
Dividends payed to shareholders and minorities	**-46.8**	**-112.2**
Changes in net debt	**18.5**	**116.7**
Changes in bank debt	*-5.3*	*113.0*
Conversion differences	*23.8*	*3.7*
Attributable to minority interests	**0.0**	**0.0**
Others	**0.1**	**0.7**
NET CASH-FLOW FROM FINANCING ACTIVITIES	**-28.3**	**5.2**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**68.9**	**420.0**
Opening cash and cash equivalents	**582.7**	**164.6**
Effect of the exchange rate fluctuations on cash held	**-22.0**	**-1.9**
CLOSING CASH AND CASH EQUIVALENTS	**629.6**	**582.7**

(*) Payments effectively made on investments during the period, regardless of when these were entered in the fixed asset investment portfolio.

4.- SHAREHOLDER RETURNS

The General Shareholders Meeting was held on 5 June, 2013, and it approved the payment of a flexible dividend up to a maximum amount of 112,187,045.70 euros, equivalent to 0.45 euros per share, or the same amount, adding together the dividend and share premium, that has been perceived by Acerinox shareholders since 2008.

This flexible dividend replaced for the year 2013 the three dividend payments plus share premium that were made in previous years, and was carried out according to the following schedule:

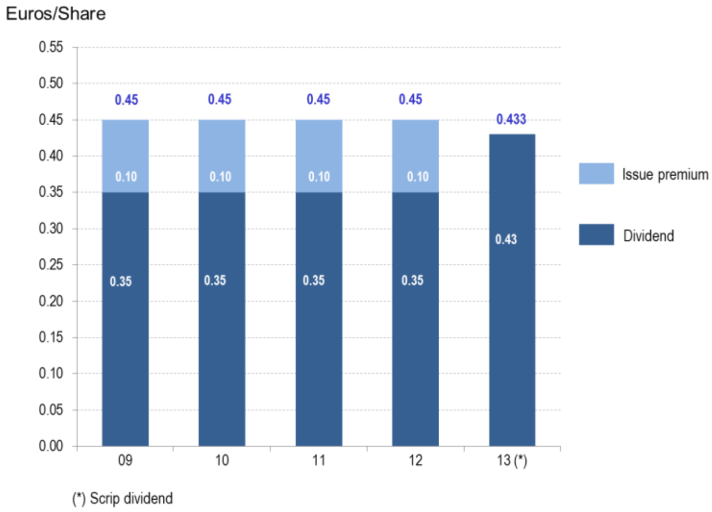
- 5 June, 2013, when it was approved by the General Shareholders Meeting.
- The days between the 6th and 12th June, 2013 were the reference dates to determine the average exchange of the shares at closing, with this "pre-cot" being established at 7.7864 euros per share. The result of this change determined the next two parameters, according to the agreement approved in the General Meeting:

    • The number of free allotment rights needed to receive a share was established at eighteen (18).
    • The price perceived by corporate shareholders at the start of the operation who wanted to sell their shares to Acerinox was set at 0.433 per share.

- The free allotment rights were negotiated on the Continuous Market in the Madrid and Barcelona Stock Exchanges from 18th June to 2nd July, 2013.
- Those who were shareholders at the start of the operation (11:59 on 17 June, 2013) had a period between 18th and 26th June, 2013 to report the sale of their rights to the corporation at the exchange price of 0.433 euros per share.
- On 5 July, 2013, soliciting shareholders perceived an amount of 0.433 euros for the sale of each of their free allotment rights.
- On 17 July, 2013, the 7,841,631 new shares from the capital gain of the flexible dividend approved at the General Meeting of 5 July, 2013 were admitted to official trading on the Continuous Market in the Madrid and Barcelona Stock Exchanges.
- The return obtained by shareholders who had sold their rights to the Corporation meant an annual profitability of 4.7% in respect to the closing exchange for Acerinox shares in 2013.

Shareholders who opted to subscribe to new shares with their free allotment rights obtained a 26.7% revaluation, considering the closing exchange on the first day these shares were admitted to trading on the Continuous Market and the last exchange of 2013.

Annual shareholder returns



5.- STOCK MARKET INFORMATION

2013 was a good year for European stock exchanges, largely benefiting from signs of recovery in the Euro Zone. The Spanish index was the second best of all European markets behind only the German DAX, ending the year near its record high, climbing by 25%. The French CAC 40 (+18%), the Italian MIB (+17%), and the British FTSE (+14%) were some of the other outstanding indexes in Europe.

The American Dow Jones gained by 26,5%, also near record highs, while the Tokyo Stock Exchange rose by 57%, the best performance in 40 years.

The IBEX-35 returned to positive numbers after three consecutive years in decline. In 2013, the main Spanish index rose 21%, after having regressed by 32% since the year 2010.

Market evolution of the IBEX-35

Daily percentage data

The Spanish market was one of the hardest hit by the crisis, but the return of optimism in regards to Spain's economic recovery has spurred the return of foreign investment.

As can be seen from the following graph, Acerinox stock behaved quite similarly to that of the IBEX-35 until the month of December.

Market Evolution of Acerinox, S.A. and the IBEX-35

Daily percentage data

Acerinox, after dropping to its lowest price in June (6.9 euros), rebounded by 43% to 9.9 euros at closing on 6 November.

In the month of December, the IBEX Technical Advisory Committee, decided to exclude Acerinox shares from the IBEX-35 on liquidity grounds, which had occurred in 1991 for the same reasons. Acerinox stock was adversely affected in 2013 by circumstances surrounding the European steel industry, hampered by the delay in the economic recovery, problems of overcapacity, and drawn-out conclusion of the Outokumpu restructurization.

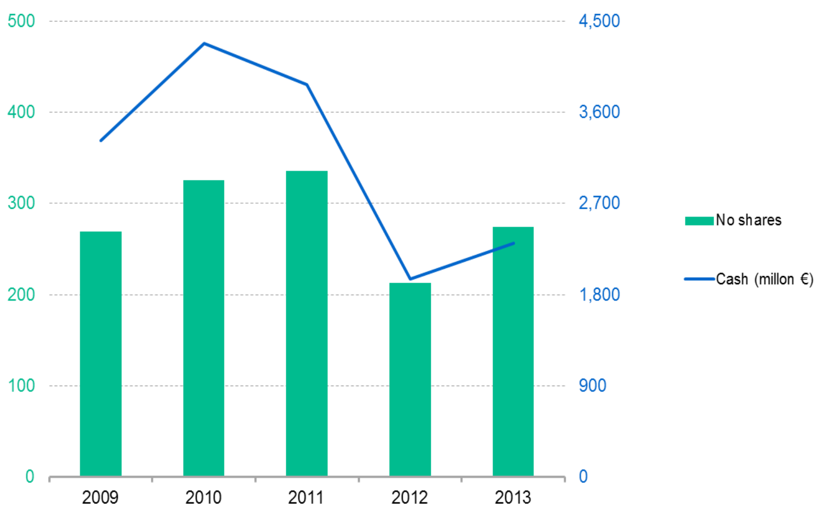
All these created a period of "treading water" in the industry, which logically had repercussions on the trading volume, which resulting in sending Acerinox to the 36th position on the Spanish Continuous Market in terms of trading volume.

In 2013, Acerinox shares were traded for the 255 days the Continuous Market was open for business. The total number of shares traded rose to 274,487,570, equivalent to 106.7% of the shares comprised by the share capital, with an average daily average daily trading of 1,076,421 shares.

The highest trading price was registered on 7 November with an exchange of 10.00 euros per share, while the lowest price was on 24 June with an exchange of 6.87 euros per share, with the average exchange price for the year being 8.41 euros.

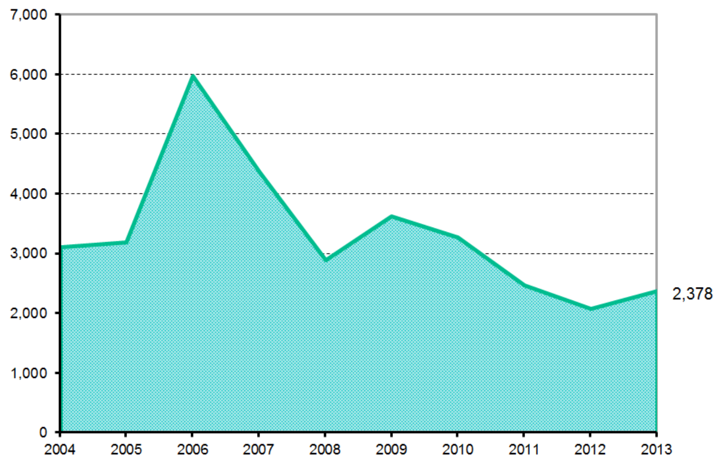
In respect to the trading volume, it reached a total of 2.309 billion euros for the entire year of 2013, with a daily average of 9.05 million euros.

Shares and Volume Traded



On 31 December 2013, the market capitalisation of Acerinox reached 2,378 million euros.

Market Capitalisation of Acerinox, S.A.
Millions of euros



Share Capital

On 17 July, 2013, 7,841,631 new shares of Acerinox, S.A. were admitted to official trading on the Madrid and Barcelona Stock Exchanges as a result of the increase of paid-in capital approved at the General Shareholders Meeting of 5 July, 2013 to set up the scrip dividend.

The attendance of shareholders and representatives at the General Shareholders Meeting of 5 July, 2013 held in Madrid represented 72% of the share capital.

World Markets

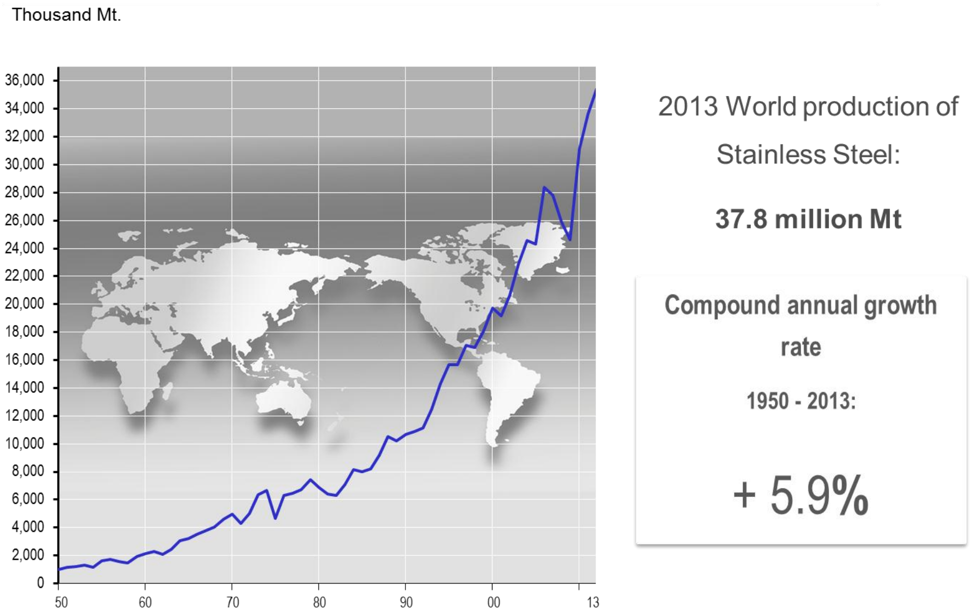
3. WORLD MARKETS

1.- Worldwide Production of Stainless Steel

Pending annual data from the ISSF, we estimate that worldwide production of stainless steel rebounded in 2013, reaching 37.8 million tonnes, a figure 6.8% higher than 2012 production levels, improving the annual growth rate.

Worldwide Production of Stainless Steel

In thousand MT



Source: VALE INCO e ISSF

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter (e)	Total
Year 2012	thousand Mt	8,922	9,017	8,582	8,843	**35,364**
Year 2013		9,421	9,225	9,318	9,820	**37,784**

An analysis by geographic markets, however, provides us with four completely different scenarios: Europe/Africa continued decreasing production (-3,2%), due to the situation in Europe and increased imports, while, America increased production (+3,4%), reflecting the health of its economy and domestic consumption. Asia, excluding China, had stable production (0.3%) while China's production rose (16%). This country now produces 49% of the stainless steel worldwide, when in 2001 this figure represented only 3.7%.

After two years of uncertainty, the merger of Outokumpu and Inoxum was resolved with the announcement on 30 November by Outokumpu that it would return the Italian steelworks AST to ThyssenKrupp due to its inability to find a buyer with a reasonable price so as to meet European Commission requirements.

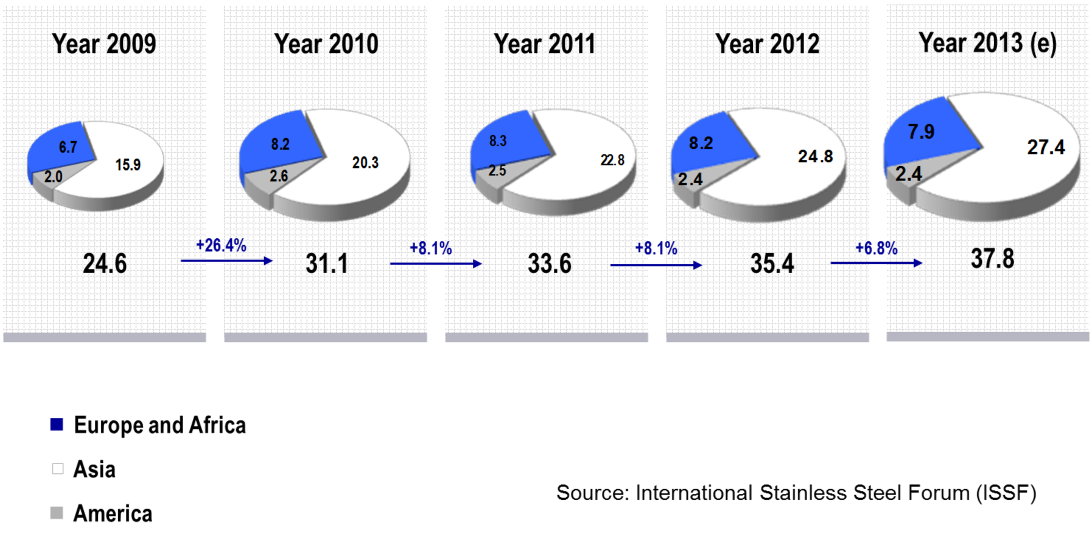
Although to a lesser degree than China, India also increased its production to 2.4 million tonnes, 5.4% higher than 2012. On the other hand, both South Korea (-1,1%) and Taiwan (-5.4%) showed declines, while Japan (-0.5%) generally maintained its production levels from the previous year.

		2012	2013	Variation
Europe/Africa	thousand Mt	8,188	7,927	-3.2%
America		2,368	2,449	3.4%
Asia without China		8,721	8,745	0.3%
China		16,087	18,663	16.0%
Total		35,364	37,784	6.8%

The evolution of worldwide production, analysed by regions, shows Asia manufacturing more than 72% of today's stainless steel worldwide.

Worldwide Production of Stainless Steel

In million MT



Source: International Stainless Steel Forum (ISSF)

2.- RAW MATERIALS

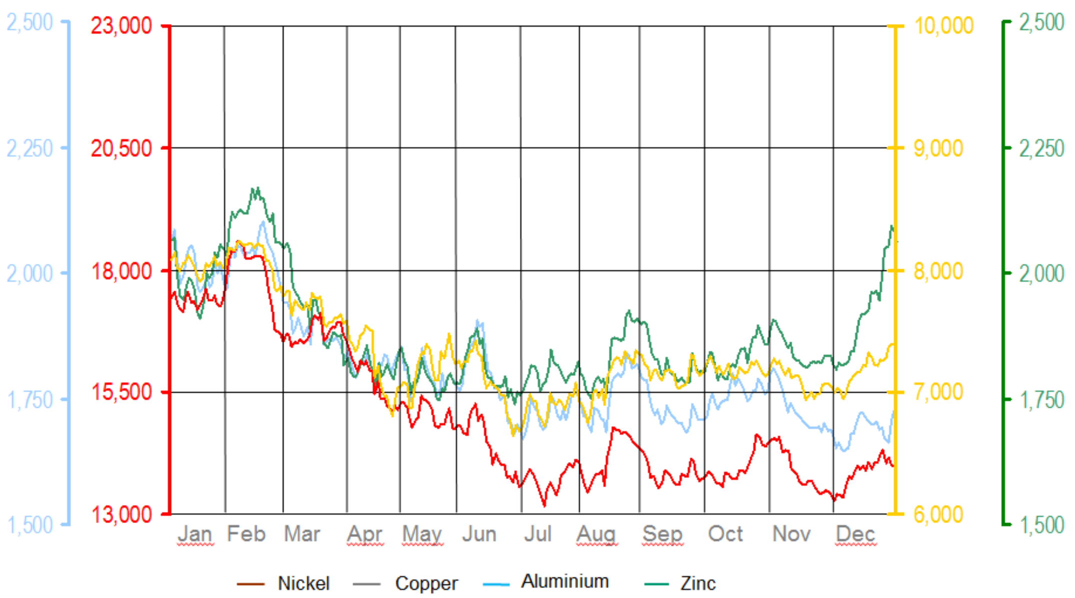
In 2013 the prices of the main raw materials necessary for the production of stainless steel had a general downward trend, falling in some cases to values which had not been seen since the onset of the financial crisis. The trend common to all these materials was that their highest prices came in the first few months of the year, while their lowest hit bottom in early summer and finally stabilising towards year's end.

Nickel

From early on in the year, all metal commodities saw their prices drop. Once again, nickel was the metal having the worst performance, falling by 19.8%. By comparison, copper dropped by 8.5%, aluminium by 15.7% and zinc by 0.1%.

Official raw material prices in the LME (2013)

Daily trading data (USD/MT)



Nickel has been dropping in price for the last three years. In 2013 it reached its highest value of the year of 18,633 USD/MT as early as 4 February. After that, it started its downward trend, reaching on 9 July its annual low of 13,203 USD/MT, the lowest level since May 2009. By year's end, its price had stabilised to levels around 14,000 USD/MT, ending the year at 13,985 USD/MT.

Official price of nickel in the LME (2012 and 2013)

Average trading price / three months (USD/MT)

The production of pig iron nickel in China considerably increased in 2013, to nearly 450,000 tonnes. This has consolidated China's position as the world's leading nickel producer. Nevertheless, it seems that there are gradually fewer advantages of using pig iron nickel: persistently low nickel prices, the natural tendency of the price of pig iron nickel to be pegged to that of the LME, and of no less importance, the decision of Indonesia to prohibit the exportation of nickel ore may have nullified one of the main advantages enjoyed by Chinese manufacturers.

Ferrochrome

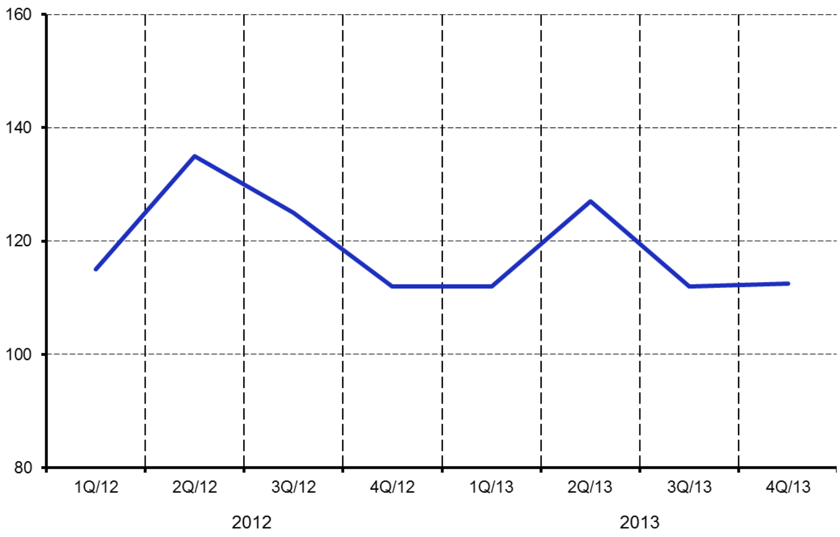
The price of ferrochrome began the year with a 2.3% rise, reaching 112.5 cents on the dollar per US pound (US¢/lb) in the first quarter. Buoyed by increased demand and new cutbacks to production in South Africa in the first half of the year, the price rose again by 12.9% situating at 127 US¢/lb in the second quarter.

In the third, caused by the continued dip in demand, increased production in South Africa and the commissioning of new capacities, the price once again fell to 112.5 US¢/lb, which maintained steady for the rest of the year.

For the second consecutive year, China held its ranking as the world's leading producer of ferrochrome, unseating South Africa. Paradoxically, electricity "buy-back" programmes in South Africa have caused a decline in the production of ferrochrome in the country and increased exportations of chromium ore to China, at the expense of local industry.

Quarterly price of ferrochrome

US¢ / lb.



The second half of the year featured price decreases: by 7.4% in the third quarter to 125 US¢/lb and 12% in the fourth quarter, ending the year at 110 US¢/lb, the lowest price since 2010.

Molybdenum

The price of molybdenum reached its annual high of 11.95 dollars per pound (USD/lb) on 4 January. Afterwards, due to the continued decline in demand and the expectations of new production plants starting up operations, the price maintained its downward trend, reaching its low point on 23 July at 9.115 USD/lb, its lowest price since May 2009. The reactivation of consumption in China in October, and subsequently the European and American markets, helped boost prices, which ended the year at 9.70 USD/lb.

Price of molybdenum

USD/lb.

Source: Metals Daily

In 2013 China also secured its position as the leading producer of molybdenum in the world with a production quota estimated at 36%, ahead of the United States, the second leading producer.

3.- Markets

2013 saw very different market behaviours occurring from region to region. Europe seemed to reach a turning point and began a slight increase, China continued being a motor of growth, and in the United States, this was the year that confirmed its return to growth.

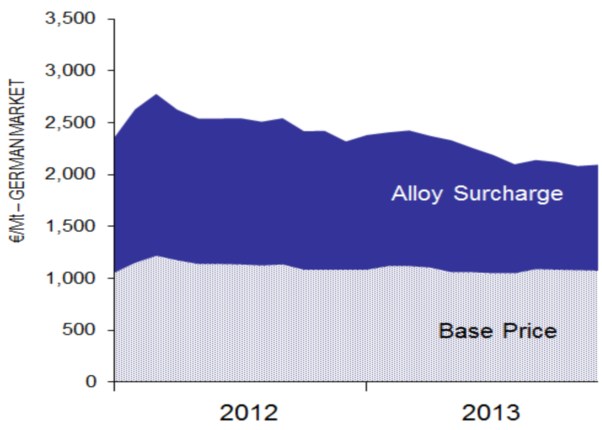
Europe

Europe went from the recession of 2012 and the first half of 2013 to slight improvement by the second half of the year, and although it was not enough to result in the growth of the GNP, perhaps it is a trend that will be confirmed in 2014.

The rate of consumption of stainless steel in Europe was parallel to that of the economy: the first quarter having slightly less than the same period in the previous year, with a certain recovery by the second. Slightly positive figures for consumption were clearly being reported by the third quarter and the year ended 1.7% up from 2012. The rise was particularly noted in the consumption of hot-rolled steel, due to a greater investment in equipment. On the other hand, still no recovery has been shown in cold-rolled products, denoting stubbornly low household consumption.

According to our estimates, the country having shown the strongest recovery is Portugal, where the apparent consumption of stainless steel grew by 19.2% after several years of sharp reductions, followed by Poland, with 13.2%, continuing to exhibit sustained growth. Also growing were the Scandinavian countries, with 7.2%, the United Kingdom with 2.3%, Italy 1.8%, and Spain 2.7%.

Prices of stainless steel plate | 2.0mm AISI 304 cold-rolled
2012 and 2013



Source: Metal Bulletin

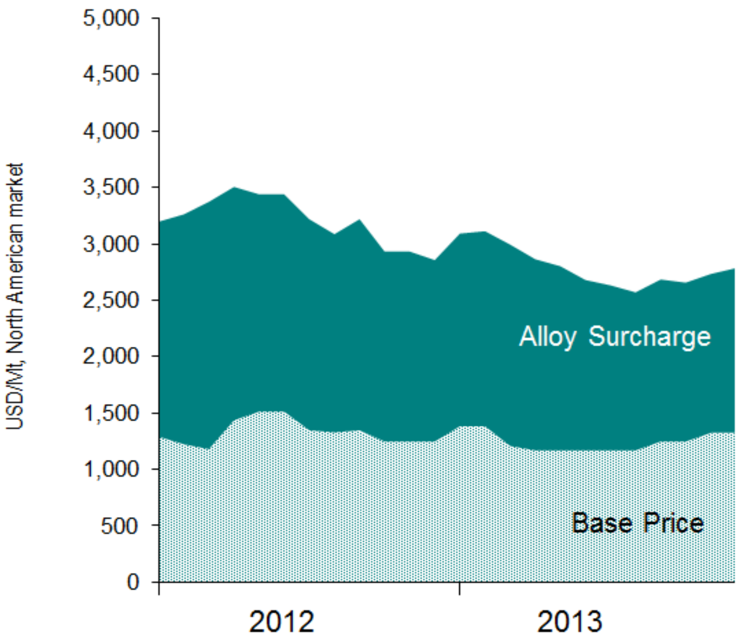
The United States

The GDP of the United States grew by 1.6% and the country ended the year with unemployment rates below 7%, despite some uncertainty regarding its debt ceiling, fiscal and economic policies, and monetary easement plans.

The apparent consumption of stainless steel flat products in the United States grew by 4%, the fourth consecutive year of positive growth, demonstrating strong internal consumption, the robustness of the American economy, and the efficiency of its energy and re-industrialisation policies.

Our prices in the American market were below the levels reached in Europe for practically the entire year. After increases were made in August and October, the levels drew even and increased to the point where they surpassed the European figures.

Prices of stainless steel plate | 2.0mm AISI 304 cold-rolled
2012 and 2013



Source: Metal Bulletin

South Africa

The apparent consumption of stainless steel flat products dropped in South Africa in 2013 by 9% to 158,700 tonnes, reflecting a weak domestic market and the delays curtailing the start up and operation of large-scale investment projects. Nor did the country's labour unrest over the past year help, or the high price of electricity, which hurt basic local industries.

Asia

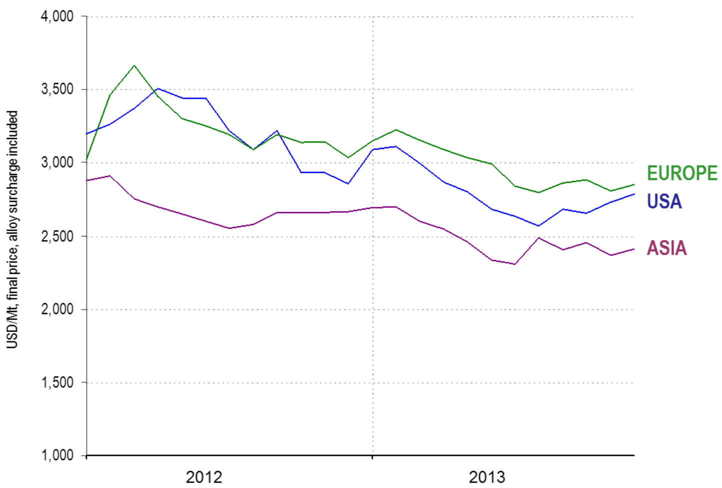
Apparent consumption in China demonstrated large increases (13.4%) with up to 14.6 million tonnes, according to the "China Special Steel Enterprise Association".

In ASEAN countries, apparent consumption continued to grow steadily, 43% since 2008, the year Bahru Stainless was founded, which maintains its forecasts for steady growth in the years to come.

Indeed, the ASEAN zone continues being one of the areas that welcome industries relocating from the Western Hemisphere. With an approximate population of more than 600 million inhabitants, who in many cases are still joining the consumer society, and sustained growth rates which are often higher than 5%, the area has unparalleled potential for the penetration of stainless steel in the world today.

The infrastructure programmes for the area's many governments make it plain to see there will be a large demand for stainless steel for years to come, particularly true of a local climate which favours the use of stainless steel over common steel.

Prices of stainless steel plate | 2.0mm AISI 304 cold-rolled
2012 and 2013



SOURCE: Metal Bulletin Research "Stainless Steel Monthly"

Excellence Plan / Investments / I+D+i

4. EXCELLENCE PLAN / INVESTMENTS / R+D+i

1.- EXCELLENCE PLAN

The Excellence Plan III (2013 – 2014) was begun, like the other two editions, as the result of intense and in-depth internal benchmarking programmes.

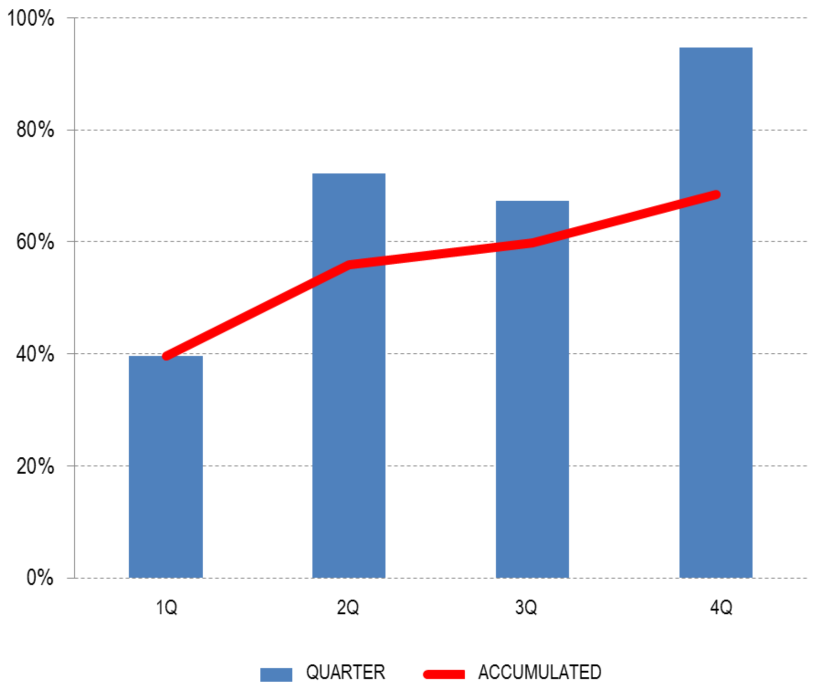
This third plan delves into areas included in the previous editions and adds some new sections, totalling 16 sections divided into four groups:

- Excellence in operations.
- Excellence in managing working capital.
- Excellence in the supply chain.
- Commercial Excellence.

It must be pointed out that all companies in the Group have been very implicated in the process of defining and developing the Plan. Attaining 100% of the set objectives will mean recurrent annual savings of an additional 60 million euros starting in 2015.

In its first year, 68% of its objectives were attained, which were equivalent to recurrent annual savings of 41 million euros. It is worth noting the rising progression in all sections throughout the year, which rose from 40% compliance in the first quarter to 95% by the fourth.

Results from the Excellence Plan III by quarter



2.- INVESTMENTS

In 2013, Acerinox made investments totalling 126 million euros. 47% correspond to the construction and expansion of the Johor Bahru factory, fundamentally in Phase II.

The breakdown of investments per company is the following:

	2013	2012
Acerinox, S.A.	0.7	0.2
Acerinox Europa	39.6	41.3
NAS	8.5	17.6
Columbus	16.0	7.7
Bahru Stainless	59.3	139.6
Roldan and Inoxfil	1.6	1.3
Spanish Trading Companies	0.1	0.1
Overseas Trading Companies	0.4	1.4
Total	126.3	209.1

It is also worth mentioning the investments made by Acerinox Europa, mostly in their Campo de Gibraltar factory, with a total of 39.6 million euros fundamentally destined to the renovation of the steelworks and the hot-rolled assembly line, which has heightened the efficiency of the most state-of-the-art factory in the Group.

3.- R + D + I

One of the keys to Acerinox's success has always been and will continue to be the importance it places on research, development and innovation. Some of the advances it has achieved in these areas have ended up becoming industry standards in stainless steel production.

This effort has not waned in times of economic crisis, as on the contrary, it is one of the key drivers the Group uses to ensure it stays competitive. The percentage dedicated to research, innovation and development maintains steadfast, with a tendency to rise. In 2013, 12.3 million euros were destined to this area, with the innovation department gradually becoming the one of the three taking on greater importance.

There were 42 innovation projects undertaken in 2013 and 7 research projects in the Campo de Gibraltar factory alone, with a similar number of projects undertaken in both NAS (23) and Columbus (10).

The Group's main factories have institutional ties with the universities and poly-technical schools in their local areas, which means there is a reciprocal flow of research, development and interaction work between them.

Standing out for their importance are the 2013 "Quality and Innovation" Awards, most of which were taken on for subsequent study and development by the corresponding departments.

The award for quality, safety and the environment went beyond expectation in both quantity - 25 projects in all - and also for their quality, preparation and study. Our personnel once again demonstrated their degree of involvement and commitment to the objectives of the company. The president of the selection board, the director of the Poly-Technical School of Algeciras, and the rest of the members awarded first prize in the category of Quality in Progress to Antonio Chacón Moreno for the project “Viability Study for the Reduction of Energy and Gas Consumption in AOD Processes". Second prize was awarded to the “Scratch Remover” project presented by Rafael Vázquez Fernández.

Having several factories with similar characteristics allows developments and improvements to be shared with extraordinary quickness. The improvements attained quickly become Group standards and their implementation by the other production units becomes obligatory, which is why the previously mentioned Excellence Plans, now in their 3rd edition, are such exceptionally important tools. They become the most effect catalysts in incorporating and spreading these technological innovations to the rest of the factories.

The Group's mid-term plans foresee an increase in the number of innovation projects to bring it closer to 100 plans per year and 20 for R+D projects, with the corresponding increase to their budget allotment.

Important Recent Events Since the Closing of the Financial Year

5. IMPORTANT RECENT EVENTS SINCE THE CLOSING OF THE FINANCIAL YEAR

1.- The European Commission authorisation of the acquisition of the Terni (Italy) factory by ThyssenKrupp.

One of the most unsettling factors within the European Market was the merger of Outokumpu and Inoxum, a ThyssenKrupp subsidiary. The operation, structured as an absorption of the latter by the former, immediately came into conflict with the determinations of the European Commission, which then forced the sale of the Acciai Speciali Terni factory in Italy and set a deadline for the operation.

The inability to find a buyer within the initial period first led to the extension of the deadline and finally the repurchase of this and other assets by ThyssenKrupp.

The result provides better stability within the European market and ends this period of uncertainty which had put a halt to the process of consolidating European manufacturers.

2.- Steel Action Plan.

In January 2014, Spanish authorities created a Working Group on the future of the steel industry in Spain, presided by the Minister of Industry, José Manuel Soria. This initiative is based of the Tajani Plan and which must project its impact in the area of Spain. Three work groups have been planned to examine energy, the environment and market access, respectively.

At the end of 2012, European Commission Vice-President Antonio Tajani unveiled an ambitious project intended to relaunch the European steel industry. The Plan, finally approved in 2013, committed European authorities to find a new competitiveness framework for the industry. Measures from environmental proposals to the analysis of commerce treaties would be successively implemented over the next few years with the monitoring of interested parties.

3.- New scenario for *nickel pig iron*

In January 2014, the prohibition by the Indonesian government of the export of a series of minerals, among them nickel, went into effect. This mineral was being exported to China, which processed it for its use in stainless steel manufacturing within its own territory.

The need to process this mineral in Indonesia means that the nickel yielded will be made available to international markets. The near-exclusive access to cheaper nickel was one of the advantages Chinese manufacturers enjoyed, but now all world producers can access the metal under equal conditions.

Individual Corporations of the Acerinox Group

6.- INDIVIDUAL CORPORATIONS OF THE ACERINOX GROUP

1.- ACERINOX

Acerinox S.A. is the group's parent company and the holding company of shares in its various subsidiaries. The company's shares are admitted to trade in the Madrid and Barcelona stock markets, as explained in the Management Report section. The share capital on 31 December, 2013 rose to 64,286,544.25 euros, comprised of 257,146,177 shares with a nominal 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.

The most significant figures of Acerinox, S.A. are given in following:

Million euros	2013	2012	Variation
Net turnover	50.9	41.1	23.9%
Result before taxes	-7.5	-32.5	76.9%
Depreciation	0.5	0.4	18.0%
Result afrter taxes	-4.7	-24.1	80.5%
Net cash flow	-4.2	-23.6	82.4%

The earnings of Acerinox, S.A. are the result of the receipt of dividends, when so established, and the provision of corporate services and the centralisation of financing in favour of the Group's various companies.

ASSETS

Million €	2013	2012	Variation
Non-current assets	**1,852.22**	**1,843.86**	**0.5%**
Current assets	**774.73**	**549.46**	**41.0%**
- Inventories	0.00	0.00	0.0%
- Debtors	13.16	17.03	-22.7%
Trade debtors	*6.52*	*10.32*	*-36.9%*
Other debtors	*6.64*	*6.71*	*-1.0%*
- Cash and other current ass	761.57	532.43	43.0%
TOTAL ASSETS	**2,626.95**	**2,393.32**	**9.8%**

LIABILITIES

Million €	2013	2012	Variation
Equity	**815.52**	**855.33**	**-4.7%**
Non-current liabilities	**721.23**	**884.24**	**-18.4%**
- Interest-bearing loans and borrowings	663.35	810.88	-18.2%
- Other non-current liabilities	57.88	73.37	-21.1%
Current liabilities	**1,090.20**	**653.74**	**66.8%**
- Interest-bearing loans and borrowings	330.22	206.31	60.1%
- Trade creditors	0.33	0.89	-62.8%
- Other current liabilities	759.64	446.53	70.1%
TOTAL EQUITY AND LIABILITIES	**2,626.95**	**2,393.32**	**9.8%**

Its assets fundamentally consist of shares in the other companies of the Group, financed by equity totalling 815 million euros and a debt of 994 million euros.

Shareholder Returns

The General Shareholders Meeting was held on 5 June, 2013, and it approved the payment of a flexible dividend up to a maximum amount of 112,187,045.70 euros, equivalent to 0.45 euros per share, or the same amount, adding together the dividend and share premium, that has been perceived by Acerinox shareholders since 2008.

This flexible dividend replaced for the year 2013 the three dividend payments plus share premium that were made in previous years, and was carried out according to the following schedule:

- 5 June, 2013, when it was approved by the General Shareholders Meeting.

- The days between the 6th and 12th June, 2013 were the reference dates to determine the average exchange of the shares at closing, with this "pre-cot" being established at 7.7864 euros per share. The result of this change determined the next two parameters, according to the agreement approved in the General Meeting:

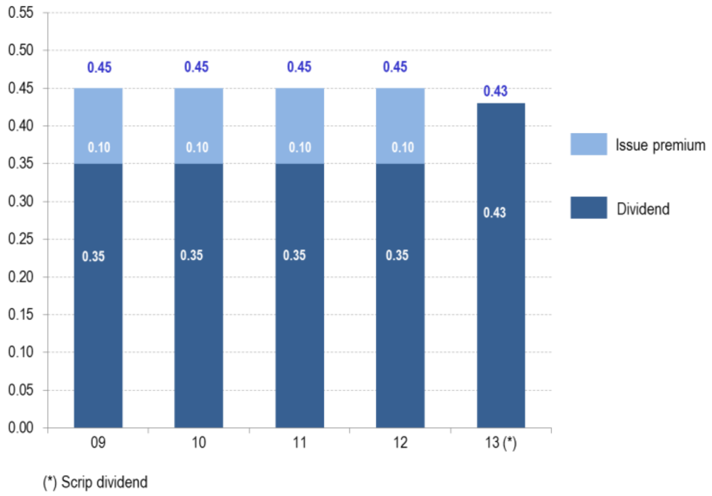
    - The number of free allotment rights needed to receive a share was established at eighteen (18).
    - The price perceived by corporate shareholders at the start of the operation who wanted to sell their shares to Acerinox was set at 0.433 per share.

- The free allotment rights were negotiated on the Continuous Market in the Madrid and Barcelona Stock Exchanges from 18th June to 2nd July, 2013.
- Those who were shareholders at the start of the operation (11:59 on 17 June, 2013) had a period between 18th and 26th June, 2013 to report the sale of their rights to the corporation at the exchange price of 0.433 euros per share.
- On 5 July, 2013, soliciting shareholders perceived an amount of 0.433 euros for the sale of each of their free allotment rights.
- On 17 July, 2013, the 7,841,631 new shares from the capital gain of the flexible dividend approved at the General Meeting of 5 July, 2013 were admitted to official trading on the Continuous Market in the Madrid and Barcelona Stock Exchanges.
- The return obtained by shareholders who had sold their rights to the Corporation meant an annual profitability of 4.7% in respect to the closing exchange for Acerinox shares in 2013.

Shareholders who opted to subscribe to new shares with their free allotment rights obtained a 26.7% revaluation, considering the closing exchange on the first day these shares were admitted to trading on the Continuous Market and the last exchange of 2013.

Annual shareholder returns

Euros / share



2. - ACERINOX EUROPA

Since 2008, an intense investment programme has been carried out to outfit the factory with the last technological advances. The cumulative investment over these six years has totalled 262 million euros. Thanks to these investments, quality, performance and allocation levels have notably improved in respect to 2012, reaching historic highs.

The ongoing Health and Safety Policy adopted by Acerinox Europa has led to the number of incidents per hour worked to drop by 28% in the period of 2010-2013. In the same period, absence due to illness or accident decreased by 17.5%.

Investment in prevention during 2013 rose to 1,138,541 euros.

Environmentally-related investments in 2013 totalled 3,322,040 euros and were particularly focussed on the treatment of acids and fumes and the reduction of water consumption.

In 2013, environmentally-related expenses at the Campo de Gibraltar plant totalled 15,388,643 euros.

The award for quality, safety and the environment went beyond expectation in both quantity - 25 projects in all - and also for their quality, preparation and study. Our personnel once again demonstrated their degree of involvement and commitment to the objectives of the company. The president of the selection board, the director of the Poly-Technical School of Algeciras, and the rest of the members awarded first prize in the category of Quality in Progress to Antonio Chacón Moreno for the project "Viability Study for the Reduction of Energy and Gas Consumption in AOD Processes". Second prize was awarded to the "Scratch Remover" project presented by Rafael Vázquez Fernández.

In the category of Safety and the Environment, the award went to the project "Sheet Metal Workshop, New Packing System. Safety and Production Improvements" by Luis Marcón Sánchez-Peña.

In the Environmental area, Acerinox Europa improved its rating in the Carbon Disclosure Project and renewed its classification in Global Reporting Initiative (GRI). It also took part in the Life Cycle Inventory project advocated by Eurofer and has led the effective implementation of the Environmental Management System (EMS).

In 2013, Acerinox Europa started an ambitious new training plan based on upon two fundamental pillars:

The first, as the great well of experience and knowledge of stainless steel manufacturing can be found amongst our long-time workers and managers and all their years of dedication, this training is to be imparted by this personnel, in some cases those who have retired. The second is that all this knowledge and experience cannot be lost and must be extended to the rest of the organisation.

It is well worth mentioning the monitoring, work and effort dedicated in the Excellence Plan III, in which 98% compliance of the objectives were attained.

3.- North American Stainless

For another year, the Ghent (Kentucky) factory has proven to be the most competitive, productive and profitable plant in the Group and quite possibly the world. Its monthly production levels remained on par with its record highs, and often surpassed them. The consistency and rebound of the American economy, particularly in the industrial sector, has encouraged the development of the plant.

In 2013 the staff of NAS underwent no appreciable changes, holding steady at 1,381 people.

The accident rate was the lowest in the Group, situated at 0.36% (lost injury time), a result of the excellent job done by the Health and Safety Department.

NAS concluded 23 new R + D + i projects, fundamentally in innovation and cumulatively amounting to 2.5 million euros, and continues with its investment plan, which in 2013 focussed on AOD equipment and thickness gauges on the finishing line.

The company continues to take part in environmental initiatives to safeguard the waters of the Ohio River and local conservation projects for local wildlife.

In 2013, the governor of Kentucky, Steve Beshear paid a visit to the Group's headquarters in Madrid, offering institutional support and thanking Acerinox for its contribution to American industry.

4.- COLUMBUS STAINLESS

Columbus suffered, like the rest of the Group, from the harsh conditions of the international market.

The South African market, the third most important for the Group, was stalled due to the slowing of construction plans in public works and the decline in exports of the local motor industry, as well as that of the manufacture of containers.

Low prices in Europe and Asia impeded real sales growth in these areas. This was why efforts were doubled to increase sales in other markets, such as Latin America and the Middle East.

The country's internal situation caused certain additional difficulties, as gas and electricity cost rose above inflation rates.

In terms of Human Resources, Columbus continued making strides in the *Black Empowerment* policies stipulated by the South African government. This has meant continuing efforts in favour of local communities and paying close attention to promote the acquisition of goods and services from companies who enjoy good ratings in this aspect. Similarly, training and professional development continued to be promoted among qualified black workers.

In 2013, Columbus was the main supplier of raw materials to the new plant the Group has been developing in Malaysia, and the technical assistance provided by the company's team to this new plant has been and continues to be essential.

Advances in health and safety were quite satisfactory, with accident rates at 0.73% (lost injury time), 38 fewer than 2012.

5.- BAHRU STAINLESS

In 2013, the company finalized the implementation of its Phase I equipment and began adjustments to the Phase II equipment.

The main Phase II equipment being tested includes a Zm-2 rolling mill, capable of processing thicknesses of up to 0.2mm, as well as a cold annealing and pickling line designed to work with thinner, higher value added thicknesses.

In 2013 the plant gradually raised its production, in accordance with the forecast learning curve. Production thus jumped 63%, prioritizing sales within the ASEAN zone.

This rise in production allowed for the increased utilisation of the Group's capacity, thanks to supply of hot-rolled reels from other plants. The equipment start-up process was aided by technical assistance from the rest of the Group, who sent in technicians from areas such as Europe, Japan, the USA and South Africa. On 31 December, a total of 385 people worked at Bahru Stainless, including 12 who had been sent from the Group's other plants.

At the end of the year, the first collective agreement was signed with the company's workers, which was characterized by following similar guidelines to those the Group uses in other countries, essentially Spain, where wages are decoupled from the Consumer Price Index and eventual wage increases are tied to quality and production results. The duration of the collective agreement was set for three years.

6.- ROLDAN AND INOXFIL

Roldan

The Ponferrada (Spain) plant demonstrated excellent sales capacity in guaranteeing its presence in large-scale infrastructure projects. The high point undoubtedly was to secure the contract to supply Duplex stainless steel bars for the construction of a bridge uniting Hong Kong and Macao to the amount of 15 million dollars. The project has more of a symbolic value than an economic one, as the country receiving the goods is currently the largest producer of stainless steel in the world.

The staff of Roldan consists of 422 people, 27 of whom are semi-retired.

In 2013, Roldan's R + D + i Department took part in 6 new projects and destined nearly half a million euros to this purpose.

Inoxfil

The wire drawing plant at Igualada (Spain) maintained its market share in Europe in 2013 - a rather tough environment - thanks the quality of its equipment and superb know-how of its staff. It likewise strengthened its sales network by taking on specialists in wire sales from several of the Group's commercial companies.

On 31 December, the Inoxfil staff consisted of 112 people.

7.- COMMERCIAL COMPANIES

The commercial companies continued with their process of restructuring based on contracting certain common services and implementing various improvements to their supply chains.

Spanish Commercial Companies

The cumulative sales of the Spanish commercial companies was 3% higher than that of 2012, in a market that seems on the point of bouncing back, with 2.7% apparent consumer growth.

Throughout the year, adjustments were made to the staffs of the leading commercial companies in Spain, sensibly reducing operating costs to adapt them to the new realities of the Spanish market.

Overseas Commercial Companies

The consolidated sales of the rest of the Group's commercial companies was 26% lower than the year before, fundamentally due to the sharp jump in direct sales from the Group's factories.

The Group continued with its strategy to start new companies in Asia by opening up of sales offices in Bangkok (Thailand), Manila (the Philippines) and Taipei (Taiwan). At the time this report was written, procedures were being completed to open up an office in Seoul (South Korea). Along with these companies, there also is a new sales office in Dubai (UAE).

Top Executives in our Industrial Companies

Acerinox Europa:
Mr. ANTONIO MORENO ZORRILLA

North American Stainless:
Mr. CRISTÓBAL FUENTES TOVAR

Columbus Stainless:
Mr. DAVE MARTIN

Bahru Stainless:
Mr. LUCIEN MATTHEWS

Roldan:
Mr. JORGE RODRÍGUEZ ROVIRA

Inoxfil:
Mr. ANGEL BRUÑÉN CEA

Top Executives in our Commercial Companies

1. SPAIN

Inoxcenter:
Mr. LUIS GUTIERREZ MAS

Inoxidables de Euskadi, the Basque Country:
Mr. JOSÉ CRUZ DE VICIOLA GARCÍA

2. EUROPE

Acerinox Germany:
Mr. JOACHIM MAAS

Acerinox Benelux:
Mr. LUIS PABLO GONZÁLEZ ROBLES

Acerinox France:
Mr. PHILIPPE AUDEON

Acerinox Italy:
Mr. GIOVANNI DI CARLI

Acerol Portugal:
Mr. FERNANDO MONTEIRO

Acerinox Poland:
Ms. PILAR SENISE GARCIA

Acerinox Scandinavia:
Mr. BENGT LAGERGREN

Acerinox Norway:
Mr. JAN GJERLAUG

Acerinox Switzerland:
Ms. HILDEGARD POITZ

Acerinox UK:
Mr. PABLO CANTLE CORNEJO

Acerinox Russia
Mr. ROMAN BUTYRIN

3. AMERICA

Acerinox Argentina:
Mr. JOSE CARLOS RODRÍGUEZ ARANDA

Acerinox Brazil:
Mr. DANIEL SILLERO GÜNTHER

Acerinox Chile:
Mr. IGNACIO MARTINEZ ALLUE

Acerinox Colombia:
Mr. GONZALO DEL CAMPO BARCÓN

Acerinox, S.A. Peru, Representative Office:
Mr. ALFREDO IPANAQUE VERTIZ

Acerinox, S.A. Venezuela, Representative Office:
Mr. GONZALO DEL CAMPO BARCÓN

North American Stainless Mexico:
Ms. BÁRBARA THIRION

North American Stainless Canada:
Mr. ROGER MANSFIELD

4. ASIA

Acerinox South East Asia (Singapore):
Mr. MANUEL LANDETA GAMONEDA

Acerinox Pacific (Hong Kong):
Mr. JORGE VALVERDE NAVAS

Acerinox India:
Mr. PRATIK KACHCHHI

Acerinox Shanghai:
Mr. JORGE VALVERDE NAVAS

Acerinox SC Malaysia
Mr. BARRY FOO

Acerinox Shanghai Co. Ltd. Wuxi (China), Representative Office:
Mr. JORGE VALVERDE NAVAS

Acerinox Guanzhou (China), Representative Office:
Mr. JORGE VALVERDE NAVAS

Acerinox Indonesia, Representative Office:
Mr. IGNACIO GUTIERREZ NARVARTE

Acerinox Metal Turkey:
Mr. JAAN ROXAN ARROYO

Acerinox Vietnam, Representative Office:
Mr. JAIME DEL DIEGO SANZ

Acerinox Thailand:
Mr. JOSE MARIA BLANCO

Acerinox Philippines
Mr. ALVARO OREJA

Acerinox Korea
Mr. JUNHO CHOI

Acerinox Taiwan
Mr. CARLOS BORES

Acerinox Middle East:
Mr. FERNANDO GOMEZ AIELLO

5. AUSTRALIA

Acerinox Australasia:
Ms. PATRICIA MAGARZO