

Annual Report

2002



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Medina Sidonia
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CADIX
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GIBRALTAR
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MARE MEDITERRANEUM
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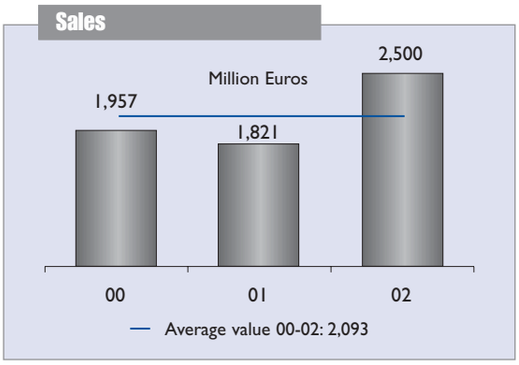
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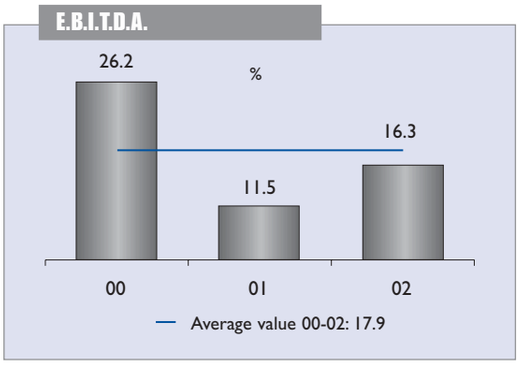
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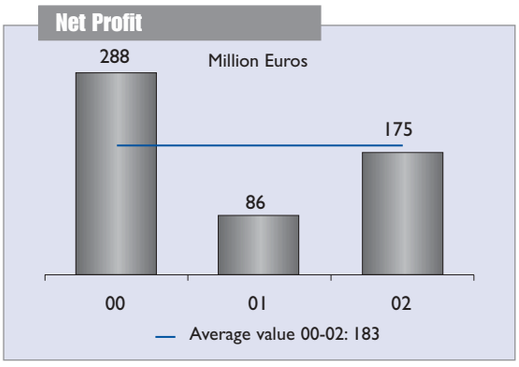
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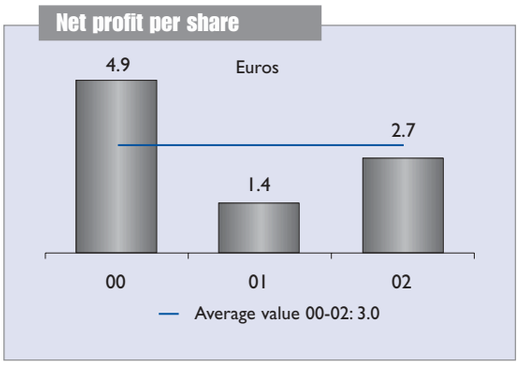
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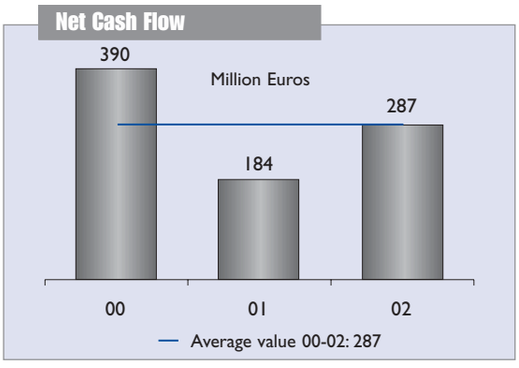
Most significant data of ACERINOX Consolidated Group

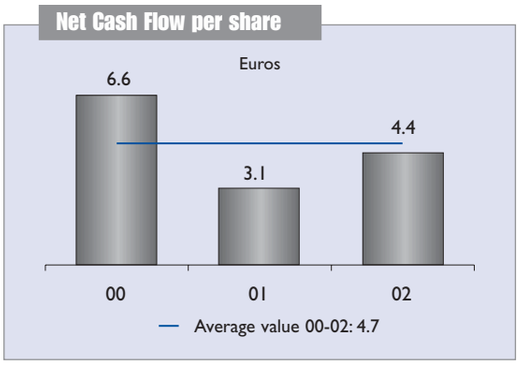




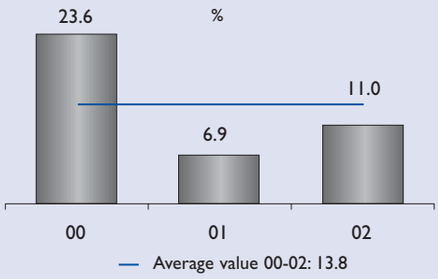




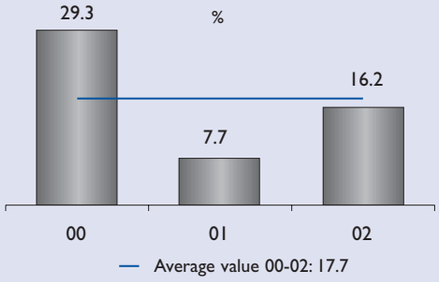




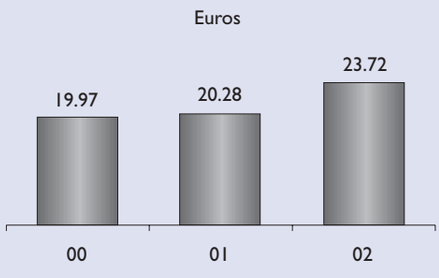
R.O.E.



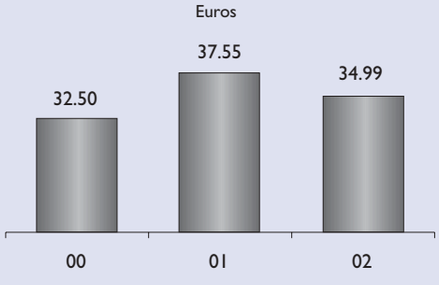
R.O.C.E.



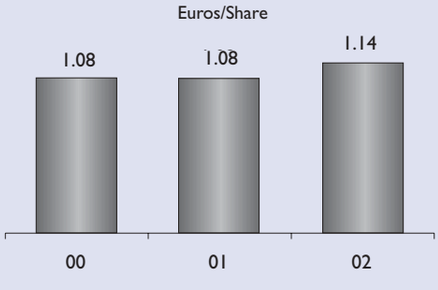
Book value per share



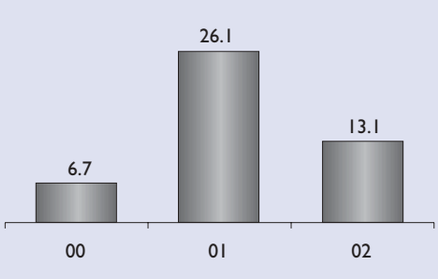
ACERINOX, S.A. Share value



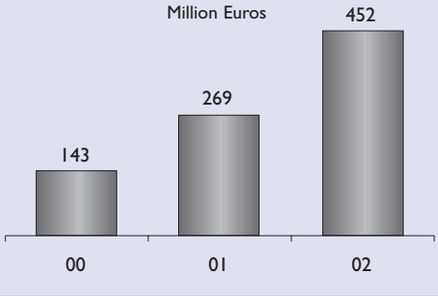
Shareholders return



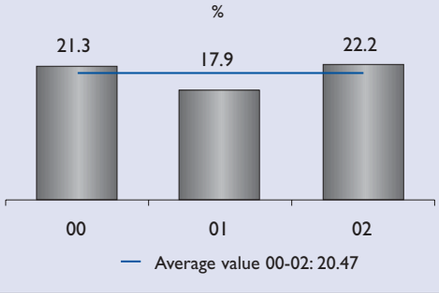
P.E.R.



Net investments



Gearing



Letter from the Chairman



Dear Shareholder,

The year 2001 was the worst in the recent history of stainless steels, featured by the high levels of inventories at the beginning of the year, as the close of an expansion economic cycle ended in summer of the year 2000, as well as by the downfall of raw materials prices, especially of nickel, and finally by the impact of September 11 that triggered a great pessimism all over the world, and, naturally, also in the stainless steels markets. The apparent consumption of stainless steels dropped by an unprecedented 4.3 % plunge in world production. Nonetheless, ACERINOX was able to continue with its investments programmes, to upkeep the dividend and to have a low debt, successfully overcoming the hard scenario.

Although the world economy uncertainty persisted, the year 2002 started much better with very low levels of stainless steel world stocks coupled with raw materials prices very close to the lowest historical quotations. Demand and prices of cold rolled flat products, by and large used in the consumption sector, began to show an upturn reaction. That was not, however, the case of thick plates and long products which as they go to capital goods sector, they continued to be affected by the current mistrust reflected in a substantial investmest reduction. Nevertheless, world production is estimated to have risen by 5.2%.

The year 2002 has been very important for ACERINOX Group. A new era starts with the aggregation of NAS Melting Shop and the incorporation of COLUMBUS. Thus, three factories with fully integrated manufacturing process are available, sited in three strategic continents, which turned out 1,761,278 MT of Melting Shop production. We have become the third largest producer in the stainless steel world ranking, with a share close to 9% that will rise in coming years as our actual production capacity already is 2.6 million MT.

The factory of Campo de Gibraltar was very much affected by the subcontractors strike of May as well as by the biannual maintenance halts in Melting and Hot Rolling Shops. Their effects, however, were diluted as the latter shop could be programmed with imports of hot bands supplied from our Subsidiary Companies NORTH AMERICAN STAINLESS (NAS) in USA and COLUMBUS PTY. LTD in South Africa. This measure enabled Cold Rolling Shop to reach a new record production.

Domestic Market had a 13.6% rise in the apparent consumption of cold rolled flat products. Hence, the 7.5% loss of the previous year was substantially recovered. Such increase doubled that of the joint European Union, as it occurred in the average of the last five years.

Net Sales of the Parent Company totalled 1,198 million € which is practically the same as the invoiced amount of the previous year. The production loss of Campo de Gibraltar factory was offset by the sales prices improvement, basically due to the alloy surcharges. The net result, after taxes, totalled 93.3 million € which is 19.7% more if compared to that of the year before, with a Net Cash Flow of 146 million € which is 9.6% more.

The long products factory of ROLDAN, S.A. boosted its production by 12.7%, and that of wire of INOXFIL, S.A. did similarly by 17.3%. They obtained positive results in a year featured by general dwindling of investments and introduction of compensation duties of Case 201 in USA which distorted not only that market but also other world areas.

The year 2002 has also been a year of advancement and consolidation of the Group Trading Subsidiaries which sold the outputs of the manufacturing companies and obtained highly positive results.

The most outstanding progresses achieved have been those of NORTH AMERICAN STAINLESS and COLUMBUS PTY. LTD.

The former increased significantly the outputs of its Hot and Cold Rolling Shops, and carried out the start-up of Melting Shop. Thus, the manufacturing process of Kentucky factory has become fully integrated. The Net Result after taxes totalled 43.8 million US$ with a net Cash Flow of 75.3 million US$, which tripled that of the previous year. Naturally these figures are expected to rise in next years to the extent that its production and sales increase. From now onward NAS costs

will be highly competitive and they will enable to strengthen exports. In this year when the long products section, and next year when No. 3 Sendzimir Cold Rolling Mill with No. 3 Annealing and Pickling Line installations come onto stream, the factory of Kentucky will become the most complete and one of the most competitive stainless steel manufacturing plants in the world.

The advancement of COLUMBUS during this first year of integration within ACERINOX has been a significant event. We feel very satisfied by the mutual blending achieved with the South African personnel who is highly receptive of our technology. For the first time of its history it has obtained a net profit, after taxes, of 22.7 million € with a net Cash Flow of 31.7 million €. The improvements and investments programme for the amount of 110 million €, that will be carried out in the years 2003 – 2004, will place that company in the front line of competitivity.

Net Sales of the Consolidated Group totalled 2,500 million € which is 37% more than the invoiced amount obtained last year. The result after taxes of ACERINOX Group totalled 175 million € which doubled that of year 2001 with a net Cash Flow of 287 million € which is also 56% more.

After carrying out consolidation adjustments, the contribution to the net year result has been as follows:

ACERINOX, S.A.	*53.2%*
NORTH AMERICAN STAINLESS (NAS)	*31.2%*
COLUMBUS PTY LTD	*6.1%*
Rest of trading and manufacturing Companies	*9.5%*

11% ROE, and 16.2% ROCE ratios have widely improved in comparison to those of last year. 22.2% gearing ratio increases as 452 million € have been invested, from which 232 million € belong to the acquisition of 64% stake of COLUMBUS PTY LTD that was financed by a capital increase of ACERINOX, S.A. for the same amount. All above ratios continue to be one year more a benchmarking in the steel sector.

Following the traditional policy of the Society to keep the dividend in bad years, such as that of 2001, and to improve it in other years, the two Interim Dividends on account of the year 2002 have risen by 9.5%. We also propose to increase the Complementary Dividend so that if the Issue Premium Refund of October is added to them, the total 1.14 €/share return for this year implies a 3.3% profitability on the quotation as at 30 December 2002.

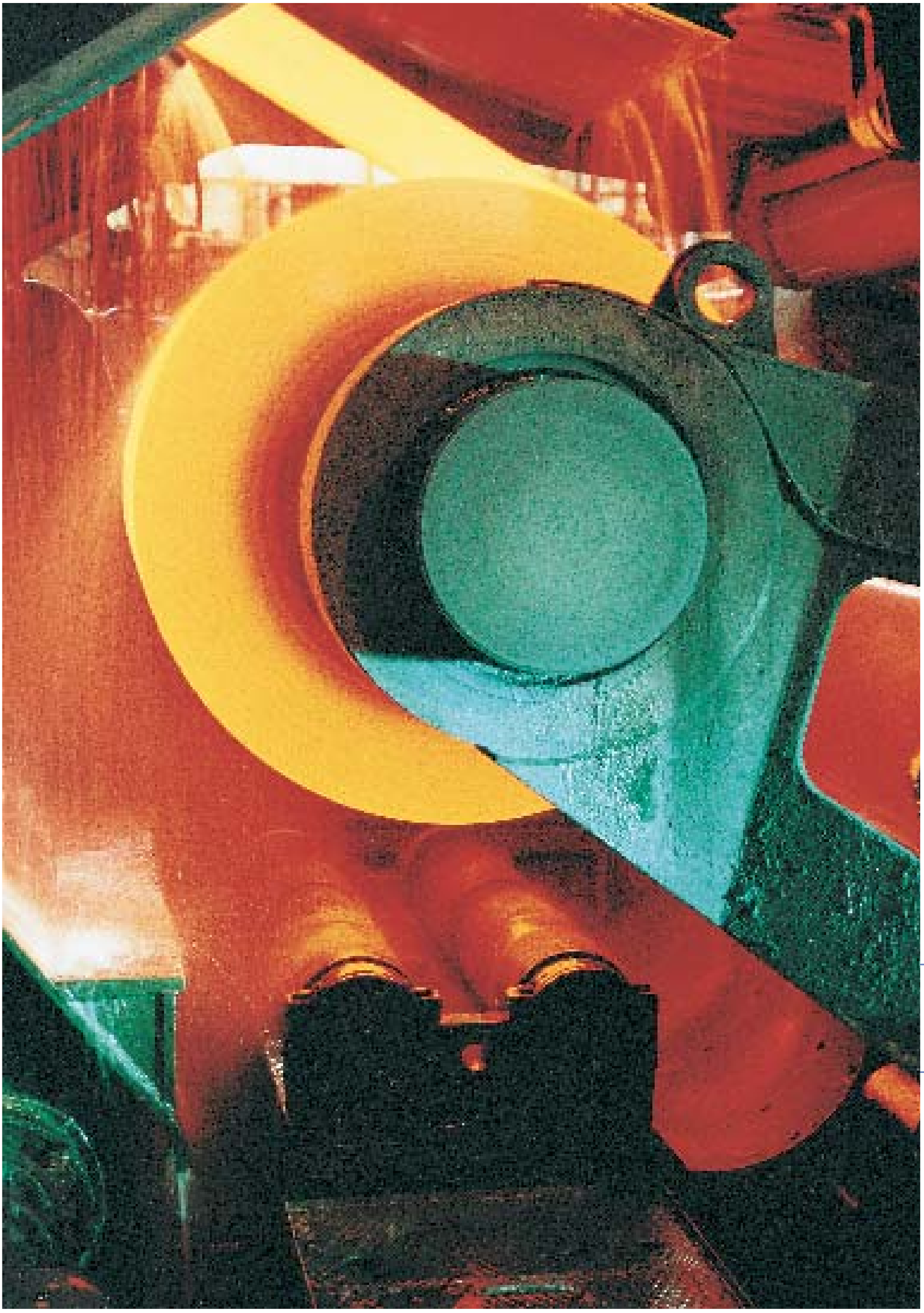
The evolution of our share in the Stock Exchange Market during the first seven months of the year was rather satisfactory, but it fell down later tainted by the overall pessimism. It reacted, however, after the release of the results obtained during the first nine months of the year. But, again, it dropped by the end of the year with a 6.8% downfall which, undoubtedly, does not match with our results or with the perspectives of our Group. Nonetheless, for the fourth consecutive year the behaviour of ACERINOX share is much better than that of IBEX-35. The 76.2% revaluation of our share during the period 1999 – 2002 is noticeable against the 38.6% loss of IBEX-35.

With the three fully integrated factories of stainless steels flat products of Campo de Gibraltar, Kentucky and Middelburg, in addition to the two plants of long products in Ponferrada and Kentucky (this latter one will come onto stream during this year), plus the wire factory in Igualada, and last but not least, all above coupled with our commercial network, endowed with Service Centres, warehouses and sales offices spread all over the world, ACERINOX Group stands out as a world leader. We no longer depend on one single manufacturing centre, and at the same time we keep a quick flexibility in decision making, unique in the stainless steel sector worldwide.

We are sure that ACERINOX Group will be able to take advantage of the new expansive cycle of world economy which will open up once Irak crisis is overcome, and it will continue creating value for our Shareholders.



VICTORIANO MUÑOZ CAVA
Chairman and Chief Executive Officer



1 Directors' Report

1 Factory of Campo de Gibraltar

1.1 Melting Shop

In the year 2002 Melting Shop has not surpassed the record production of the previous year, as it totalled 940,413 MT which is 8.4% less owed to two main reasons:

- The strike of subcontracted companies of the Campo de Gibraltar which lasted for nineteen days, and it caused a total halt of the Melting Shop during nine days in the month of May.

- The nine days biannual maintenance halt made between the months of November and December.

1.2 Hot Rolling

The captioned shop produced 734,555 MT which is 3.4% less than the year before. An acceptable diminution if we take into account that:

- The strike of subcontractors also affected that shop which had an intermittent operation during the strike and a full halt for six days.

- The biannual maintenance in the month of November. Furthermore, the significant



Factory Management Team



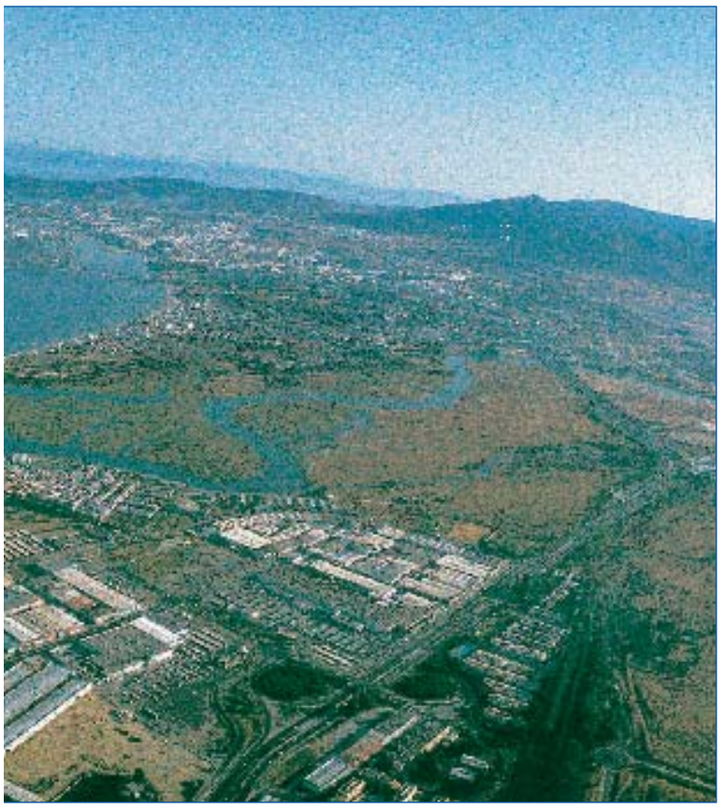
Bird's-eye view of ACERINOX, S.A. Factory in Campo de Gibraltar

improvements introduced in some equipments which even affected their foundations. For that very reason it lasted sixteen days.

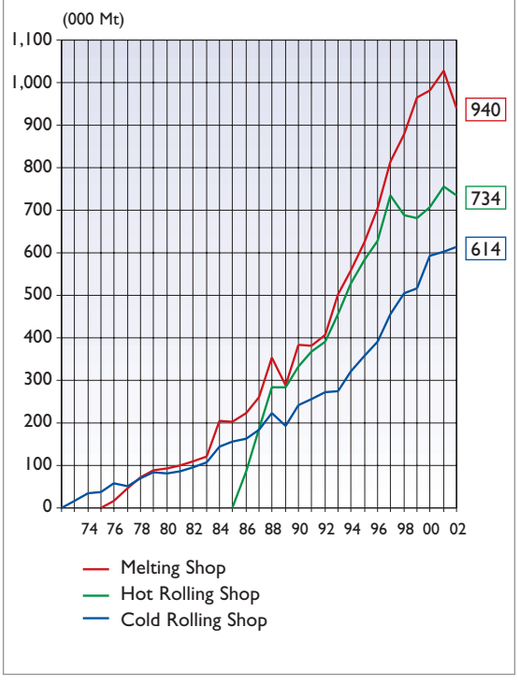
1.3 Cold Rolling

On the contrary, the Cold Rolling Shop has reached a meritorious record production of 614,416 MT which is 2% more than that obtained in the preceding year.

Although the effects of the subcontractors' strike also affected to some extent the output of the captioned shop during the months of May and June, the maintenance of Melting and Hot Rolling Shops did not affect them since they were scheduled and particularly because hot bands were imported from our subsidiaries NAS and COLUMBUS. The flexibility enjoyed from this year is to be highlighted as three fully integrated manufacturing factories are available.



Evolution of productions at Campo de Gibraltar Factory (1973-2002)



1.4 Pier

A high level of the installations operation has been maintained even if the record of last year was not obtained due to the aforementioned reasons.

In the year 2002, 329 vessels docked at the pier with a total harbour operation of 1,149,524 MT.

1.5 Subcontracted Personnel

In order to avoid problems in future derived from the labour agreement negotiations of the metal sector of Cadiz, which have so much affected the operation of our factory during this year, or at least to reduce to a great extent its impact, a total of 205 workers have joined ACERINOX workforce from subcontracted companies.

2 Raw Materials

2.1 Nickel

After the year 2001 with heavy plunges in nickel quotations of London Metal Exchange (LME), which to a large extent affected stainless steel prices, its evolution in the year 2002 underwent sharp oscillations but with a clear uptrend from the month of March. The change started in the month of November 2001 was consolidated. On July 15 the highest peak of 7,735 US$/MT was reached, but then it fell in the same month down to 6,585 US$/MT. In October a new upturn came up and the year ended with a quotation of 7,110 US$/MT which showed a total annual 30% hike.

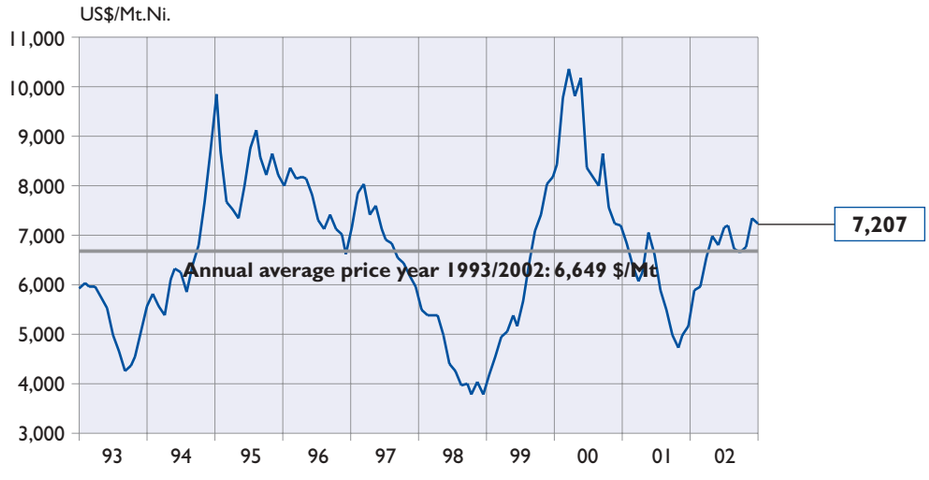
Official Nickel Price in L.M.E.

(Daily values) Year 2002



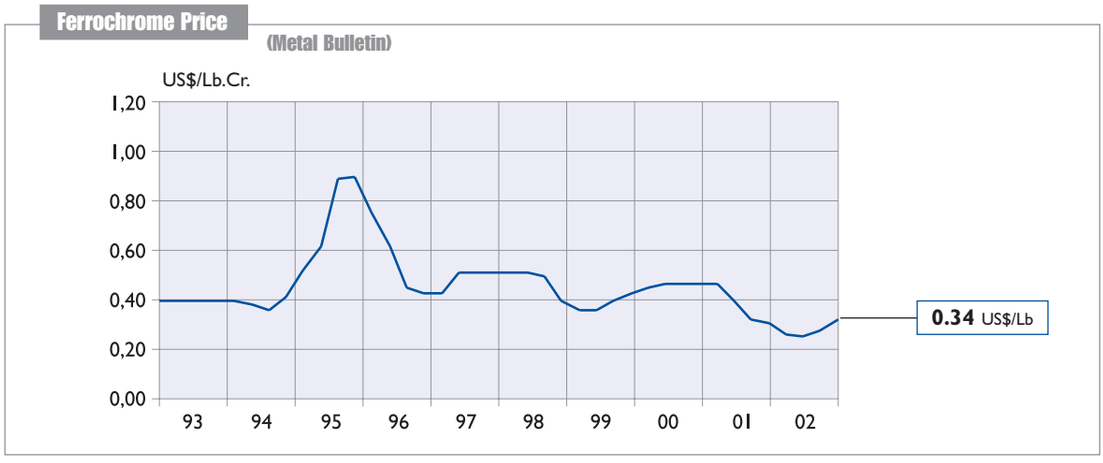
Official Nickel Price in L.M.E.

(monthly average values) 1993-2002



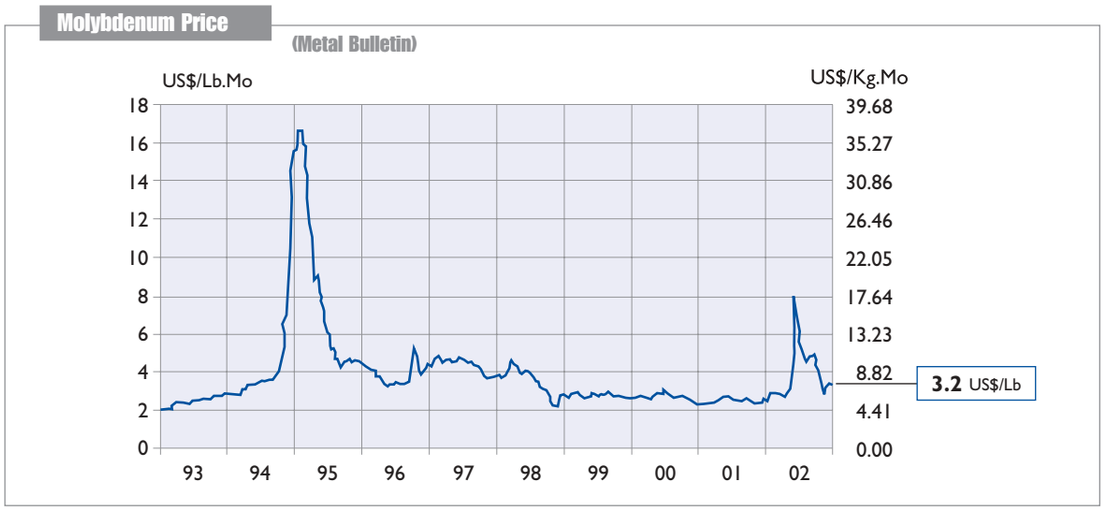
2.2 Ferrochrome

The world recovery of stainless steels production has implied a greater demand of ferrochrome with the consequent change of trend in prices which was confirmed in the last quarter. The total annual hike was 10%.



2.3 Molybdenum

The stability of molybdenum prices in the last six years, around 5 US$/Kg, was interrupted in the month of July when they jumped up to 17.4 US$/Kg due to speculative operations caused by occasional diminutions of exports from China and Chile. In the second half of this year prices quickly dropped and the year ended at 7.05 US$/Kg.



3 Sales

After the year 2001 which was the worst year in the stainless steel history, the year 2002 necessarily had to be better even if the world economy pessimism continued affecting investments which include a substantial part of stainless steels consumption.

Since inventories of stainless steels flat products were abnormally low by the end of 2001, when a change of trend had already begun in raw materials prices as already mentioned in the above chapter, stocks were replaced during the first nine months of 2002. But such replacement came to a halt in the last quarter due to the uncertainty created by the prewar situation with Irak, and its impact on oil prices upturn.

Fortunately, the same pessimism keeps stainless steels stocks at normal levels in most markets. And this is a quite different situation from that of summer 2000, the end of a long highly expansive economic cycle. Hence, a relaunching of world demand is expected in stainless steels as soon as Irak crisis is overcome.

The alloy surcharge applied in all European and USA markets, which in 2003 will start to be carried out in Japan, was rising during the first half of the year by following suit of the international prices of raw materials, especially of nickel. But, it went down in the second semester as consequence of the downfall of nickel price coupled with US$ devaluation against Euro. In December a recovery started.

Such strong oscillations of raw materials prices, generally speculative, jeopardize the normal development of stainless steels.

The year 2002 for ACERINOX commercial organization has been highly positive. In addition to selling under the best possible conditions the products of ACERINOX, S.A., ROLDAN, S.A., INOXFIL, S.A. and some products of NAS, it has begun to commercialise the products of its new subsidiary COLUMBUS PTY. LTD.

Net Sales of ACERINOX, S.A. during the year 2002 totalled 1,197.9 million €, which is 0.5% less than the invoiced amount of the previous year even if the volume of physical units sold was 7.6% less.

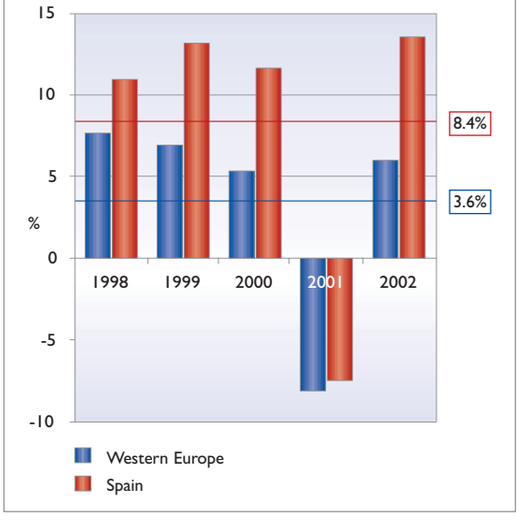
3.1 Domestic Market

In the year 2002 the apparent consumption of stainless steels flat cold rolled products rose by 13.6% in the Spanish market, widely recovering the downfall of the year before. Said growth rate is 130% higher than that of the joint European Union market.

In absolute figures, Spanish market has become the third largest market in Europe after Germany and Italy.

Net Sales totalled 465.5 million € which is 14.6% more than in the year 2001 even though it was 7.1% less than in the year 2000 when prices were much higher.

Increase of the apparent consumption of stainless steel cold rolled flat products

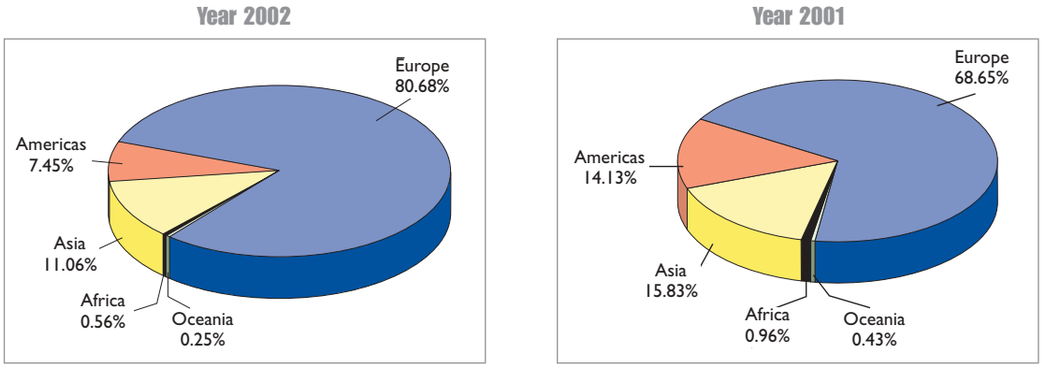


3.2 Overseas Markets

The apparent consumption of stainless steels flat cold rolled products has risen by 6% during the year 2002 in the European market. Thus, it has recovered the annual growth of the last twenty-five years.

Above mentioned Spanish, and, European market growths coupled with the heavy reduction of slabs shipments to the subsidiary NORTH AMERICAN STAINLESS –due to the start up of its Melting Shop–, together with the already mentioned lower production of Campo de Gibraltar Melting Shop, have all together modified the profile of the sales of the Parent Company as follows:

Geographical distribution of ACERINOX, S.A. net sales



Net Sales of ACERINOX, S.A. in overseas markets totalled 732.3 million € which is 8.1% less than in the year 2001.

During the year the Service Centre of Malmö was inaugurated with 11,040 m^2 built, endowed with shearing lines to process coils mainly supplied from the factory of Campo de Gibraltar. Its purpose is to provide better service to the markets of Scandinavian countries, Baltic Republics, Russia and Poland.

In the Board of Directors meeting held on November 13 it was resolved to acquire 25% stake in the new Service Centre of YICK HOE METAL INDUSTRIES SDN BHD in Johor (Malaysia). It will become another fulcrum for the sales of ACERINOX Group in the Far East which, as it is well known, enjoys the highest growth rate of stainless steels consumption. In this area ACERINOX, since years ago, has other three subsidiary companies in Hong-Kong, Singapore and Sidney.



Visit to Johor Installations

3.3 Market Promotion

This is an activity on which ACERINOX has displayed the greatest attention, which has contributed to have Spain become the third largest consumer of stainless steel in Europe.

3.3.1 CEDINOX

In the year 1985 ACERINOX promoted the establishment in Spain of the Association for Research and Development of Stainless Steels (CEDINOX), of which the subsidiaries ROLDAN, S.A. and INOXFIL, S.A., are also members in addition to INCO EUROPE LTD., SAMANCOR, WESTERN MINING CORPORATION y NIDI.

The targets of CEDINOX are as follows:

- To promote the expansion, use and updating of stainless steels through actions which contribute to their development in the industrial sectors.
- To organize visits, symposiums, courses and exhibitions which promote stainless steel applications.
- To provide technical assistance to enterprises and individuals.
- To create a centre, data basis, of technical as well as statistic documentation.
- To award Quality Marks.
- To issue brochures, journals or any other publication of interest for its members.
- To cooperate with similar overseas organisations.



3.3.2 EURO INOX

That organisation, formed in the year 1999, actively cooperates with other stainless steels European producers to promote the use of stainless steels in all European Union markets. Its activities are focused on specific projects of the construction and automobile sectors.

3.3.3 INTERNATIONAL STAINLESS STEEL FORUM (ISSF)

ACERINOX, S.A. is one of the founding members of captioned organization established in the year 1996. It has 50 enterprises and associations of 19 countries which represent 85% of stainless steel world production. It is part of the International Iron and Steel Institute (IISI). Its goals are "to enable stainless steel producers to meet and discuss common issues, to promote the rapid development of the use of stainless steel world-wide, to increase shareholder values and to give the industry a common proactive international voice" Successful experiences developed in different geographic areas are exchanged and new stainless steel applications are promoted.

4 Human Resources

The workforce of ACERINOX S.A. as at 31 December 2002 totalled 2,180 employees distributed as follows:

WORKING SITES	2002	2001
Factory Campo de Gibraltar	1,903	1,709
Head Office of Madrid	149*	151*
Service Centre of Gavá	69	69
Service Centre of Pinto	41	39
Service Centre of Betanzos	18	18
TOTAL	**2,180**	**1,986**

* Including 17 persons dispatched to overseas subsidiaries and representative offices (16 in 2001).

The increase of the workforce in the factory of Campo de Gibraltar is explained by the absorption of 205 workers from subcontracted companies.

The professional distribution is as follows:

	2002	2001
University Graduates	220	209
Clerical Staffs	336	338
Workers	1,624	1,439
TOTAL	**2,180**	**1,986**

During this year, following the traditional practice of the Society, a total of 17 Ongoing Training Programmes have been carried out with the attendance of 469 participants, in accordance to the policies of the new National Three Parties Foundation and the European Social Fund. Said programmes include: risks prevention, first aids, advance level of data processing and foreign languages.

In close cooperation of several Professional Traning Centres 20 students participated in Fellowship Programmes, who underwent practical training in several working sites of the Society.



Training Centre in the Factory

5 Research, Development, Innovation (R +D+I)

The R + D + I Programmes of ACERINOX, S.A. are purported, on one hand, to improve manufacturing processes such as stainless steels properties and qualities, and, on the other hand, to match steel types to the different usages and specific applications.

In the year 2002 a total of 1.6 million € have been invested to carry out European Research Programmes (15 within ECSC Programme and 3 within Frame Programme) and Domestic (18 MCYT, within PROFIT Programme) to fulfil the envisaged objectives. The basic features of said research programmes are as follows:

- Optimization of different properties of austenitic stainless steels, such a s formability, weldability and corrosion behaviour.
- Applicability of new stainless steels to the industry of inland transportation.
- Upgrading of Melting Shop processes in control as well as in relation to quality.
- Design of new stainless steels especially adapted to specific applications.
- Environment research: recycle of waste material, slag quality, etc.
- Improvement of materials characterization processes.

"José Mª Aguirre Gonzalo Centre" has received 10 graduate students during this year with training scholarships of research personnel, granted by ACERINOX, S.A. through agreements established with Cadiz and Malaga universities.



Furthermore, 7 PhD theses are being developed on several objectives among the aforementioned projects.

Investments of equipments have amounted to more than 0.8 million €. Among them the automation of tensile and hardness tests are to be highlighted.



Robbot System of Mechanical Tests

The Distributed Centre in Competent Network in Science and Technology of Stainless Steels has been consolidated. As an example, the 2nd Metallurgical Symposium is being prepared for the first quarter of the year 2003. A high response has been obtained from researchers and technologists in regard to their expected attendance.

6 Environment

ACERINOX, S.A. has developed an Environment Management System endowed with policies and objectives focused on an ongoing permanent environment protection.

One year more ACERINOX, S.A. has renewed its annual audit, and stands out as one of the enterprises certified by TÜV Management Service GmbH, in compliance with ISO 14001 Standard, on the Environment Management System.

The investments carried out during the year 2002 totalled 4.8 million € with the following main breakdown:

- Synopsis Table of exhaustion fumes purge in Melting Shop.
- Increase of dust collection from torch cutting exhaust in continuous casting of billets.
- Modification and improvement of the exhaust collecting system in No.4 Sendzimir Cold Rolling Mill.
- New plant of gasses cleaning in Annealing and Pickling lines to reduce the emission of NOx fumes much below present requirements.
- Collection and concentration system of physical signals of environmental data monitoring.

Said investments reflect ACERINOX, S.A. endeavour to improve the environment of the factory, making possible to achieve it together with production increase and preservation and creation of jobs.

Furthermore, the current expenses incurred on environtment protection and defense amounted to 10.9 million €.

Similarly, through formation courses all the personnel is trained to improve their commitment to environment protection.



Catalytic Tower for NOx Fumes Purging

7 Financial Report

7.1 Capital increase with exclusion of preferential subscription right

The General Shareholders Meeting held on 30 May 2001 authorized the Board to resolve a capital increase with exclusion of preferential subscription right. The Board of Directors Meeting of ACERINOX, S.A. held on 12 November 2001 resolved to carry out said capital increase of 5,800,000 €, by means of the issue of 5,800,000 shares at the issue rate of 40 € per share, from which 1 € belongs to face value and 39 € to issue premium.

The explanation brochure of said capital increase was verified by the National Securities Market Commission on the date of 20 December 2001.

The capital increase of 232 million € was fully subscribed on the date of 9 January 2002 by means of cash remittances on equal parts by the enterprises HIGHVELD STEEL AND VANADIUM CORPORATION (ANGLOAMERICAN Group), SAMANCOR LTD. (BHP BILLITON Group) and INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LTD.

The 5,800,000 shares belonging to the capital increase began to be traded in the Continuous Market on the day of 28 January 2002.

7.2 Acquisition of 64% of the share capital of "Columbus Stainless Pty. Ltd"

Similarly, on the date of 9 January 2002, ACERINOX, S.A. acquired 64% stake of the South African Company "Columbus Stainless Co. Ltd" for the same amount of 232 million €.

7.3 Return paid to the Shareholders

In the year 2002, ACERINOX, S.A. has disbursed to its shareholders the following amounts :

DATE	ITEM	€/SHARE	TOTAL AMOUNT €
4-01-02	1st Interim Dividend on account of year 2001	0.21	12,600,000
4-04-02	2nd Interim Dividend on account of year 2001	0.21	12,600,000
4-07-02	Complementary Dividend of year 2001	0.36	21,600,000
04-10-02	Refund of Issue Premium on account of the year 2002	0.30	19,740,000
Total year 2002		**1.08**	**66,540,000**

7.4 Return to Shareholders belonging to the Business Year 2002

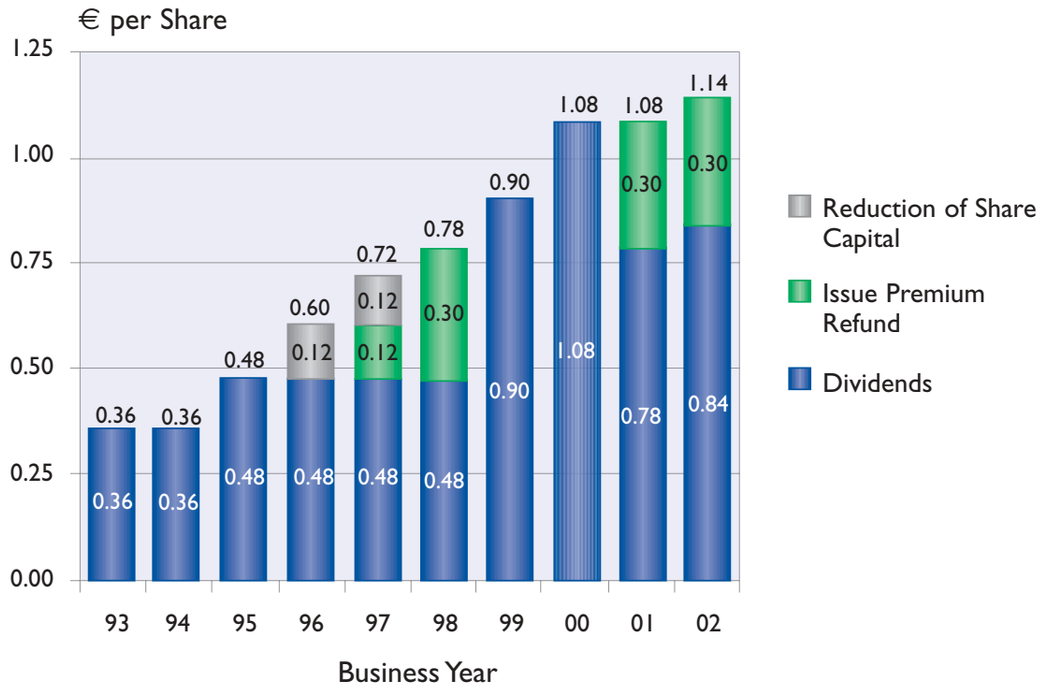
The following amounts have been disbursed:

- On 4 October 2002, 0.30 €/share as Return of Issue Premium.
- On 3 January 2003, 0.23 €/share as a 1st Interim Dividend.
- On 4 April 2003, 0.23 €/share as a 2nd Interim Dividend.

If the General Shareholders Meeting approves the dividend proposed by the Board of Directors, the return to Shareholders on account of the Business Year 2002 will be 1.14 €/share, which is 5.55% more compared to the return paid to Shareholders on account of the Business year 2001. Thus, the traditional policy of the Society is maintained of increasing the return to Shareholders in the years with good results, as this one, and of keeping it in the hard years as the last one.

The total return of the year in regard to the share quotation as at 30 December 2002 would yield a 3.26% profitability.

Return to Shareholders



8 Stock Exchange Market Report

For the fourth consecutive year the behaviour of ACERINOX, S.A. share in the Stock Exchange Market has surpassed that of the selective IBEX-35 Index.

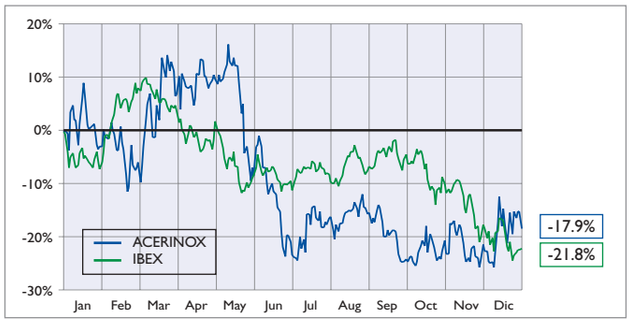
Evolution of the stock exchange market

Daily percentage values

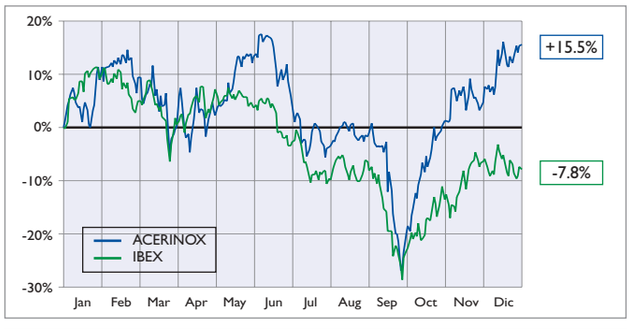
Year 1999



Year 2000



Year 2001



Year 2002



In these four years the quotation of own share has revalued by 76.18% against a 38.63% downfall of said Index.

In a very negative year for world Stock Exchange markets, IBEX –35 aligning with its homologous European dropped by 28.1%. ACERINOX, S.A. 's share on 31 December 2002 closed at 34.99 € which shows a 6.8% loss in the year.

The share actually showed a positive evolution in the first semester reaching the maximum 44.9 €/share in May. In the month of August underwent a dragged downturn as all Stock Markets for the globalized economic pessimism, the war threat of Irak, the pospontment of interest rates reduction and the uncertainty on the reliability of entrepreneurial results. The overall investment flatness, consequence of the above mentioned factors, plus the rejection of cyclical values, brought the share to a minimum value of 30.05 € in October. It reacted with an upturn from that level, most particularly after ACERINOX release of its satisfactory results of the third quarter.

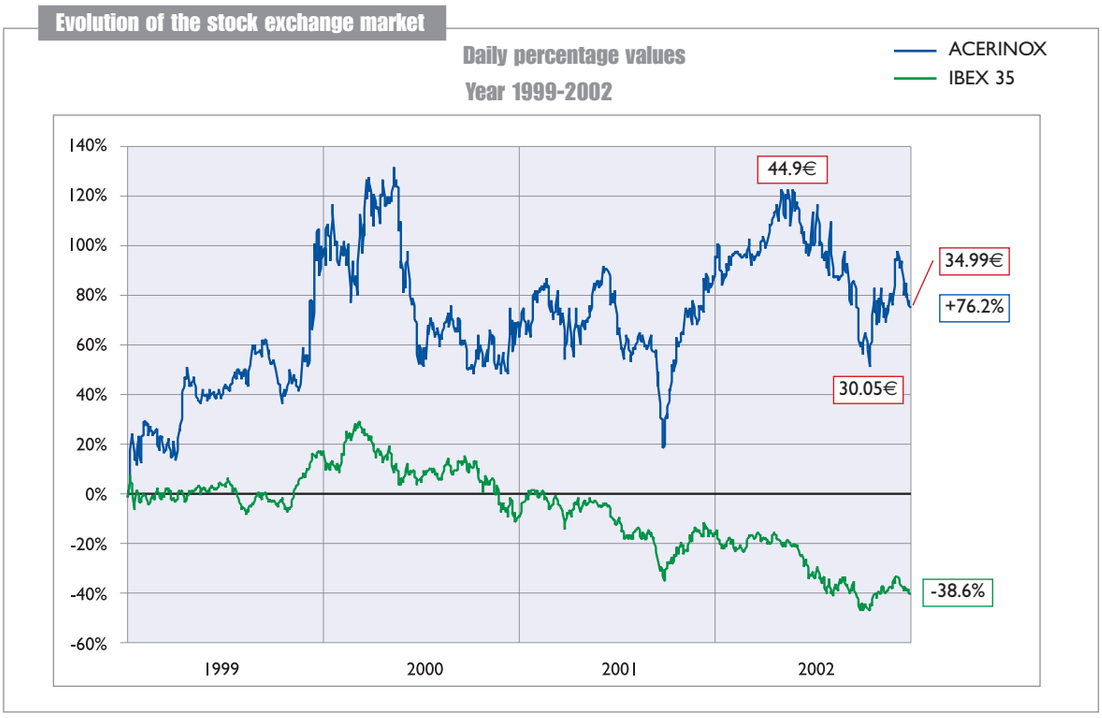
ACERINOX, S.A.'s shares were traded in 250 days of Continuous Market operation with a total of 82,375,592 shares equivalent to 3,154,676,488.43 €. This implies a daily average trading of 329,502 shares equivalent to 12,618,706 €.

The number of ACERINOX, S.A.'s shareholders totalled 18,590 by the end of the year 2002.

PER value of ACERINOX Group has amounted to 13.1 at the time of closing the year 2002 quotation.

The capitalization of ACERINOX, S.A. in the Stock Exchange Market was 2,302 million €.

Evolution of the stock exchange market



9 Investments

The investments made by ACERINOX, S.A. during the year 2002 totalled 305,753,939 € with the following breakdown:

- 18,837,375 € belong to investments in the factory of Campo de Gibraltar.
- 282,994,136 € belong to financial investments:

  50,994,136 € to the capital increase of NORTH AMERICAN STAINLESS INC.

  232,000,000 € belong to 64% stake acquisition of COLUMBUS STAINLESS PTY. LTD.

- 2,320,012 € belong to investments in equipments of Service Centres, Head Office and Data Processing.
- 1,602,416 € belong to R + D.

All above investments were financed by funds generated by the Society, with the exception of COLUMBUS PTY. LTD. financed by the aforementioned capital increase.



Capacity Increase of No. 2 AP Entry Accumulator

10 Economic Report

The gross result obtained by ACERINOX, S.A. totalled 121,292,412.76 €, after allocating the following extraordinary provisions in the year, made in accordance to the traditional accounting prudence of this Society:

- 9,082,422 € for the Stock Exchange market devaluation of our 1.02% investment in the share capital of NISSHIN STEEL. The quotation of that security as at December 31 was of 50 ¥/share, although its book value was 223 ¥/share.

- 1,494,376 € to cover the expenses of the last low radioactivity waste material already sent to El Cabril, originated in May 1998 from the incident of the Melting Shop of the Campo de Gibraltar factory, as well as those related to the non-radioactive material as classified by the Nuclear Security Council to be shipped overseas.

After application of deductions, tax amortization of the investments in Fixed Assets and tax adjustments, a Corporation tax will be accrued of 28,023,226.99 €, providing a net result of 93,269,185.77 € which is 19.7% more than the one obtained in the year 2001.

The allocation to depreciations made in the year 2002 amounted to 52,696,038.71 € which is 4.8% less than in the year 2001. It will continue dwindling in next years as the equipments are being written off in five years.

Thounsand Euros

	2002	2001	% VARIATION ON 2001
Net Sales	1,197,880	1,203,725	-0.4
Gross Result	121,292	97,745	24.1
Depreciations	52,696	55,339	-4.8
Gross Cash-Flow	173,988	153,084	13.7
Net Profit	93,269	77,899	19.7
Net Cash-Flow	145,965	133,238	9.6

Own Funds after the application of results totalled 1,234,177,766 €.

11 Board of Directors

The General Shareholders Meeting held on 30 May 2002 resolved to increase the number of Directors from twelve up to fourteen. In order to fill these two new seats and the existing vacancy, Mr. Leslie Boyd was appointed in representation of the Group of South African shareholders who subscribed the capital increase with exclusion of the preferential subscription right carried out on January 9. Mr. Santos Martínez-Conde Gutierrez-Barquin was appointed in representation of CORPORACION FINANCIERA ALBA. And Mr. Rafael Naranjo Olmedo, Managing Director of the Society, was also appointed. Similarly, the appointment by co-optation of Mr. Kosei Ishida was ratified and Mr. José Luis Lejeune Castrillo and Mr. David Herrero García, General Secretary of the Society, were reelected.

12 Corporate Governance

12.1 Corporate Governance Code

ACERINOX, S.A. from the year 1994 has a Behaviour in-Company Code on the matters related to the Stock Exchange Market which is binding not only on the Board Directors but also, in general, on Senior Management Staffs as well as on all employees whose activities are related to the Stock Exchange Market.

This Code regulates the use to be made of the inside information, and includes also the prohibitions on the achieved information thereof. It also establishes the compulsory need to communicate the Stock Exchange operations, and it fixes the obligations prescribed for the persons who can be affected by a conflict of interest. Furthermore, the procedure is established to report said situations. A Register Book is used on the persons affected by said Code.

12.2 Company Organs and Committees

ACERINOX, S.A. has structured the government of the Society through the following organs:

12.2.1 Board of Directors

The Board held six meetings during the year 2002, and according to the Articles of Association it is compulsory to hold at least three meetings a year. The General Shareholders Meeting held on 30 May 2002 resolved to modify no. 19 of the Articles of Association by raising the maximum number of Directors from twelve up to fourteen.

12.2.2 Selection and Remuneration Committee

This Committee was set up in 1994 and by delegation of the Board is the responsible organ for fixing the policy of selection and remuneration of the Senior Management Staffs. The proposal of the nomination of new Board Directors is also one of its functions. This Committee was made up in 2002 by four Directors, and it held four meetings during the year.

12.2.3 Audit and Economic Control Committee

This Committee was established in the year 1998 and its mission is to submit to the Board the proposal of outside Auditors, the verification of the annual audit plan, to know the reports on matters related to audit and control, as well as among other functions entrusted by the Board in relation to the above mentioned subjects. This Committee has four members and it held four meetings.

12.2.4 Steering Committee

It is working since 1991 and it holds daily meetings to examine the particularly relevant matters of the Society. It is chaired by the Chairman and Chief Executive Office of the Society with the participation of the following members: Managing Director, Financial Director, Commercial Director and the General Secretary

12.3 Aldama Report

In the year 2003 the previous Committees are being ajusted to the recommendations made by the Special Commission for the Promotion of Transparency and Security of the Markets and Officially Listed Companies, known as Aldama Commission.



2 Annual accounts and financial statements

ACERINOX, S.A.

BALANCE SHEETS AS AT 31 DECEMBER 2002 AND 2001
Before distribution of results (expressed in euros)

ASSETS

		2002	2001
A) FIXED ASSETS		**973,578,526.43**	**726,024,552.94**
I	Formation expenses	—	—
II	Intangible assets		
1	Research and development expenses	2,779,404.88	3,099,475.08
2	Concessions, patents, licences, brands and similar items	13,357,931.69	11,435,445.19
3	Lease premium	168,283.39	168,283.39
4	Software	9,130,066.36	8,516,364.95
5	Amortisation	(18,256,172.24)	(16,940,078.02)
III	Tangible fixed assets		
1	Land and buildings	146,267,229.35	143,388,585.85
2	Plant and machinery	653,897,125.17	636,357,246.81
3	Fixtures and fittings	3,864,107.93	3,665,475.55
4	Payments on account and assets in course of construction	1,309,010.04	1,619,763.78
5	Other fixed assets	27,955,219.80	27,717,934.94
6	Depreciation	(689,766,399.55)	(642,228,814.87)
IV	Investments		
1	Shareholdings in Group companies	813,641,773.64	530,647,637.71
2	Shareholdings in associated companies	354,695.92	354,695.92
3	Long-term securities portfolio	17,977,076.94	17,977,076.94
4	Other loans	48,551.39	14,003.68
5	Long-term deposits and guarantees	186,567.32	231,456.04
6	Provisions	(9,335,945.60)	—
V	Own shares	—	—
B) DEFERRED EXPENSES			—
C) CURRENT ASSETS		**549,959,100.09**	**530,464,674.23**
I	Inventories		
1	Raw materials and other consumables	80,228,756.88	62,813,376.99
2	Work in progress and semi-finished goods	69,579,915.55	59,631,047.42
3	Finished goods	67,373,208.65	67,709,119.43
4	By-products, scrap and reusable materials	1,697,262.47	475,893.44
5	Prepayments	1,049,708.96	1,034.48
6	Provisions	(958,634.45)	(898,885.82)
II	Debtors		
1	Trade debtors for sales and services rendered	64,268,869.05	67,637,306.91
2	Amounts owed by Group companies	254,137,104.99	256,107,546.25
3	Sundry debtors	1,291,537.94	4,196,326.80
4	Loans granted to employees	94,186.65	88,360.22
5	Taxes refundable	12,243,548.27	13,035,914.74
6	Provisions	(5,094,607.17)	(5,076,915.53)
III	Current asset investments		
1	Deposits and guarantees	3,121,088.90	3,573,120.72
IV	Cash at bank and in hand	711,658.18	923,934.60
V	Prepayments and accrued income	215,495.22	247,493.58
GENERAL TOTAL		**1,523,537,626.52**	**1,256,489,227.17**

LIABILITIES

		2002	2001
A) CAPITAL AND RESERVES		**1,274,315,765.86**	**1,018,120,580.09**
I	Share capital	65,800,000.00	60,000,000.00
II	Share premium account	314,644,777.50	108,184,777.50
III	Revaluation reserve R.D.L. 7/1996	21,834,497.41	21,834,497.41
IV	Reserves		
	1 Legal reserve	12,000,000.00	11,847,910.40
	2 Other reserves	781,901,305.18	750,954,259.58
V	Prior-year results	—	—
VI	Profit/loss	93,269,185.77	77,899,135.20
VII	Interim dividend	(15,134,000.00)	(12,600,000.00)
B) DEFERRED INCOME		**192,789.19**	**223,832.51**
	1 Gains on exchange	—	31,043.32
	2 Other deferred income	192,789.19	192,789.19
C) PROVISION FOR LIABILITIES AND CHARGES		**21,895,094.71**	**21,603,005.50**
	1 Provisions for taxes	725,032.78	699,691.54
	2 Other provisions	21,170,061.93	20,903,313.96
D) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		**863,326.73**	**660,625.91**
I	Debenture loans and other securities	—	—
II	Bank loans and other credit facilities	—	—
III	Amounts owed to Group and associated companies	—	—
IV	Other creditors		
	1 Other debts	863,326.73	660,625.91
	2 Long-term deposits and guarantees received	—	—
E) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		**226,270,650.03**	**215,881,183.16**
I	Bank loans and other credit facilities		
	1 Loans and other creditors	18,811,236.43	28,788,028.98
	2 Interest payable	244,197.17	107,455.31
II	Amounts owed to Group and associated companies falling due within one year		
	1 Amounts owed to Group companies	9,807,421.98	1,010,258.35
III	Trade creditors		
	1 Advance payments received on orders	3,118,820.41	3,962,097.50
	2 Creditors for purchases or services received	70,057,867.01	83,084,000.90
	3 Creditors represented by bills payable	47,853,716.60	36,158,624.58
IV	Other creditors		
	1 Taxes payable	15,828,858.65	6,945,484.57
	2 Creditors represented by bills payable	2,190,693.89	1,633,925.03
	3 Other debts	16,582,049.96	13,646,879.66
	4 Short-term deposits and guarantees received	—	110.71
V	Accruals and deferred income	41,775,787.93	40,544,317.57
GENERAL TOTAL		**1,523,537,626.52**	**1,256,489,227.17**

ACERINOX, S.A.

PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001
(Expressed in euros)

DEBIT

		2002	2001
A) EXPENSES		**1,135,796,212.41**	**1,152,881,579.35**
I	Reducción in inventories of finished goods and work in progress	—	29,027,436.53
II	Raw materials and consumables		
	1 Consumption of goods	39,292,685.48	-
	2 Consumption of raw and other consumable materials	774,079,873.62	814,006,628.95
III	Staff costs		
	1 Wages, salaries and similar remuneration	68,040,927.61	63,933,902.44
	2 Staff welfare expenses	22,064,062.42	19,923,797.94
IV	Fixed asset depreciation	52,696,038.71	55,338,512.23
V	Change in trade provisions		
	1 Change in provisions and bad debt write-offs	25,131.56	(9,798.95)
VI	Other operating charges		
	1 External services	134,510,452.77	142,407,488.05
	2 Taxes	1,619,038.88	1,793,890.23
	3 Other administrative expenses	—	4,823.12
OPERATING PROFIT		**130,539,067.79**	**84,298,470.87**
VII	Financial and similar expenses		
	1 On amounts owed to Group companies	39,653.29	60,154.61
	2 On amounts owed to third parties and similar expenses	4,573,968.04	6,544,485.54
VIII	Changes in provisions for investments	9,335,945.60	—
IX	Losses on exchange	15,287,472.02	23,908,376.83
FINANCIAL INCOME		**—**	**9,535,568.24**
PROFIT ON ORDINARY ACTIVITIES		**122,755,998.04**	**93,834,039.11**
X	Losses from intangible and tangible fixed assets and controlling shareholdings	831.73	4,170.41
XI	Extraordinary expenses	1,494,375.71	—
XII	Prior-year expenses and losses	—	—
EXTRAORDINARY PROFIT		**—**	**3,911,184.34**
PROFIT BEFORE TAXES		**121,292,412.76**	**97,745,223.45**
XIII	Corporate income tax	28,023,226.99	19,846,088.25
PROFIT FOR THE YEAR		**93,269,185.77**	**77,899,135.20**

CREDIT

		2002	2001
B) INCOME		**1,229,065,398.18**	**1,230,780,714.55**
I	Net turnover		
	1 Sales	1,206,348,039.87	1,211,735,343.12
	2 Services rendered	449,695.01	392,737.05
	3 Returned goods and volume discounts	(8,917,483.74)	(8,403,435.20)
II	Increase in inventories of finished goods and work in progress	10,774,577.75	—
III	Own work capitalised	3,181,953.50	3,276,378.05
IV	Other operating income		
	1 Sundry income	11,030,496.45	3,724,128.39
	2 Excess provision for liabilities and changes	—	—
OPERATING LOSSES			—
V	Income from shareholdings		
	1 In Group companies	—	12,598,574.01
	2 In non-Group companies	10,899.36	204,526.65
VI	Income from other negotiable securities and long-term loans		
	1 From non-Group companies	—	—
VII	Other interest and similar income		
	1 From Group companies	1,274,412.10	1,515,572.71
	2 Other interest	412,514.51	727,297.08
VIII	Gains on exchange	19,756,143.23	25,002,614.77
FINANCIAL EXPENSE		**7,783,069.75**	—
LOSSES ON ORDINARY ACTIVITIES		—	—
IX	Profit on disposal of intangible and tangible fixed assets and controlling shareholdings	31,622.16	39,739.08
X	Profit from dealings in own shares and debentures	—	—
XI	Capital grants transferred to income for the year	—	—
XII	Extraordinary income	—	3,875,615.67
XIII	Prior-year income and profit	—	—
EXTRAORDINARY LOSS		**1,463,585.28**	—



Proposal of application of results

Net profit of the year	**93,269,185.77 €**

Application:

– Dividends	55,272,000.00 €
– Legal Reserve	1,160,000.00 €
– Voluntary Reserve	36,837,185.77 €

ACERINOX, S.A.

BALANCE SHEETS AS AT 31 DECEMBER 2002 AND 2001

After distribution of results pending approbal by the General Shareholders' Meeting (expressed in euros)

ASSETS

		2002	2001
A) FIXED ASSETS		**973,578,526.43**	**726,024,552.94**
I	Formation expenses	—	—
II	Intangible assets		
1	Research and development expenses	2,779,404.88	3,099,475.08
2	Concessions, patents, licences and brands	13,357,931.69	11,435,445.19
3	Lease premium	168,283.39	168,283.39
4	Software	9,130,066.36	8,516,364.95
5	Amortisation	(18,256,172.24)	(16,940,078.02)
III	Tangible fixed assets		
1	Land and buildings	146,267,229.35	143,388,585.85
2	Plant and machinery	653,897,125.17	636,357,246.81
3	Other Installations	3,864,107.93	3,665,475.55
4	Payments on account and assets in course of construction	1,309,010.04	1,619,763.78
5	Other fixed assets	27,955,219.80	27,717,934.94
6	Depreciation	(689,766,399.55)	(642,228,814.87)
IV	Investments		
1	Shareholdings in Group companies	813,641,773.64	530,647,637.71
2	Shareholdings in associated companies	354,695.92	354,695.92
3	Long-term securities portfolio	17,977,076.94	17,977,076.94
4	Other loans	48,551.39	14,003.68
5	Long-term deposits and guarantees	186,567.32	231,456.04
6	Provisions	(9,335,945.60)	—
V	Own shares	—	—
B) DEFERRED EXPENSES			—
C) CURRENT ASSETS		**549,959,100.09**	**530,464,674.23**
I	Inventories		
1	Raw materials and other consumables	80,228,756.88	62,813,376.99
2	Work in progress and semi-finished goods	69,579,915.55	59,631,047.42
3	Finished goods	67,373,208.65	67,709,119.43
4	By-products, scrap and reusable materials	1,697,262.47	475,893.44
5	Advance payments	1,049,708.96	1,034.48
6	Provisions	(958,634.45)	(898,885.82)
II	Debtors		
1	Trade debtors for sales and services rendered	64,268,869.05	67,637,306.91
2	Amounts owed by Group companies	254,137,104.99	256,107,546.25
3	Sundry debtors	1,291,537.94	4,196,326.80
4	Loans granted to employees	94,186.65	88,360.22
5	Taxes refundable	12,243,548.27	13,035,914.74
6	Provisions	(5,094,607.17)	(5,076,915.53)
III	Current asset investments		
1	Deposits and guarantees	3,121,088.90	3,573,120.72
IV	Cash at bank and in hand	711,658.18	923,934.60
V	Prepayments and accrued income	215,495.22	247,493.58
GENERAL TOTAL		**1,523,537,626.52**	**1,256,489,227.17**

LIABILITIES

		2002	2001
A) CAPITAL AND RESERVES		**1,234,177,765.86**	**983,920,580.09**
I	Share capital	65,800,000.00	60,000,000.00
II	Share premium account	314,644,777.50	108,184,777.50
III	Revaluation reserve R.D.L. 7/1996	21,834,497.41	21,834,497.41
IV	Reserves		
	1 Legal reserve	13,160,000.00	12,000,000.00
	2 Other reserves	818,738,490.95	781,901,305.18
V	Prior-year results	—	—
VI	Profit/loss		—
VII	Interim dividend		—
B) DEFERRED INCOME		**192,789.19**	**223,832.51**
	1 Gains on exchange	—	31,043.32
	2 Other deferred income	192,789.19	192,789.19
C) PROVISION FOR LIABILITIES AND CHARGES		**21,895,094.71**	**21,603,005.50**
	1 Provisions for taxes	725,032.78	699,691.54
	2 Other provisions	21,170,061.93	20,903,313.96
D) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		**863,326.73**	**660,625.91**
I	Debenture loans and other securities	—	—
II	Bank loans and other credit facilities	—	—
III	Amounts owed to Group and associated companies	—	—
IV	Other creditors		
	1 Other debts	863,326.73	660,625.91
	2 Long-term deposits and guarantees received	—	—
E) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		**266,408,650.03**	**250,081,183.16**
I	Bank loans and other credit facilities		
	1 Loans and other creditors	18,811,236.43	28,788,028.98
	2 Interest payable	244,197.17	107,455.31
II	Short-term amounts owed to Group and associated companies		
	1 Amounts owed to Group companies	9,807,421.98	1,010,258.35
III	Trade creditors		
	1 Advance payments received on orders	3,118,820.41	3,962,097.50
	2 Creditors for purchases or services received	70,057,867.01	83,084,000.90
	3 Creditors represented by bills payable	47,853,716.60	36,158,624.58
IV	Other creditors		
	1 Taxes payable	15,828,858.65	6,945,484.57
	2 Creditors represented by bills payable	2,190,693.89	1,633,925.03
	3 Other debts	56,720,049.96	47,846,879.66
	4 Short-term deposits and guarantees received	—	110.71
V	Accruals and deferred income	41,775,787.93	40,544,317.57
GENERAL TOTAL		**1,523,537,626.52**	**1,256,489,227.17**





3 Annual Report

PRICEWATERHOUSECOOPERS

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28046 Madrid
Tel. +34 915 684 400
Fax +34 913 083 566

AUDIT REPORT ON THE ANNUAL ACCOUNTS (*)

To the shareholders of Acerinox, S.A.

We have audited the annual accounts of Acerinox, S.A., consisting of the balance sheet at 31 December 2002, the profit and loss account and the related notes to the annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Company. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on the work carried out in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made. Our work did not include the audit of the annual accounts for 2002 of certain companies, whose net book value in the accompanying annual accounts represents 17.18% of the Company's total assets. The annual accounts of these companies have been audited by other auditors (see note 7 to the accounts) and our opinion, as expressed in this report on the annual accounts of Acerinox, S.A., is based, as regards the holdings in said companies, exclusively on the reports of the other auditors.

In accordance with Spanish Corporate Law, the Company's Directors have presented, for comparative purposes only, for each item of the balance sheet, profit and loss account and statement of source and application of funds, the corresponding amounts for the previous year as well as the amounts for 2002. Our opinion refers exclusively to the annual accounts for 2002. On 4 March 20002 we issued our audit report on the 2001 annual accounts, in which we expressed an unqualified opinion.

In our opinion, based on our audit and the reports of the other auditors (see note 7 to the accounts), the accompanying annual accounts for the year 2002 present fairly, in all material respects, the financial position of Acerinox, S.A. at 31 December 2002 and the results of its operations and its source and application of funds for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with generally accepted accounting principles in Spain, applied on a basis consistent with that of the preceding year.

The accompanying Directors' Report for 2002 contains the information that the Company's Directors consider relevant to the Company's position, the evolution of its business and of other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the aforementioned Directors' Report coincides with that of the annual accounts for 2002. Our work as auditors is limited to checking the Director's Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the Company's accounting records.

PricewaterhouseCoopers Auditores, S.L.

José M Solé Farré
Partner

February 28, 2003

(*) A free translation of the report on the annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails.

PricewaterhouseCoopers Auditores, S. L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79031290

ACERINOX, S.A.

BALANCE SHEETS AS AT 31 DECEMBER 2002 AND 2001

Before distribution of results (expressed in euros)

ASSETS

		2002	2001
A) FIXED ASSETS		**973,578,526.43**	**726,024,552.94**
I	Formation expenses	—	—
II	Intangible assets		
1	Research and development expenses	2,779,404.88	3,099,475.08
2	Concessions, patents, licences, brands and similar items	13,357,931.69	11,435,445.19
3	Lease premium	168,283.39	168,283.39
4	Software	9,130,066.36	8,516,364.95
5	Amortisation	(18,256,172.24)	(16,940,078.02)
III	Tangible fixed assets		
1	Land and buildings	146,267,229.35	143,388,585.85
2	Plant and machinery	653,897,125.17	636,357,246.81
3	Fixtures and fittings	3,864,107.93	3,665,475.55
4	Payments on account and assets in course of construction	1,309,010.04	1,619,763.78
5	Other fixed assets	27,955,219.80	27,717,934.94
6	Depreciation	(689,766,399.55)	(642,228,814.87)
IV	Investments		
1	Shareholdings in Group companies	813,641,773.64	530,647,637.71
2	Shareholdings in associated companies	354,695.92	354,695.92
3	Long-term securities portfolio	17,977,076.94	17,977,076.94
4	Other loans	48,551.39	14,003.68
5	Long-term deposits and guarantees	186,567.32	231,456.04
6	Provisions	(9,335,945.60)	—
V	Own shares	—	—
B) DEFERRED EXPENSES			—
C) CURRENT ASSETS		**549,959,100.09**	**530,464,674.23**
I	Inventories		
1	Raw materials and other consumables	80,228,756.88	62,813,376.99
2	Work in progress and semi-finished goods	69,579,915.55	59,631,047.42
3	Finished goods	67,373,208.65	67,709,119.43
4	By-products, scrap and reusable materials	1,697,262.47	475,893.44
5	Prepayments	1,049,708.96	1,034.48
6	Provisions	(958,634.45)	(898,885.82)
II	Debtors		
1	Trade debtors for sales and services rendered	64,268,869.05	67,637,306.91
2	Amounts owed by Group companies	254,137,104.99	256,107,546.25
3	Sundry debtors	1,291,537.94	4,196,326.80
4	Loans granted to employees	94,186.65	88,360.22
5	Taxes refundable	12,243,548.27	13,035,914.74
6	Provisions	(5,094,607.17)	(5,076,915.53)
III	Current asset investments		
1	Deposits and guarantees	3,121,088.90	3,573,120.72
IV	Cash at bank and in hand	711,658.18	923,934.60
V	Prepayments and accrued income	215,495.22	247,493.58
GENERAL TOTAL		**1,523,537,626.52**	**1,256,489,227.17**

LIABILITIES

		2002	2001
A) CAPITAL AND RESERVES		**1,274,315,765.86**	**1,018,120,580.09**
I	Share capital	65,800,000.00	60,000,000.00
II	Share premium account	314,644,777.50	108,184,777.50
III	Revaluation reserve R.D.L. 7/1996	21,834,497.41	21,834,497.41
IV	Reserves		
	1 Legal reserve	12,000,000.00	11,847,910.40
	2 Other reserves	781,901,305.18	750,954,259.58
V	Prior-year results	—	—
VI	Profit/loss	93,269,185.77	77,899,135.20
VII	Interim dividend	(15,134,000.00)	(12,600,000.00)
B) DEFERRED INCOME		**192,789.19**	**223,832.51**
	1 Gains on exchange	—	31,043.32
	2 Other deferred income	192,789.19	192,789.19
C) PROVISION FOR LIABILITIES AND CHARGES		**21,895,094.71**	**21,603,005.50**
	1 Provisions for taxes	725,032.78	699,691.54
	2 Other provisions	21,170,061.93	20,903,313.96
D) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		**863,326.73**	**660,625.91**
I	Debenture loans and other securities	—	—
II	Bank loans and other credit facilities	—	—
III	Amounts owed to Group and associated companies	—	—
IV	Other creditors		
	1 Other debts	863,326.73	660,625.91
	2 Long-term deposits and guarantees received	—	—
E) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		**226,270,650.03**	**215,881,183.16**
I	Bank loans and other credit facilities		
	1 Loans and other creditors	18,811,236.43	28,788,028.98
	2 Interest payable	244,197.17	107,455.31
II	Amounts owed to Group and associated companies falling due within one year		
	1 Amounts owed to Group companies	9,807,421.98	1,010,258.35
III	Trade creditors		
	1 Advance payments received on orders	3,118,820.41	3,962,097.50
	2 Creditors for purchases or services received	70,057,867.01	83,084,000.90
	3 Creditors represented by bills payable	47,853,716.60	36,158,624.58
IV	Other creditors		
	1 Taxes payable	15,828,858.65	6,945,484.57
	2 Creditors represented by bills payable	2,190,693.89	1,633,925.03
	3 Other debts	16,582,049.96	13,646,879.66
	4 Short-term deposits and guarantees received	—	110.71
V	Accruals and deferred income	41,775,787.93	40,544,317.57
GENERAL TOTAL		**1,523,537,626.52**	**1,256,489,227.17**

ACERINOX, S.A.

PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Expressed in euros)

DEBIT

		2002	2001
A) EXPENSES		**1,135,796,212.41**	**1,152,881,579.35**
I	Reducción in inventories of finished goods and work in progress	—	29,027,436.53
II	Raw materials and consumables		
	1 Consumption of goods	39,292,685.48	-
	2 Consumption of raw and other consumable materials	774,079,873.62	814,006,628.95
III	Staff costs		
	1 Wages. salaries and similar remuneration	68,040,927.61	63,933,902.44
	2 Staff welfare expenses	22,064,062.42	19,923,797.94
IV	Fixed asset depreciation	52,696,038.71	55,338,512.23
V	Change in trade provisions		
	1 Change in provisions and bad debt write-offs	25,131.56	(9,798.95)
VI	Other operating charges		
	1 External services	134,510,452.77	142,407,488.05
	2 Taxes	1,619,038.88	1,793,890.23
	3 Other administrative expenses	—	4,823.12
OPERATING PROFIT		**130,539,067.79**	**84,298,470.87**
VII	Financial and similar expenses		
	1 On amounts owed to Group companies	39,653.29	60,154.61
	2 On amounts owed to third parties and similar expenses	4,573,968.04	6,544,485.54
VIII	Changes in provisions for investments	9,335,945.60	—
IX	Losses on exchange	15,287,472.02	23,908,376.83
FINANCIAL INCOME		**—**	**9,535,568.24**
PROFIT ON ORDINARY ACTIVITIES		**122,755,998.04**	**93,834,039.11**
X	Losses from intangible and tangible fixed assets and controlling shareholdings	831.73	4,170.41
XI	Extraordinary expenses	1,494,375.71	—
XII	Prior-year expenses and losses	—	—
EXTRAORDINARY PROFIT		**—**	**3,911,184.34**
PROFIT BEFORE TAXES		**121,292,412.76**	**97,745,223.45**
XIII	Corporate income tax	28,023,226.99	19,846,088.25
PROFIT FOR THE YEAR		**93,269,185.77**	**77,899,135.20**

CREDIT

		2002	2001
B) INCOME		**1,229,065,398.18**	**1,230,780,714.55**
I	Net turnover		
	1 Sales	1,206,348,039.87	1,211,735,343.12
	2 Services rendered	449,695.01	392,737.05
	3 Returned goods and volume discounts	(8,917,483.74)	(8,403,435.20)
II	Increase in inventories of finished goods and work in progress	10,774,577.75	—
III	Own work capitalised	3,181,953.50	3,276,378.05
IV	Other operating income		
	1 Sundry income	11,030,496.45	3,724,128.39
	2 Excess provision for liabilities and changes	—	—
OPERATING LOSSES			**—**
V	Income from shareholdings		
	1 In Group companies	—	12,598,574.01
	2 In non-Group companies	10,899.36	204,526.65
VI	Income from other negotiable securities and long-term loans		
	1 From non-Group companies	—	—
VII	Other interest and similar income		
	1 From Group companies	1,274,412.10	1,515,572.71
	2 Other interest	412,514.51	727,297.08
VIII	Gains on exchange	19,756,143.23	25,002,614.77
FINANCIAL EXPENSE		**7,783,069.75**	**—**
LOSSES ON ORDINARY ACTIVITIES		**—**	**—**
IX	Profit on disposal of intangible and tangible fixed assets and controlling shareholdings	31,622.16	39,739.08
X	Profit from dealings in own shares and debentures	—	—
XI	Capital grants transferred to income for the year	—	—
XII	Extraordinary income	—	3,875,615.67
XIII	Prior-year income and profit	—	—
EXTRAORDINARY LOSS		**1,463,585.28**	**—**

1. Activities

Acerinox, S.A. was incorporated as a public limited company (Sociedad Anónima) on 30 September 1970. Its registered office is at calle de Santiago de Compostela 100, Madrid. The Company's objects cover the manufacture and sale of flat stainless steel products. The Company's plant is located in Los Barrios (Cadiz) and it has service centres in Gavá (Barcelona), Betanzos (La Coruña) and Pinto (Madrid) in addition to its subsidiaries in Spain and abroad.

2. Basis of presentation

a) True and fair view

The annual accounts have been prepared on the basis of the Company's accounting records and current accounting regulations in order to give and true and fair view of the Company's net worth, financial position and results of its operations.

b) Accounting principles

The Company's accounts have been prepared by applying the accounting principles stipulated in current legislation. No exceptional circumstances have arisen that justify the non-application of any of these principles.

c) Consolidation

In accordance with Royal Decree 1815/1991 (20 December), the Company prepares consolidated annual accounts for the Group. On 27 February Acerinox's consolidated annual accounts have been drawn up at 31 December 2002, showing a net profit of Euros 175,465 thousand and capital and reserves Euros 1,601,239 thousand

d) Comparability

In order to make figures for 2001 recorded in the profit and loss account comparable to current year figures, the balances recorded in the 2001 accounts under Gains and Losses on exchange have been reclassified in the amount of Euros 23,908,376.83.

3. Distribution of profits

The Board of Directors will propose the following distribution of profits for 2002 to the General Shareholders' Meeting:

Available for distribution	Euros
Net profil	**93,269,185.77**

Distribution	
To dividends	55,272,000.00
To legal reserve	1,160,000.00
To voluntary reserves	36,837,185.77
	93,269,185.77

On 13 November 2002, the Board of Directors approved the payment of an interim dividend out of the 2002 profits, in the amount of Euros 15,134,000, which is recorded under Interim dividend on the balance sheet as at 31 December 2002. This dividend was paid on 3 January 2003.

The provisional accounting statement prepared in accordance with Article 216 of the Spanish Companies Act, reflecting the existence of sufficient liquid assets to pay the dividend, is as follows:

			Thousand euros
Cash resources at 30 September 2002			**1,707**
Plus	Forecast increases in cash resources for period 30 September 2002 to 3 January 2003		411,327
	Collections from trading operations	403,032	
	Realisable	8,295	
Less	Forecast decreases in cash for period 30 September 2002 to 3 January 2003		396,415
	Payments for		
	Deductions, shareholders' contributions	19,740	
	Fixed asset investments	8,072	
	Trading operations	281,072	
	Due	87,531	
Forecast cash resources at 3 January 2003			**16,619**

4. Accounting policies

The accounting polices set out below have been applied to prepare the annual accounts:

a) Formation expenses

Formation, start-up and share capital increase expenses are stated at acquisition price and are amortised in the year in which they are incurred.

b) Intangible assets

Intangible fixed assets are stated at acquisition or production cost, which includes materials, direct labour costs and a portion of attributable indirect expenses. They are amortised on a straight-line basis over five years.

Research and Development expenses are capitalized and amortized over five years when the results of the associated projects are satisfactory. Where the favourable circumstances which allowed the expenses to be capitalised change, the portion pending amortization is taken to profit and loss for the year in which the change occurs.

c) Tangible fixed assets

Tangible assets purchased prior to 31 December 1996 are recorded at their restated acquisition price in accordance with applicable legislation.

Subsequent additions are stated at their purchase price, or production cost in the case of own work capitalised.

Improvements which extend the useful lives of existing assets are capitalized. Financial expenses directly related to tangible fixed assets accruing before the assets are bought into use are also capitalized when the assets take longer than two years to construct. Repair and maintenance costs are expensed in the year in which they are incurred

The useful lives of assets, based on the actual decline in value and depreciated on a straight-line basis, are set out below:

	Years
Buildings	5/22
Plant and machinery	5/8
Furniture	10

d) Investments

Negotiable securities, whether long or short-term, fixed-income or variable-income are stated at acquisition price, which includes related expenses.

With respect to securities listed on official markets, when the market value at the year end is lower than the purchase price, the necessary provisions are made in order to reflect the decline in value.

Unlisted securities are stated at the lower of acquisition price and market value. Market value is calculated based on the book value adjusted to take into account any latent capital gains existing when the security was acquired and which still exist on the balance sheet date. Appropriations to provisions are made in accordance with the evolution of the investee company's capital and reserves.

e) Non-trade creditors

Long and short-term non-trade loans are recorded at the amount to be repaid. The difference between this amount and the nominal value is recorded under interest received in the year in which it accrues using a financial method.

f) Inventories

Inventories are stated at acquisition or production cost. When the market value is lower than the acquisition or production cost, and the decline in value is considered to be temporary, the necessary adjustment is made and the relevant provision is set up. Definitions of market value are set out below:

- for raw materials, the lower of the replacement price and net realisable value.
- for finished products, their realisable value net of related marketing expenses.
- for finished goods and work in progress, the realisable value of the relevant finished goods less total future manufacturing and marketing expenses.

g) Other provisions

Obligations deriving from certain contracts, for agreed commitments or obligations deriving from a future event amount to Euros 10,318,894.12 and are sufficiently secured. In 2002 the expense for this item amounts to Euros 1,171,760.31.

h) Trade debtors

Trade debtors are stated at their nominal value and the necessary value adjustments are made in order to take into account the risk of bad debts.

The amount relating to discounted bills is recorded to maturity under Trade debtors and Short-term bank loans.

Interest accrued on transactions falling due in a period exceeding 12 months is deferred and taken to results using a financial method.

i) Current asset investments

Current asset investments are stated at the lower of acquisition cost and net realizable value at the year end.

j) Provision for liabilities and charges

Amounts recorded for provisions relate to current disputes.

k) Trade creditors

Loans are stated in the amount of principal pending repayment and are classified as short or long-term. Amounts falling due within 12 months are classed as short-term while amounts falling due after more than one year are classed as long-term.

l) Corporate income tax

Corporate income tax is calculated based on the reported profit as adjusted for permanent differences between reported and taxable profit. Applicable tax allowances and credits are recorded as a decrease in corporate income tax accrued in the year.

Pursuant to the provisions of Law 43/95, governing corporate income tax, and in accordance with the resolution of the General Shareholders' Meeting held on 30 May 2000, the Company notified the tax authorities of its intention to continue to file tax returns under the Special Regime for Groups of Companies.

m) Transactions and balances denominated in foreign currency

Debtors and creditors denominated in foreign currency are converted to euros by applying the conversion rate in force on the date of the transaction. At the year end they are stated at the exchange rate in force at that date. Unrealised losses on exchange are taken to profit and loss for the year while unrealised gains are recorded under deferred income.

With respect to the conversion of cash balances denominated in foreign currency, year end exchange rates are applied and exchange gains and losses are taken to profit and loss.

n) Income and expenses

Turnover includes sales and services rendered net of related taxes. All discounts, whether or not they are included in the invoice, are deducted. All cash discounts are classed as financial expense.

Income and expenses are recorded on an accruals basis, i.e. in the period in which the income or expense deriving from the goods or services in question is earned or incurred rather than the period in which the cash is actually received or disbursed.

For reasons of prudence, however, the Company only records profits realised at the year end, while foreseeable risks and potential losses arising in the year or in prior years are recorded as soon as they are known.

o) Environment

Items forming part of the Company's assets to be used on a long-term basis in its activities and whose main purpose is to minimise environmental impact as well as to protect and improve the environment are recorded under tangible fixed assets. They are capitalised at their acquisition price or production cost and depreciated over their estimated useful lives, which are based on rates used for similar tangible assets.

Environmental expenses deriving from the above-mentioned activities are recorded as operating expenses in the year in which they are incurred. Expenses deriving from extraordinary activities are recorded as extraordinary expenses.

A provision for environment issues is made when expenses are incurred in the current year, when the expenses relate to prior-years, or when at the year end it is deemed that such expenses are likely or certain to arise even though the amount or date remain undetermined. In addition, the Company sets up a provision for environmental issues arising from its legal or contractual obligations as well as a provision for commitments acquired for the prevention and reversal of damage to the environment.

5. Intangible assets

Movements in intangible fixed assets in 2002 are set out below:

Thousand euros

	Opening balance	Increases	Transfers	Closing balance
Gross value				
Research and development	3,099	1,603	(1,923)	2,779
Lease premium	168	–	–	168
Patents and trademarks	11,435	–	1,923	13,358
Software	8,516	615	–	9,131
	23,218	**2,218**	**–**	**25,436**
Amortisation / Provisions				
Lease premium	92	4	–	96
Patents and trademarks	9,409	600	–	10,009
Software	7,439	712	–	8,151
	16,940	**1,316**	**–**	**18,256**
Net intangible fixed assets	**6,278**			**7,180**

At 31 December 2002, the Company records fully amortised intangible fixed assets in the amount of Euros 15,731 thousand.

6. Tangible fixed assets

Movements in tangible fixed assets in 2002 are set out below:

Thousand euros

	Opening balance	Additions	Disposals	Transfers	Closing balance
Gross value					
Land and buildings	143,388	2,842	–	37	146,267
Plant and machinery	636,357	13,500	(75)	4,115	653,897
Payments on account and assets in course of construction	1,619	3,911	(69)	(4,152)	1,309
Other fixed assets	31,384	4,018	(3,582)	–	31,820
	812,748	**24,271**	**(3,726)**	**–**	**833,293**
Depreciation / Provisions					
Land and buildings	95,103	4,747	–	–	99,850
Plant and machinery	525,457	40,899	(74)	–	566,282
Other fixed assets	21,668	3,388	(1,421)	–	23,635
	642,228	**49,034**	**(1,495)**	**–**	**689,767**
Net tangible fixed assets	**170,520**				**143,526**

Restatement

The Company has effected the following restatements and revaluations in accordance with applicable legislation:

Thousand euros

	1979	1981	1983	1996	Total
Tangible fixed assets					
Cost	28,891	21,757	36,818	22,508	109,974
Accumulated depreciation	4,243	2,999	8,871	–	16,113
Net capital gain	**24,648**	**18,758**	**27,947**	**22,508**	**93,861**
Application					
Share capital	4,237	662	4,717	–	9,616
Legal reserve	1,497	132	950	–	2,579
Voluntary reserve	18,914	17,964	22,280	–	59,158
Non-available reserve	–	–	–	22,508	22,508
	24,648	**18,758**	**27,947**	**22,508**	**93,861**

At 31 December 2002, the Company records fully-depreciated tangible fixed assets in the amount of Euros 543,331 thousand.

During the year no interest or exchange differences relating to fixed assets have been capitalised.

The Company has entered into agreements for the acquisition of new equipment and facilities in the amount of Euros 11,183 thousand.

The Company has taken out a number of insurance policies to cover risks relating to tangible fixed assets. The coverage provided by these policies is considered to be sufficient.

At 31 December 2002 none of the Company's assets are mortgaged.

7. Investments

Movements in the accounts included under Investments are as follows:

Thousand euros

	Balance at 31.12.01	Additions	Disposals	Balance at 31.12.02
Shareholdings in Group companies	530,648	282,994	–	813,642
Shareholdings in associated companies	354	–	–	354
Long-term securities portfolio	17,977	–	–	17,977
Deposits, guaratees and other long-term loans	246	100	(111)	235
	549,225	**283,094**	**(111)**	**832,208**
Provisions, long-term securities portfolio	**–**	**9,336**	**–**	**9,336**

Shareholdings in Group companies

Shareholdings in Group companies relate to:

Thousand euros

Company	% direct interest	% indirect interest	Investment value	Book value direct shareholding
Acimetal, S.A (Spain)	95.83	–	2,436	6,015
Inoxcenter, S.A. (Spain)	95.83	–	10,970	27,488
Inoxcenter Canarias, S.A. (Spain)	–	95,83	–	–
Inoxfil, S.A. (Spain)	–	99,33	–	–
Inoxidables de Euskadi, S.A. (Spain)	100	–	2,705	10,030
Inoxidables de Galicia, S.A. (Spain)	–	95,83	–	–
Inoxmetal, S.A. (Spain)	95.83	–	1,049	2,713
Inoxservi Dina, S.A. (Spain)	–	95,83	–	–
Metalinox Bilbao, S.A. (Spain)	95.83	–	2,433	18,101
Roldan, S.A. (Spain)	99.33	–	17,055	60,498
Acerinox Argentina, S.A.	100	–	664	2,150
Acerinox Australasia Pty.Ltd.	100	–	386	406
Acerinox Benelux, S.A.- N.V.	100	–	209	610
Acerinox Brasil, Ltda.	100	–	191	77
Acerinox Deutschland GMBH	100	–	20,496	20,821
Acerinox France S.A.	100	–	13,669	15,583
Acerinox Italia S.R.L.	98.57	1,43	17,643	20,297
Acerinox Pacific Ltd.	100	–	649	819
Acerinox Polska, SP Z.O.O	100	–	179	311
Acerinox Scandinavia, S.A.	100	–	2,534	10,534
Acerinox (Schweiz) AG	100	–	326	1,916
Acerinox South East Asia Pte.Ltd.	100	–	193	622
Acerinox Sweden	100	–	16,656	17,231
Acerinox U.K. Ltd.	100	–	14,509	15,433
Acerinox USA, Inc	100	–	612	1,934
Acerol LTDA. (Portugal)	100	–	2,363	5,631
Columbus Stainless (Pty) Ltd. (South Africa)	64	–	232,000	175,163
Cromweld (U.K.)	–	64	–	
D.A.Acerinox Chile, S.A	100	–	7,545	7,144
Newtecinvest A.G. (Schweiz)	100	–	4,455	10,823
North American Stainless, Inc. (USA)	99.01	0,10	441,715	627,930
North American Stainless, L.P. (USA)	–	99,11	–	–
North American Stainless Long Product (USA)	–	99,33	–	–
Stainless Alloys Inc. (USA)	–	99,11	–	–
Stainless Steel Invest Inc. (USA)	–	99,11	–	–
Total			**813,642**	

Set out below are capital, reserves and Results for the year together with the relevant auditor, as recorded in the under takings annual accounts:

Company	Auditor	Capital	Reserves	Result for the year
Acimetal, S.A.	BDO Audiberia Auditores	72	5,692	513
Inoxcenter, S.A.	BDO Audiberia Auditores	245	24,324	4,115
Inoxcenter Canarias, S.A.	BDO Audiberia Auditores	270	2,940	445
Inoxfil, S.A	PricewaterhouseCoopers	4,812	7,534	21
Inoxidables de Euskadi, S.A.	PricewaterhouseCoopers	2,705	6,315	1,011
Inoxidables de Galicia, S.A.	BDO Audiberia Auditores	60	4,141	827
Inoxmetal, S.A.	BDO Audiberia Auditores	72	2,523	235
Inoxservi Dina, S.A.	BDO Audiberia Auditores	301	421	0
Metalinox Bilbao, S.A.	BDO Audiberia Auditores	72	16,851	1,965
Roldan, S.A.	PricewaterhouseCoopers	11,936	48,273	697
Acerinox Argentina, S.A.	PricewaterhouseCoopers	579	1,559	11
Acerinox Australasia Pty.Ltd.	–	358	28	20
Acerinox Benelux, S.A. - N.V.	PricewaterhouseCoopers	211	295	104
Acerinox Brasil, Ltda.	–	170	(103)	10
Acerinox Deutschland GMBH	PricewaterhouseCoopers	20,000	(2,660)	3,481
Acerinox France S.A	PricewaterhouseCoopers	14,250	(460)	1,793
Acerinox Italia S.R.L.	PricewaterhouseCoopers	14,000	6,582	10
Acerinox Pacific Ltd.	Deloitte & Touche	172	642	5
Acerinox Polska, SP.Z.O.O.	PricewaterhouseCoopers	187	(47)	172
Acerinox Scandinavia, S.A.	PricewaterhouseCoopers	2,411	6,652	1,471
Acerinox (Schweiz) AG	PricewaterhouseCoopers	317	916	683
Acerinox South East Asia Pte.Ltd.	Deloitte & Touche	205	343	74
Acerinox Sweden	PricewaterhouseCoopers	16,193	(277)	1,315
Acerinox U.K. Ltd.	PricewaterhouseCoopers	14,447	739	249
Acerinox USA, Inc.	–	286	1,595	52
Acerol LTDA. (Portugal)	PricewaterhouseCoopers	2,035	2,976	620
Columbus (Pty) Ltd.	Ernst & Young	239,689	11,285	22,719
Cromweld	Ernst & Young	82	304	311
D.A.Acerinox Chile, S.A.	Ernst & Young	7,422	(491)	213
Newtecinvest A.G.	KPMG	4,524	3,807	2,492
North American Stainless, Inc.	PricewaterhouseCoopers	412,983	180,853	46,243
North American Stainless Long Product	–	5,373	(617)	120
Total		**776,439**	**332,935**	**91,997**

Long-term securities portfolio

At 31 December 2002 the long-term securities portfolio relates to the shareholdings in: Mexinox, showing a balance of Euros 4,616 thousand, representing a 4.5% stake, Nisshin Steel, showing a balance of Euros 13,169, thousand (1% stakes) and Musini Seguros y Reaseguros, stake of less than 1% and a balance of Euros 193 thousand.

None of Acerinox, S.A.'s subsidiaries are listed on the stock exchange.

The Company records no investment in the form of loans to Group or associated companies.

8. Inventories

Inventories break down as set out below:

	Thousand euros
Raw materials and other consumables	80,229
Work in progress and semi-finished goods	69,580
Finished goods	67,373
By-products, scrap and reusable materials	1,697
Advance payments	1,050
Provisions	(959)
Total	**218,970**

At 31 December Acerinox, S.A. has adquired purchase commitments in the amount of Euros 51,852 thousand relating to raw materials.

9. Balances with Group companies

At the year end, balances recorded with Group companies are set out below:

Thousand euros

Company	Debtors	Creditors
Acimetal, S.A.	3,616	–
Inoxcenter, S.A.	31,310	9
Inoxidables Euskadi, S.A.	22,554	70
Inoxidables de Galicia, S.A.	2,177	–
Inoxfil, S.A.	(170)	17
Inoxmetal, S.A.	1,637	–
Inoxservi Dina, S.A.	0	–
Inoxcenter Canarias, S.A.	122	–
Metalinox, S.A.	1,059	–
Roldan, S.A.	77,840	19
Acerinox Argentina, S.A.	194	–
Acerinox Australasia, Pty.Ltd.	–	67
Acerinox Benelux, S.A. - N.V.	2	74
Acerinox Brasil, Ltda	–	3
Acerinox Deutschland GMBH	19,061	–
Acerinox France S.A.R.L.	8,892	–
Acerinox Italia S.R.L.	22,247	–
Acerinox Pacific Ltd	–	141
Acerinox Polska, SP Z.O.O.	–	91
Acerinox Scandinavia, S.A.	19,134	–
Acerinox (Schweiz) AG	2,279	–
Acerinox South East Asia Pte.Ltd.	–	184
Acerinox Sweden AB	–	–
Acerinox U.K. Ltd.	11,626	27
Acerinox USA, Inc.	950	–
Acerol Ltda. (Portugal)	2,232	2
Columbus (Pty) Ltd	1,520	2,758
D.A. Acerinox Chile, S.A	4,811	4
North American Stainless, L.P.	21,044	6,341
Total	**254,137**	**9,807**

10. Capital and reserves

Movements in Capital and reserves during 2002 are set out below:

Thousand euros

	Opening balance	Distribution of 2001 result	Capital increase	Distribution of share premium	2002 interim dividend	Result	Closing balance
Share capital	60,000		5,800				65,800
Share premium account	108,185		226,200	(19,740)			314,645
Revaluation reserve R.D.L. 7/96	21,834						21,834
Reserves	762,802	31,099					793,901
Profit/Loss	77,899	(77,899)				93,269	93,269
Interim dividend	(12,600)	12,600			(15,134)		(15,134)
Dividend		34,200					
Total capital and reserves	**1,018,120**	**–**	**232,000**	**(19,740)**	**(15,134)**	**93,269**	**1,274,315**

a) Share capital

At 31 December 2002 the Company's share capital consists of 65,800,000 fully paid ordinary shares with a par value of one euro each.

In accordance with the resolution of the Annual General Meeting held on 30 May 2001 authorising the Board of Directors to increase the Company's share capital on one or several occasions over five years, on 9 January 2002 the Board increased share capital by Euros 5,800,000 of the Euros 30,000,000 by which it is authorised to increase capital in the specified period. The capital increase was performed in accordance with Article 159 of the Spanish Companies Act, excluding the preferential subscription right, through the issue of 5,800,000 fully-paid ordinary shares with a par value of one euro each and a share premium of 39 euros.

All the company's shares carry the same dividend and voting rights. No restrictions on the transfer of shares are provided for in the Articles of Association.

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

Nisshin Steel Co. Ltd. is the only company holding an interest over 10% in the Company.

b) Share premium account

There are no specific restrictions on the distribution of this account.

c) Reserves

At 31 December 2002, the Company records the following reserves:

	Thousand euros
Legal reserve	12,000
Voluntary reserve	781,739
Revaluation reserve R.D.L. 7/1996	21,834
Free depreciation R.D.L. 2/1985	162
	815,735

d) Legal reserve

Appropriations to the legal reserve are made in compliance with Article 214 of the Spanish Companies Act, which stipulates that 10% of the profits must be transferred to this reserve until it represents at least 20% of share capital.

The legal reserve is not available for distribution. Should it be used to offset losses in the event of no other reserves being available for this purpose, it must be replenished out of future profits.

e) Revaluation reserve Royal Decree-Law 7/1996 (7 June)

In accordance with Royal Decree-Law 7/1996 (7 June) on urgent fiscal measures and measures to encourage the liberalization of the economy, the Company has restated its tangible fixed assets. The restatement amounts to Euros 21,834,497.41, net of the 3% tax on the capital gain.

The tax authorities had a period of three years to perform their inspection as from 31 December 1996. Given that no inspection took place within the specified period, this balance may be used to offset losses or increase the Company's share capital. After ten years the balance may be transferred to freely distributable reserves, provided that related capital gains have been amortised or transferred, or the restated assets have been written off. The reserve may not be directly or indirectly distributed until the capital gain has been realised.

f) Free depreciation reserve Royal Decree-Law 2/1985

In accordance with Royal Decree Law 2/1985, between 1985 and 1987 the Company charged depreciation totalling Euros 10,307 thousand on certain tangible fixed assets for tax purposes. Any future depreciation charges in respect of assets which were fully depreciated under these accelerated depreciation rules cannot be treated as a tax-deductible expense. At 31 December 2002 the deferred tax liability generated by this item amounts to Euros 125 thousand.

g) On 30 May 2002, the Annual General Meeting resolved to refund 0.30 euros per share to the Company shareholders, with a charge to the share premium account recorded at that date. This refund was effected on 4 October 2002.

11. Provisions for liabilities and charges

Movements in Provisions for liabilities and charges during 2002 are set out below:

Thousand euros

	Opening balance	Appropriations	Applications	Closing balance
Provisions for taxes	700	111	86	725
Other provisions	20,903	1,494	1,227	21,170
	21,603	**1,605**	**1,313**	**21,895**

This heading includes provisions for contingencies and charges relating to general and specific liabilities.

12. Creditors: amounts falling due within one year

a) Trade creditors

Trade creditors break down as follows:

	Thousand euros
Advances received	3,119
Creditors for purchases or services received	70,058
Bills of exchange payable	47,853
Total	**121,030**

b) Other creditors

Other creditors break down as follows:

	Thousand euros
Taxes and social security contributions	15,829
Bills of exchange payable	2,190
Other creditors	16,582
Total	**34,601**

c) Creditor accounts denominated in foreign currencies

At 31 December 2002 the following trade creditors falling due within one year are denominated in foreign currency:

Thousand euros

	US $	YEN	GBP	Other currencies	Total
Amounts payable	21,014	511	35	72	21,632

d) Bank loans and other credit facilities

The Company records credit facilities with a maximum available limit of euros 320 million.

The Company records contracts hedging currency transactions providing insurance coverage in the amount of Euros 700 million. At 31 December 2002 Euros 74 million has been utilised.

13. Tax situation

On 14 January 1997, the tax authorities raised assessments in respect of corporate income tax, value added tax and personal income tax (withholdings) for 1988 to 1992, which basically derived from discrepancies over the procedures applied to depreciation, provisions, limits on tax credits and obligations to make withholdings on account of certain expenses relating to the Company's export activity. The Company contested certain assessments and presented the relevant allegations in due time and form to the Chief Inspector of the National Tax Office. As a result, the previous assessments were cancelled and new assessments were raised by the Chief Inspector on 30 December 1997 against which the Company has appealed to the Central Tax and Treasury Court. The Company has appealed to the National Court against the claims partially allowed by the Central Tax and Treasury Court.

In the opinion of Company Management, based on discussions with their tax and legal advisers, the returns filed in respect of all the taxes inspected complied with all applicable regulations and therefore no additional liabilities are expected to arise from the contested assessments. The Company will take all steps allowed by current law to assure that no such liabilities arise.

The years open to inspection for the main taxes to which the Company is subject are as follows:

Tax	Years
Corporate income tax	1997-2002
Value added tax	1998-2002
Customs duties	2000-2002
Employee withholding tax	1998-2002

The reconciliation between reported profits and taxable profit is set out below:

Thousand euros

	Increases	Decreases	Balance
Reported net profit			93,269
Corporate income tax	28,023	–	
Permanent differences	–	–	
Profit before taxes			121,292
Timing differences			
- arising during the year	–	34,326	
- arising in prior years	–	–	
Taxable income			**86,966**

The corporate income tax charge for the year is analysed below:

Thousand euros

	Accrued	Payable
Tax payable (35%)		
On adjusted reported profit	30,438	30,438
On taxable profit		
Tax credits:		
Double taxation	(11)	(11)
Investments	(10,649)	(10,649)
Timing differences	8,245	–
Total	**28,023**	**19,778**

Details of the amount of and movements in deferred tax assets and liabilities are set out below:

	Balance at 31.12.01	Change	Balance at 31.12.02
Deferred tax assets			
Non-deductible provisions	**4,329**	**411**	**4,740**
Deferred tax liabilities			
Timing differences for consolidation adjustements	1,463	1,089	2,552
Reduction for establishment abroad	–	6,942	6,942
Other items	1,449	625	2,074
	2,912	**8,656**	**11,568**

In accordance with the consolidated tax regime, at 31 December 2002 the companies Acerinox, S.A., Roldan, S.A., Inoxfil, S.A., Inoxidables de Euskadi, S.A., Inoxcenter, S.A., Inoxmetal, S.A., Acimetal, S.A., Inoxidables de Galicia, S.A., Inoxservi Dina, S.A., Inoxcenter Canarias, S.A. and Metalinox Bilbao, S.A. are included in the scope of consolidation for tax purposes.

14. Guarantees furnished to third parties and other contingent liabilities

At 31 December 2002 the Company records no guarantees provided to third parties.

15. Income and expenses

a) Transactions with Group and associated companies

Thousand euros

	Group companies	Associated companies
Net sales	845,995	–
Interest paid	40	
Interest collected	1,274	–

b) Transactions denominated in foreign currencies

Transactions carried out in foreign currency during 2002 are as follows:

	Thousand euros
Purchases	572,828
Sales	372,396
Services rendered	15,153
Services received	9,560

c) Analysis of net sales

Sales may be analysed geographically as follows:

	%
Europe	80.68
Americas	7.45
Asia	11.06
Africa	0.56
Oceania	0.25

d) Staff costs

Details of Staff costs are as follows:

	Thousand euros
Wages, salaries and similar remuneration	68,041
Staff welfare expenses	22,064
Total	**90,105**

e) Number of employees at the year end

Graduates	220
Administrative staff	336
Operators	1,624
Total	**2,180**

f) Raw materials and consumables

This heading breaks down as follows:

	Thousand euros
Consumption of goods purchased for resale	
- Purchases	39,293
- Difference between opening and closing inventories	–
Consumption of raw and consumable materials	
- Purchases	791,495
- Difference between opening and closing inventories	(17,415)
Total	**813,373**

16. Contingent liabilities

At 31 December 2002 the Company records discounted bills pending maturity totalling Euros 1,187 thousand.

On 6 February 1998, the European Commission issued a ruling in accordance with Article 65 of the Treaty of the European Coal and Steel Community (Subject IV 35.814 – on high alloys) and fined the Company Euros 3,530,000 for breaching the above-mentioned Article.

The Company has appealed against this ruling to the European Court of First Instance on the grounds that such practice is out of line with the Article referring to high alloys, which only represents between 10% and 15% of stainless steel prices on the European market, and on the grounds that the system used was applied before Spain's integration into the European Community. On 13 December 2001, the Court ruled to lower the fine to Euros 3,136,000. The Company has appealed against this decision and expects a favourable ruling.

17. Other information

a) During 2002, a total of Euros 2,295,942 has been accrued by members of the Board of Directors, consisting of a fixed amount and attendance allowances for all Directors and fixed and variable wages and salaries for Executive Directors. The Company's obligations with respect to this group are sufficiently covered by insurance policies.

During 2001 fixed amounts and attendance allowances for all Directors and fixed and variable wages and salaries for Directors who are at once Executive Directors totalled Euros 3,082,440.

b) PricewaterhouseCoopers, S.L. was appointed auditor of Acerinox S.A. by the General Shareholders' Meeting on 30 May 2002 following the proposal prepared by the Audit Committee and submitted to Acerinox, S.A.'s Board of Directors on 30 May 2002.

In 2002 fees accrued for audit services amount to Euros 56 thousand. The auditor has only provided audit services to the Company in 2002.

18. Environment

a) Tangible fixed assets

At 31 December 2002, the Company records tangible fixed assets whose purpose is to minimise the environmental impact and protect and improve the environment, as set out below:

Thousand euros

Nature and purpose	Book value	Accumulated depreciation
Treatment of water	3,399	2,790
Neutralisation of acids	7,208	7,125
Treatment of gas emissions	29,557	19,229
Automatic addition system	3,065	2,775
Other items	18,225	12,156
Total	**61,454**	**44,075**

b) Expenses relating to the protection of the environment

During the year the Company has incurred ordinary environmental expenses totalling Euros 10,941 thousand for materials and maintenance.

c) Provisions relating to environmental issues

During the year the Company has set up a provision in the amount of Euros 1,494 thousand to cover risks and expenses relating to environmental issues. At 31 December 2002 this provision totals Euros 6,897 thousand.

d) Contingencies relating to the protection and improvement of the environment

At 31 December 2002 no contingency has arisen with respect to the protection and improvement of the environment, including risks to be transferred to other entities. As such, the Company has made no appropriation to the provision for environmental issues during the year.

e) Environmental liabilities

None to report.

f) Environmental capital grants received

During 2002 the Company received no environmental capital grant.

19. Statement of Source and Application of Funds (thousand euros)

APPLICATION OF FUNDS	2002	2001	SOURCES OF FUNDS	2002	2001
1. Formation expenses	2,347	146	1. Funds generated from operations	159,005	135,346
2. Purchases of fixed assets			2. Shareholders' contributions		
- intangible fixed assets	2,218	2,298	– Capital increase	232,000	12,547
- tangible fixed assets	23,222	28,789			
- investments	283,094	36,379			
3. Capital reductions	–	–	3. Debts falling due after one year	540	8
4. Share premium refund	19,740	18,030	4. Proceeds from disposal of fixed assets		
5. Dividends	49,334	46,424	– tangible fixed assets	103	55
6. Debts falling due after one year	337	222	– investments	111	322
7. Provision for liabilities and changes	1,313	2,534	5. Sale of own shares	–	–
Total application of funds	**381,605**	**134,822**	**Total sources of funds**	**391,759**	**148,278**
Surplus of sources over application of funds (Increase in working capital)	10,154	13,456	Surplus of applications over soures of funds (Reduction in working capital)	–	–

a) Change in working capital

Thousand euros

	Year 2002		Year 2001	
Change in working capital	**Increases**	**Decreases**	**Increases**	**Decreases**
Inventories	30,287	–	–	45,504
Debtors	–	9,048	2,774	–
Creditors	–	9,157	58,558	–
Investments	–	452	–	–
Cash at bank and in hand	–	212	–	711
Accruals, prepayments and deferred income	–	1,264	–	1,661
Total	**30,287**	**20,133**	**61,332**	**47,876**
Change in working capital	**10,154**	**13,456**		

b) Calculation of funds generated from operations

Euros

	2002	2001
Profit for the year	93,269	77,899
Increases:		
- Depreciation and amortisation	50,349	55,193
- Amortisation of expenses	2,347	146
- Appropriation to provision for liabilities	1,605	122
- Spare parts applied	2,161	2,022
- Financial provisions	9,336	
Total increases	**159,067**	**135,382**
Decreases:		
- Differences on exchange	31	–
- Profit on the disposal of fixed assets	31	36
Total decreases	**62**	**36**
Total funds generated/(absorbed) by operations	**159,005**	**135,346**



Stainless Corrugated Bar manufactured by ROLDAN, S.A. for bridge in Montana (USA)

4 Consolidated Group Directors' Report

1 Productions

The output of Melting Shop of ACERINOX Group totalled 1,761,278 MT which is 81% more than that of 2001. Thus, it becomes the third largest stainless steel world producer.

Flat Products (MT):

	ACERINOX	NAS	COLUMBUS	TOTAL
Melting Shop	940,413	270,857	550,008	1,761,278
Hot rolling	734,555	646,111	540,949	1,921,615
Cold rolling	614,416	325,224	234,860	1,174.500



Campo de Gibraltar



Kentucky (USA)



Middelburg (South Africa)

Long products (MT):

	ROLDAN	INOXFIL
Finished product	121,821	21,844



Ponferrada

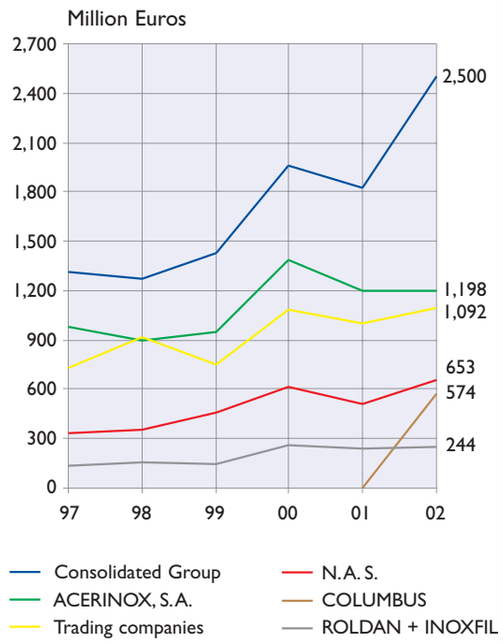


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2 Sales

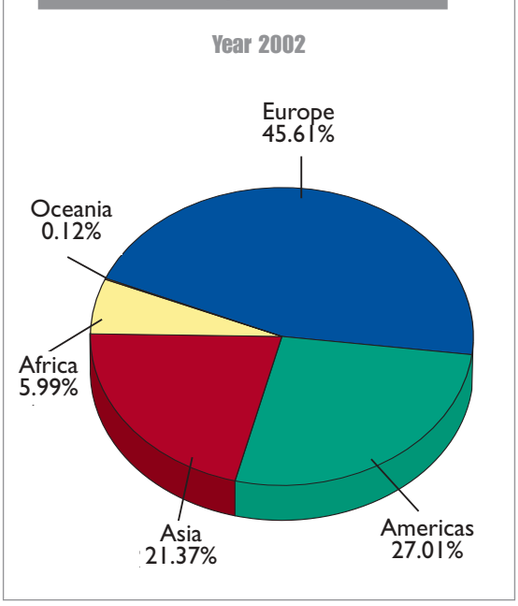
Net Sales of the Consolidated Group totalled 2,500 million € which is 37% more compared to the invoiced amount of the previous year, and it widely surpasses the record one obtained in the year 2000.

Evolution of net sales of ACERINOX Group



ACERINOX Group has a significant presence in the five Continents.

Geographical distribution of Consolidated Group net sales



3 Human Resources

The workforce of the Group as at 31 Dec. 2002 totalled 6,003 employees distributed as follows:

	2002	2001
ACERINOX, S.A.	2,180	1,986
COLUMBUS	1,649	–
NAS	764	572
ROLDAN, S.A. + INOXFIL, S.A.	686	671
National trading companies	413	406
Overseas trading companies	311	286
Total	**6,003**	**3,921**

4 Domestic Trading Companies

The results of our Domestic Subsidiary Companies, most of which overcame such a harsh year as that of 2001 with positive results, have risen by four times those of the year 2002.

Thousand euros

	NET SALES	NET RESULT	NET CASH-FLOW
ACIMETAL	34,918	513	716
INOXCENTER	192,058	4,115	4,675
INOXCENTER CANARIAS	5,424	445	495
INOXIDABLES DE EUSKADI	94,931	1,011	1,572
INOXIDABLES DE GALICIA	20,932	827	935
INOXMETAL	14,122	235	410
METALINOX	68,958	1,965	2,279
Total	**431,341**	**9,111**	**11,082**



Enlargement of Service Centre of Vitoria

5 Overseas Trading Companies

In the year 2002 all overseas trading companies have provided positive results strengthening their balance sheets.

Their joint profit after taxes totalled 10.6 million € which is 575% more than in the previous year. Their positive Cash Flow totalled 16.2 million €.

Thousand euros

	NET SALES	NET RESULT	NET CASH-FLOW
ACERINOX ARGENTINA	1,563	11	91
ACERINOX AUSTRALASIA	243	20	37
ACERINOX BENELUX	520	104	127
ACERINOX BRASIL	250	10	19
ACERINOX DEUTSCHLAND	161,552	3,481	4,381
ACERINOX FRANCE	95,946	1,793	2,665
ACERINOX ITALIA	121,960	10	1,434
ACERINOX PACIFIC	751	5	33
ACERINOX POLSKA	381	172	191
ACERINOX SCANDINAVIA	31,993	1,471	1,518
ACERINOX SCHWEIZ	19,249	683	783
ACERINOX SEA	728	74	120
ACERINOX SWEDEN	82,276	1,315	2,181
ACERINOX UK	49,831	248	936
ACERINOX USA	21,158	52	79
ACERINOX PORTUGAL	32,006	620	958
ACERINOX CHILE	9,560	213	348
CROMWELD	30,431	311	337
Total	**660,399**	**10,594**	**16,236**



Service Centre of Malmoe

6 ROLDAN, S.A. and INOXFIL, S.A.

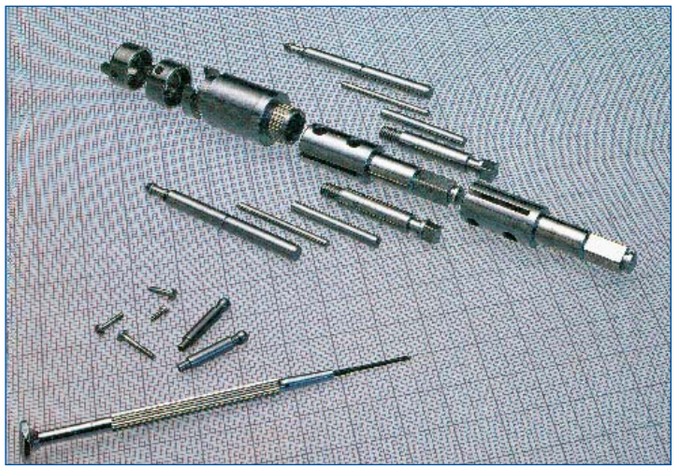
6.1. ROLDAN, S.A.

The deceleration and mistrust of world economy are decreasing investments all over the world. And this especially affected the demand of stainless steels long products. Thus, the apparent consumption of wire rod in the European market only rose by 6.3% after a 13% downfall in the year before whilst that of bars dropped by 6.5%.

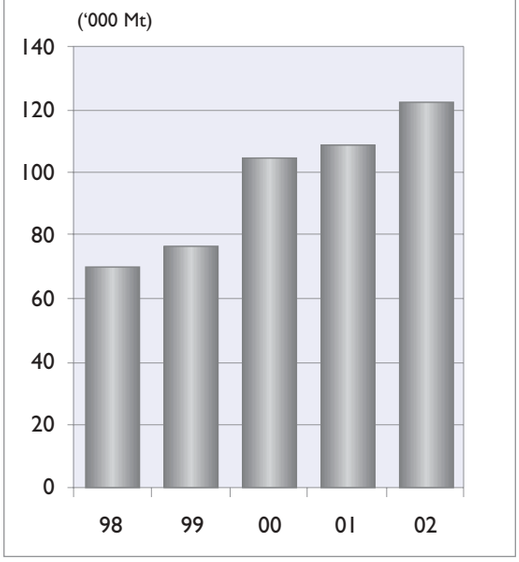
The apparent consumption of long products in USA fell by 3.7%. USA established in the month of May 15% compensating duties (Case-201) for imports of stainless steels long products and 8% duty for stainless steel wire which are to be added to the antidumping duties already established. That new protection not only affected exports to North American market which fell by 12.8%, but it has also caused an alteration in world markets since it has deviated a large volume of the tonnages originally destined to USA to other remaining markets.

The strong euro ha also brought a negative effect.

In such unfavourable circumstances it is highly meritorious that ROLDAN, S.A. has obtained a new record production of finished products with 121,821 MT which is 12.7% higher than last year.



Annual productions of Roldan, S.A.



Net Sales totalled 199 million € which was only 0.2% more, as consequence of lower sales prices, despite cost hikes of raw materials.

The results after taxes totalled 679,191 € which is 52% less than that of the preceding year. Net Cash Flow amounted to 10.22 million € which really is the parameter which best reflects the evolution of the Company if consideration is given to the policy of five years depreciation of equipments, together with the significance of the 58.4 million € investments carried out in the last five years, all financed by the funds generated by the Company.

The 5.1 million € investment made in the year has already been much lower, as a good balance has been obtained in the production capacities of the installations of Ponferrada factory.

6.2. INOXFIL, S.A.

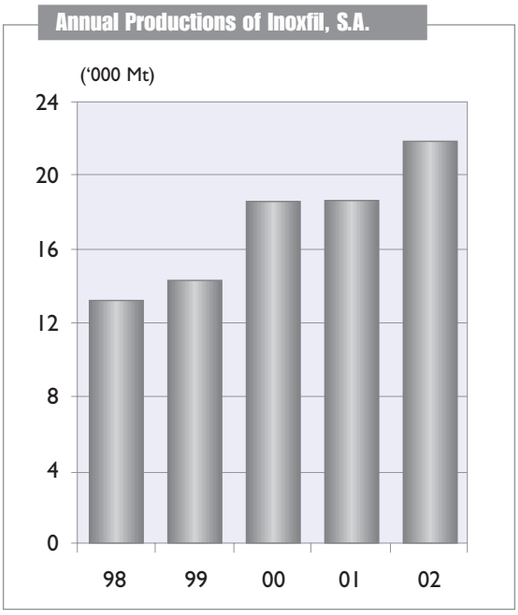
The evolution of its subsidiary INOXFIL, S.A. has been quite similar.

Finished production totalled 21,844 MT which is 17.3% more than the record one obtained in previous year. Net sales totalled 44.7 million € which was only 4.9% more.

The net result of 20,719 € was 74% less than the last year. But, net Cash Flow amounted to 3.3 million €, 3.7% more than in the year 2001, which for the same reason of applying a five years depreciation system was even more significant in INOXFIL, S.A.



Investments totalled 5.9 million €, with this amount the last Investment Plan is finished.



Once Irak crisis is overcome, a relaunching of world investments is to be expected and with it a substantial recovery of stainless steels long products market.



7 NORTH AMERICAN STAINLESS (NAS)

Let us recall that the year 2001 was the worst remembered in the stainless steels history. September 11 even worsened the process of stock reduction. Hence, in the first half of the year 2002 a logic reconstruction of inventories took place which came to a halt when North American Stockists and Service Centres believed that a normal level was reached, and that nickel quotations of London Metal Exchange had come to already sufficient high levels. Throughout the year the apparent consumption of stainless steels flat products rose by 3%. Furthermore, imports increase of Stainless Steel flat products is to be added (11.5% in thin sheet and 30.0% heavy plate) which contrary to the above mentioned in case of stainless steels long products and most of other steel products, they were not protected by complementary duties of Case 201 or by other antidumping tariffs.



NAS Senior Management Team

Within such scenario, prices recovered less than expected and with the exception of the alloy surcharges NAS could only apply a 3% hike in the base price during July which was followed by all the market.



Aerial view of NAS

The first cast of the new Melting Shop could not take place until February 2 due to unjustifiable delays of the supplier in case of such high level installations such as those contracted for this Melting Shop. Furthermore, in the month of May there was an important and unforeseeable failure of the furnace transformer. And in September another one broke down in the electric substation of the Melting Shop. The output this year totalled 298,630 sT and although some defects of the installations still are to be corrected, the year came to an end with the personnel well trained, good quality slabs are manufactured and a sufficient production is obtained to cover all the needs of the factory.



Continuous Casting Turret, AOD Converter in the back

Hot Rolling installations, on the other hand, have enjoyed a highly satisfactory operation with an output of 712,361 sT which is 88.6% more compared to last year, meeting all the needs of the factory and providing hire rolling operations for other North American producers.



Hot rolling



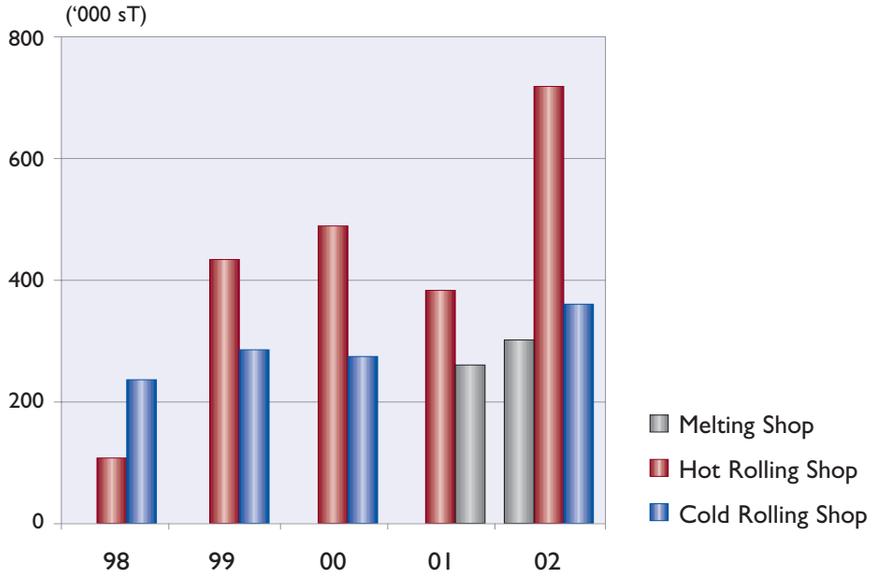
Continuous Casting

Cold Rolling Shop reached a new record production of 358,571 sT which is 38.9% more than last year.



No.2 Sendzimir Cold Rolling Mill

Annual Productions of NAS



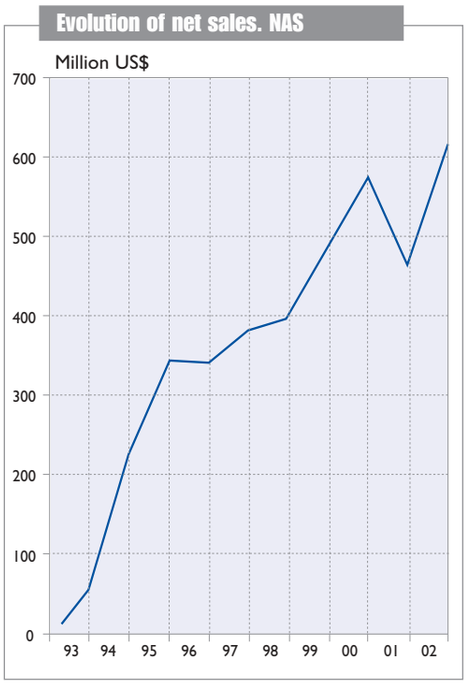
Net Sales of NAS totalled 618.4 million US/$ which is 34.2% more than the invoiced amount of the previous year.

The result after taxes amounted to 43.8 million US$ and it makes us feel very optimist when economy will recover and with it the demand of stainless steels. To the extent that the programmes of Melting Shop bring high competitive costs, as the ones obtained in the remaining installations of Kentucky factory, it will enable to export NAS products all over the world.

Net Cash Flow totalled 75.3 million US/$ which is 204% more than that of the year before.

In order to bring NAS factory closer to Illinois, which is the most important area of USA stainless steels consumption, NAS has erected a Distribution Centre in Minooka of 10,800 m^2, endowed with one railway installations. 40 MT cranes are installed to handle 35sT coils from NAS and first it will have a Continuous Shearing and Coils Subdivision Line.

Evolution of net sales. NAS





Distribution Centre of Minooka (Illinois)

NAS has just acquired a land plot in Agua Mansa (California) where another distribution centre will be built to improve its competitivity in that area affected by Far East imports.

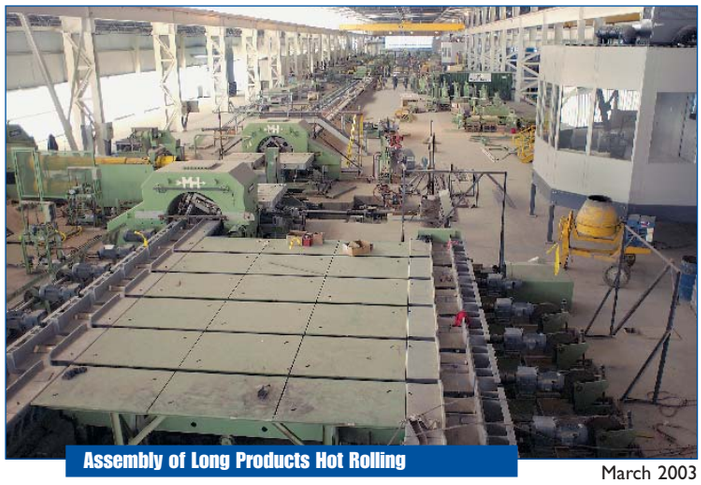
Two new stages are under construction:

- One Stainless steels long products factory erected with the technical assistance of ROLDAN, S.A. It includes a modern MORGARDS HAMMAR-DANIELI-TECHNINT Hot Rolling Mill, with finishing installations for wire-rod, round bars (SCHUMAG) and angles. They will come onto stream in this year, with an estimated investment of 120 million US$.



Long Products Finishing Shop and Hot Rolling Shop in the back

March 2003



Assembly of Long Products Hot Rolling

March 2003



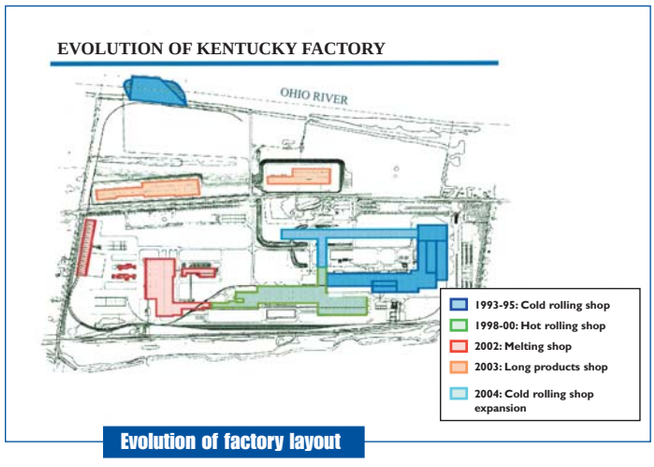
Long Products Finishing Section

March 2003

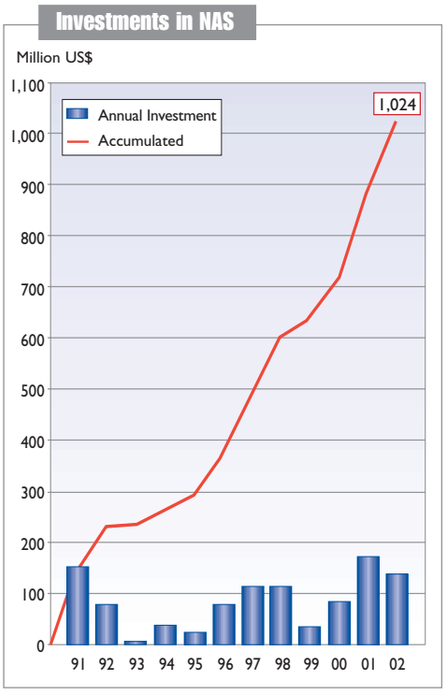
- A no. 3 SENDZIMIR Cold Rolling Mill purchased to NISSHO IWAI – HITACHI – MITSUBISHI-TOSHIBA, and a no. 3 Annealing and Pickling Line supplied from CHUGAIRO-RUTHNER that will start up next year, with an estimated investment of 130 million US$.

With said new projects a greater production balance will be achieved in Kentucky factory. Furthermore, the production range is widened with long products. Thus, it becomes the most complete, and we expect, most competitive world factory in stainless steels hallmarked with a clear export characteristic.

The total investment made by NAS until this date amounted to 1,024 million US$.



Evolution of factory layout





Works of No.3 Sendzimir Mill and No.3 AP Line

March 2003

8 COLUMBUS STAINLESS PTY. LTD.

On the day of January 9 the agreement was formalized, as explained in the Annual Report and General Shareholders Meeting of last year, with the South Africa Group formed by HIGHVELD STEEL AND VANADIUM (ANGLOAMERICAN CORP. GROUP), SAMANCOR LTD., (BHP BILLITON PLC Group) and INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA, (IDC). Thus, ACERINOX, S.A. acquired 64% stake of the new Society COLUMBUS STAINLESS PTY. LTD which had the activities of the old COLUMBUS.



Columbus Management Team

The activity of this starting year has been very intensive, and the results obtained are satisfactory, thanks to the capability and readiness of COLUMBUS technicians, highly receptive to ACERINOX technical assistance which covers from all productive processes to the purchase of raw materials, and it also includes such areas as: technical and economic controls, commercialization, engineering, etc. The support of South African partners is to be highlighted and appreciated, without whom we would not have realized said investment.

In the year 2002 numerous improvement programmes have started which they already begin to bear results the fruits of which will be reaped next year.

The productions obtained in the year 2002 are as follows:

Melting Shop	550,008 MT
Hot rolling	540,949 MT
Cold Rolling	234,860 MT



Slitting Line

73.2% of production was destined to exports.

Net Sales totalled 5,610 million rands (569 million €), which is 61 % more than the invoiced amount obtained by the old COLUMBUS in year 2001.

The substantial 15% consumption growth in 2002 of the South African market is to be highlighted following the trend of previous years. ACERINOX, S.A. will endeavour to support it with new stainless steels applications as it has been done in Spanish market.

Results after taxes totalled 224 million rands (22.7 million €) are highly stimulating, especially if compared to all previous years. Net Cash Flow amounted to 312.7 million rands (31.7 million €).

An investment programme has been approved for the amount of 1,083 million rands (110 million €), the installations of which will come onto stream throughout the years 2003 and 2004. Among them no. 3 Sendzimir Cold Rolling Mill stands out for 1,500 mm width coils that has just been ordered to NISSHO IWAI – HITACHI – MITSUBISHI-TOSHIBA. Thus, the factory of Middelburg (Mpumalanga) will be well balanced, and it will boost production becoming one of the most competitive plants in the world.

Said investments are expected to be only financed by the funds generated by COLUMBUS.



Columbus bird's eye-view

9 Economic Report of the Consolidated Group

With total net sales of 2,500 million €, 37.3% more than the invoiced amount of the year 2001, the gross profit of the year amounted to 262,429,353 € which is 154.5% more.

The net attributable profit totalled 175,464,634 € which is 103% more than that of 2001, with a net Cash Flow of 287,060,606 € which becomes the second best in ACERINOX history, only exceeded by that of the excellent year 2000.

Thousand euros

	2002	2001	VARIATION
Net Sales	2,499,841	1,821,151	37.27%
EBITDA	407,693	209,403	94.69%
EBIT	294,497	110,227	167.17%
Gross Profit (before taxes and minority interest)	262,429	103,099	154.54%
Depreciations	111,596	98,040	13.83%
Gross Cash-Flow	374,025	201,139	85.95%
Net Profit (attributable))	175,465	86,389	103.11%
Net Cash-Flow	287,061	184,429	55.65%

Next table shows the main parameters obtained in the year with its comparison with those of the year before:

	2002	2001	VARIATION
Cash-Flow per share (euro)	4.4 €	3.1 €	41.93%
Earning per share (euro)	2.7 €	1.4 €	85.21%
Gross Margin (%)	41.6%	34.7%	19.99%
EBITDA (%)	16.3%	11.5%	41.84%
EBIT (%)	11.8%	6.1%	94.64%
Margin on ordinary activities (%)	10.5%	5.5%	92.02%
ROE (%)	11.0%	6.9%	58.59%
ROCE (%)	16.2%	7.7%	109.21%
GEARING (%)	22.2%	17.9%	24.21%
Book value (euro)	23.72 €	20.28 €	16.96%

Said margins are highly satisfactory for a year tainted with global economic uncertainty such as that of 2002. They are very stimulating for next years to the extent that full production capacity is being achieved in all the Group factories.

The efficient improvement is substantiated by the margins increase in comparison with the previous year. Thus with a 19.9% improvement in the gross margin we come to obtain 94.6% improvement in EBIT.

Ratios of 11% ROE and 16.2% ROCE continue to be unusual in the stainless steel sector, and even much more in the steel industry. The 22.2% gearing ratio on own funds as at 31 December 2002 has risen by 24.4% in a year when the 452 million € group investments have increased by 68% in comparison to those of the year 2001.

The 2.7 € earning per share has risen by 85% despite the dilutive effect of the capital increase made in the year.

The book value of the Group is 23.7 € which has risen by 17%.





5 Consolidated Group Annual Report

PRICEWATERHOUSECOOPERS

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28046 Madrid
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AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS(*)

To the shareholders of Acerinox, S.A.

We have audited the consolidated annual accounts of Acerinox, S.A. and its subsidiaries (Acerinox Group), consisting of the consolidated balance sheet at 31 December 2002, the consolidated profit and loss account and the related notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Parent Company. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work carried out in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made. Our work did not include the audit of the annual accounts for 2002 of certain companies of the Acerinox Group, whose aggregated assets and net results in absolute terms represent 18.35% and 18.31% of the corresponding total values. The annual accounts of these companies have been audited by other auditors (see notes 1a) and 22 to the consolidated accounts) and our opinion, as expressed in this report on the consolidated annual accounts of Acerinox, S.A. and its subsidiaries, is based, as regards the holdings in said companies, exclusively on the reports of the other auditors.

In accordance with Spanish Corporate Law, the Parent Company's Directors have presented, for comparative purposes only, for each item of the consolidated balance sheet, the consolidated profit and loss account and the consolidated statement of source and application of funds, the corresponding amounts for the previous year as well as the amounts for 2002. Our opinion refers exclusively to the consolidated annual accounts for 2002. On 4 March 20002 we issued our audit report on the 2001consolidated annual accounts, in which we expressed an unqualified opinion.

In our opinion, based on our audit and the reports of the other auditors (see note 1a) to the consolidated accounts), the accompanying consolidated annual accounts for the year 2002 present fairly, in all material respects, the consolidated financial position of Acerinox, S.A. and its subsidiaries (Acerinox Group) at 31 December 2002 and the consolidated results of its operations and its source and application of funds for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with generally accepted accounting principles in Spain, applied on a basis consistent with that of the preceding year.

The accompanying consolidated Directors' Report for 2002 contains the information that the Parent Company's Directors consider relevant to the Acerinox Group's position, the evolution of its business and of other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the aforementioned Directors' Report coincides with that of the consolidated annual accounts for 2002. Our work as auditors is limited to checking the Director's Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the Group companies' accounting records.

PricewaterhouseCoopers Auditores, S.L.

José M Solé Farré
Partner

February 28, 2003

(*) A free translation of the report on the consolidated annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails.

PricewaterhouseCoopers Auditores, S. L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79031290

ACERINOX, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2002 AND 2001

(Thousand euros)

ASSETS

	2002	2001
A) UNCALLED SHARE CAPITAL	**—**	**—**
B) FIXED ASSETS	**1,275,497**	**1,013,283**
I. Formation expenses	2,090	1,853
II. Intangible assets		
1. Intangible assets and rights	26,323	23,979
2. Amortisation	(18,846)	(17,539)
III. Tangible fixed assets		
1. Land and buildings	312,834	281,661
2. Plant and machinery	1.449,196	1.180,363
3. Other fixed assets	68,987	61,342
4. Payments on account. and assets in course of constitution	380,462	315,720
5. Depreciation	(975,827)	(875,372)
IV. Investments		
1. Shareholdings consolidated using equity method	101	383
2. Long-term securities portfolio	18,045	18,066
3. Other loans	372	376
4. Provisions	(9,400)	(64)
V. Parent company shares	21,160	22,515
C) CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	**200**	**194**
D) GOODWILL	**73,111**	**—**
E) DEFERRED EXPENSES	**—**	**—**
F) CURRENT ASSETS	**1,238,046**	**909,387**
I. Called up share capital not paid	—	—
II. Inventories	798,096	577,012
III. Debtors	—	—
1. Trade debtors	390,221	279,190
2. Companies consolidated using equity method	—	—
3. Other debtors	36,851	35,367
4. Provisions	(11,043)	(9,988)
IV. Current asset investments		
1. Short-term securities portfolio	95	109
2. Deposits and guarantees	3,121	3,581
V. Parent company shares	—	—
VI. Cash at bank and in hand	16,800	22,560
VII. Prepayments and accrued income	3,905	1,556
GENERAL TOTAL	**2,586,854**	**1,922,864**

LIABILITIES

	2002	2001
A) CAPITAL AND RESERVES	**1.601,239**	**1.250,484**
I. Share capital	65,800	60,000
II. Share premium account	314,645	108,185
III. Revaluation reserves	21,834	21,834
IV. Other reserves		
1. Non-distributable reserves	12,000	11,848
2. Distributable reserves	766,914	748,210
V. Reserves in companies consolidated by full consolidation method	257,576	239,663
VI. Reserves in companies consolidated by equity method	2	2
VII. Currency translation differences		
1. Companies consolidated by full consolidation method	2,332	(13,073)
2. Companies consolidated by equity method	(195)	26
VIII. Profit and loss attributable to parent company		
1. Consolidated profit and loss	184,508	86,459
2. Profit and loss attributable to minority shareholders	(9,043)	(70)
IX. Interim dividend	(15,134)	(12,600)
B) MINORITY INTERESTS	**107,732**	**7,762**
C) NEGATIVE CONSOLIDATION DIFFERENCES	**4,758**	**4,758**
D) DEFERRED INCOME	**2,866**	**3,727**
E) PROVISION FOR LIABILITIES AND CHARGES	**22,331**	**22,148**
F) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	**218,300**	**174,503**
I. Bank loans and other credit facilities	130,062	100,572
II. Amounts owed to companies consolidated using equity method	—	—
III. Other creditors	88,238	73,931
G) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	**629,628**	**459,482**
I. Debenture loans	—	—
II. Bank loans and other credit facilities	242,580	145,682
III. Amounts owed to companies consolidated using equity method	—	—
IV. Trade creditors	242,879	221,510
V. Other creditors	79,386	46,028
VI. Trade provisions	4,662	3,804
VII. Accruals and deferred income	60,121	42,458
GENERAL TOTAL	**2,586,854**	**1,922,864**

ACERINOX, S.A. AND SUBSIDIARIES

PROFIT AND LOSS ACCOUNTS AT 31 DECEMBER 2002 AND 2001

(Thousand euros)

DEBIT

		2002	2001
A) EXPENSES			
	1. Reduction in inventories of finished goods and work in progress	—	131,435
	2. Raw materials and consumables	1,674,486	1,068,305
	3. Staff costs	220,148	163,933
	4. Fixed asset depreciation	111,596	98,040
	5. Changes in trade provisions	1,600	1,136
	6. Other operating charges	412,725	258,445
I.	**OPERATING PROFIT**	**294,497**	**110,227**
	7. Financial expense	20,643	15,338
	8. Changes in provisions for investments	9,336	—
	9. Losses on exchange	23,274	24,449
II.	**FINANCIAL INCOME**	**—**	**—**
	10. Share in losses of companies consolidated by equity method	61	—
III.	**PROFIT FROM ORDINARY ACTIVITIES**	**263,628**	**100,019**
	12. Losses on fixed assets	89	201
	13. Extraordinary expenses and losses	3,221	3,555
IV.	**EXTRAORDINARY PROFIT**	**—**	**3,079**
V.	**CONSOLIDATED PROFIT BEFORE TAXES**	**262,430**	**103,098**
	14. Corporate income tax	77,922	16,639
VI.	**CONSOLIDATED PROFIT FOR THE YEAR**	**184,508**	**86,459**
	15. Result attributable to minority shareholders	(9,043)	(70)
VII.	**PROFIT ATTRIBUTABLE TO PARENT COMPANY**	**175,465**	**86,389**

CREDIT

	2002	2001
B) INCOME		
1. Net turnover	2,499,841	1,821,151
2. Increase in inventories of finished goods and work in progress	207,292	—
3. Own work capitalised	3,809	4,432
4. Other income	4,110	5,938
I. OPERATING LOSSES	—	—
5. Income from shareholdings	212	449
6. Other financial income	22,233	29,130
II. FINANCIAL EXPENSE	30,808	10,208
7. Share in profit of companies consolidated by equity method	—	—
III. LOSSES ON ORDINARY ACTIVITIES	—	—
8. Profit on fixed assets	153	397
9. Extraordinary income or profit	1,959	6,438
IV. EXTRAORDINARY LOSS	1,198	—

1. Activities and structure of the consolidated Group

Acerinox, S.A. was incorporated as a public limited company (sociedad anónima) on 30 September 1970. Its registered office is at calle de Santiago de Compostela nº 100, Madrid.

Acerinox, S.A. is the parent company of a group comprising various enterprises, the main activity of which is the manufacture and distribution of stainless steel products.

a) Subsidiaries

In accordance with Section 2.a) of Royal Decree 1815/1991 (20 December), the closing date for the accounts in all the subsidiaries was 31 December 2002 (thousands of euros).

SUBSIDIARY	SHAREHOLDING	% PAR VALUE	SHAREHOLDER	CAPITAL	RESERVES
ACIMETAL, S.A. Terrassa (Barcelona) BDO Audiberia Auditores	2,436	95.83	ACERINOX, S.A.	72	5,692
INOXCENTER, S.A. Barcelona BDO Audiberia Auditores	10,970	95.83	ACERINOX, S.A.	245	24,324
INOXCENTER CANARIAS, S.A. Telde (Gran Canaria) BDO Audiberia Auditores	258 12	95.55 4.45	INOXCENTER, S.A. ACIMETAL, S.A.	270	2,940
INOXFIL, S.A. Igualada PriceWaterhouseCoopers	6,247	100	ROLDAN, S.A.	4,812	7,534
INOXIDABLES DE EUSKADI, S.A. Vitoria PriceWaterhouseCoopers	2,705	100	ACERINOX, S.A.	2,705	6,315
INOXIDABLES DE GALICIA, S.A. Vigo (Pontevedra) BDO Audiberia Auditores	15	100	INOXMETAL, S.A.	60	4,141
INOXMETAL, S.A. Zaragoza BDO Audiberia Auditores	1,049	95.83	ACERINOX, S.A.	72	2,523
INOXSERVI DINA, S.A. Sant Just Desvern (Barcelona) BDO Audiberia Auditores	301	100	INOXCENTER, S.A.	301	421
METALINOX BILBAO, S.A. Galdácano (Vizcaya) BDO Audiberia Auditores	2,433	95.83	ACERINOX, S.A.	72	16,851
ROLDAN, S.A. Madrid PriceWaterhouseCoopers	17,055	99.33	ACERINOX, S.A.	11.936	48,273
ACERINOX ARGENTINA, S.A. Buenos Aires (Argentina) PriceWaterhouseCoopers	664	100	ACERINOX, S.A.	579	1,559
ACERINOX AUSTRALASIA PTY.LTD. Sidney (Australia)	386	100	ACERINOX, S.A.	358	28
ACERINOX BENELUX, S.A. - N.V. Bruxelles (Belgium) PriceWaterhouseCoopers	209	100	ACERINOX, S.A.	211	295
ACERINOX BRASIL, LTDA. Sao Paulo (Brazil)	191	100	ACERINOX, S.A.	170	-103
ACERINOX DEUTSCHLAND GMBH Langenfeld (Germany) PriceWaterhouseCoopers	20,496	100	ACERINOX, S.A.	20,000	-2,660

ACERINOX FRANCE SARL París (France) PriceWaterhouseCoopers	13,669	100	ACERINOX, S.A.	14,250	-460
ACERINOX ITALIA S.R.L. Milano (Italy) PriceWaterhouseCoopers	17,643 275	98.57 1.43	ACERINOX, S.A. INOXIDABLES DE EUSKADI	14,000	6,582
ACERINOX PACIFIC LTD. Wanchai (Hong-Kong) Deloitte & Touche	649	100	ACERINOX, S.A.	172	642
ACERINOX POLSKA, SP Z.O.O. Praga (Poland) PriceWaterhouseCoopers	179	100	ACERINOX, S.A.	187	-47
ACERINOX SCANDINAVIA, S.A. Oslo (Norway) PriceWaterhouseCoopers	2,534	100	ACERINOX, S.A.	2,411	6,652
ACERINOX (SCHWEIZ) AG Mellingen (Switzerland) PriceWaterhouseCoopers	326	100	ACERINOX, S.A.	317	916
ACERINOX SOUTH EAST ASIA PTE.LTD. Singapur Deloitte & Touche	193	100	ACERINOX, S.A.	205	343
ACERINOX SWEDEN Malmoe (Sweden) PriceWaterhouseCoopers	16,656	100	ACERINOX, S.A.	16,193	-277
ACERINOX U.K. LTD. Birmingham (United Kingdom) PriceWaterhouseCoopers	14,509	100	ACERINOX, S.A.	14,447	738
ACERINOX USA, INC. New Jersey (U.S.A.)	612	100	ACERINOX, S.A.	286	1.595
ACEROL LTDA. Maia (Portugal) PriceWaterhouseCoopers	2,363	100	ACERINOX, S.A.	2,035	2,976
COLUMBUS (PTY) LTD Middelbourg (South Africa) Ernst & Young	232,000	64	ACERINOX, S.A	239,689	11,285
CROMWELD Staffordshire (United Kingdom) Ernst & Young	423	100	COLUMBUS (PTY) LTD.	82	304
D.A.ACERINOX CHILE, S.A. Santiago de Chile (Chile) Ernst & Young	7,545	100	ACERINOX, S.A.	7,422	-491
NEWTECINVEST A.G. Zug (Switzerland) KPMG	4,455	100	ACERINOX, S.A.	4,524	3,807
NORTH AMERICAN STAINLESS INC Kentucky (U.S.A.) PriceWaterhouseCoopers	441,715 1	99.01 0.10	ACERINOX, S.A. NAS LONG PR.	412,983	180,853
NORTH AMERICAN STAINLESS LONG PRODUCT Kentucky (U.S.A.)	5,709	100	ROLDAN, S.A.	5,373	-617

The heading scope of consolidation used in the notes to these accounts describes the adjustments to opening consolidated balances which are due to changes in the perimeter of consolidation of the Group, by virtue of acquisitions, and changes in Group holdings which give rise to changes in the consolidation method used, and the movements in foreign companies due to the evolution of exchange rates, which are carried under Translation differences in the corresponding notes to these annual accounts.

The following capital increases were carried out in 2002 by the companies included in the scope of consolidation:

Thousand euros

Company	No of shares	Capital	Share premium account
ACERINOX, S.A.	5,800,000	5,800	226,200
NORTH AMERICAN STAINLESS, Inc.	229	52,454	

The main changes in the scope of consolidation during 2002 have been:

– the companies Columbus Stainless PTY, Ltd. and Cromweld have been included in the consolidated Group as from 1 January 2002. The Company holds a 64% stake in each and both have been consolidated using the full consolidation method.

The Group companies' activities are set out below:

* NORTH AMERICAN STAINLESS, Inc and COLUMBUS (PTY), Ltd.: Manufacture of stainless steel products.
* ROLDAN, S.A.: Manufacture of long stainless-steel products.
* INOXFIL, S.A.: Manufacture of stainless steel wire.
* Rest: Marketing of stainless steel products.

2. Basis of presentation of the consolidated annual accounts

a) True and fair view

The consolidated annual accounts have been drawn up on the basis of the accounting records of the Company and the consolidated companies and include all the adjustments and reclassifications required for consistency with the parent company in terms of both timing and values in order to give a true and fair view of the consolidated Group's net worth, financial situation and results.

b) Consolidation principles

The consolidated annual accounts have been prepared by applying the full consolidation method to subsidiaries. Shares in associated companies have been valued using the equity method.

– Full consolidation method

The parent company's investment accounts (stated at cost) are offset against the subsidiaries' net worth in proportion to the shareholding acquired. Minority interests are recorded under the heading Minority interests, where appropriate. The interest held by minority shareholders in the consolidated subsidiaries' results is recorded under the heading Result attributable to minority shareholders in the profit and loss account.

– Equity consolidation method for associated companies

Holdings in associated companies have been included in the consolidated accounts by applying the equity method to the values stated at 31 December 2002.

All the annual accounts of the Group companies used in the consolidation process relate to the year ended 31 December 2002.

All significant balances and transactions between consolidated companies have been eliminated.

The annual accounts of foreign subsidiaries denominated in foreign currencies have been converted to euros in accordance with the following principles:

– Capital and reserves and fixed assets at historical exchange rate
– Current assets and liabilities at the year-end exchange rate.
– Income and expense account balances, and hence the profit for the year, at the average rate for the year.

The resulting exchange differences, less the portion relating to minority interests, which is recorded under Minority interests, are included in the item currency translation differences.

c) Comparability

In order to make figures for 2001 recorded in the consolidated profit and loss account comparable to current year figures, the balances recorded in the 2001 accounts under Other financial income and Losses on exchange have been reclassified in the amount of euros 23,908 thousand.

3. Accounting policies

The accounting polices set out below have been applied to prepare the annual accounts:

a) Formation expenses

Formation, start-up and share capital increase expenses are stated at acquisition price and are amortised in accordance with applicable legislation.

b) Intangible assets

Intangible fixed assets are stated at acquisition or production cost, which includes materials, direct labour costs and a portion of attributable indirect expenses. They are amortised on a straight-line basis over five years.

Research and Development expenses are capitalized and amortized over five years when the results of the associated project are satisfactory. Where the favourable circumstances which allowed the expenses to be capitalised change, the portion pending amortization is taken to profit and loss for the year in which the change occurs.

c) Tangible fixed assets

Tangible fixed assets are stated at cost or production value, plus legally-approved revaluations.

The useful lives of assets, based on the actual decline in value and depreciated on a straight-line basis, are set out below:

Buildings	5/22
Plant and machinery	5/20
Furniture	10

Improvements which extend the useful lives of existing assets are capitalized. Financial expenses directly related to tangible fixed assets accruing before the assets are bought into use are also capitalized when the assets take longer than two years to construct. Financial expenses capitalised total euros 6,058 thousand. Repair and maintenance costs are expensed in the year in which they are incurred.

d) Investments

Investments in companies are stated at acquisition cost, less any amounts required to recognise permanent declines in value.

e) Non-trade creditors

Long and short-term non-trade loans are recorded at the amount to be repaid. The difference between this amount and the nominal value is recorded under interest received in the year in which it accrues using a financial method.

f) Goodwill on consolidation

The positive difference between the book value of the parent company's shareholding in the subsidiaries and the value of the portion of the subsidiaries net worth which is attributable to that shareholding, adjusted for any latent capital gains, is recorded in the consolidation process as Goodwill on consolidation.

Goodwill on consolidation is written off over 15 years, as this is considered to be the average payback period for the investments concerned.

g) Inventories

Inventories are stated at acquisition or production cost. When the market value is lower than the acquisition or production cost, and the decline in value is considered to be temporary, the necessary adjustment is made and the relevant provision is set up.

h) Trade debtors

Trade debtors are stated at their nominal value and the necessary value adjustments are made in order to take into account the risk of bad debts.

The amount relating to discounted bills is recorded to maturity under Trade debtors and Short-term bank loans.

Interest accrued on transactions falling due in a period exceeding 12 months is deferred and taken to results using a financial method.

i) Current asset investments in securities

Current asset investments are stated at the lower of acquisition cost and net realizable value at the year end.

j) Reserves in consolidated companies

The item Reserves in companies consolidated by full consolidation method includes differences between the book value of investments and the net value of assets and liabilities, excluding the current year result, relating to companies consolidated by full consolidation method. The heading Reserves in companies consolidated by equity method includes differences between the net value of the investments and the net value of assets and liabilities, excluding the current year result, relating to companies consolidated using the equity method.

k) Negative consolidation differences

The heading Negative consolidation differences on the consolidated balance sheets records the difference between the book value of the parent company's direct or indirect holding in subsidiaries and the value of the subsidiaries' equity attributable to that holding, adjusted where necessary to account for any latent capital losses.

The negative consolidation difference may be transferred to the consolidated profit and loss account only when:

- it is based on losses recorded by the company concerned, or on a reasonable expectation of expense relating to that company, insofar as that expectation is realised, or
- it corresponds to a realised capital gain.

l) Provision for liabilities and charges

Amounts recorded for provisions relate to current disputes.

Obligations deriving from certain contracts, for agreed commitments or obligations deriving from a future event amount to euros 10,318,894.12 and are sufficiently secured. In 2002 the expense for this item amounts to euros 1,171,760.31.

m) Deferred income

Deferred income relates to capital grants that are released to the profit and loss account on a straight-line basis at the same rate as the depreciation charged on the assets they finance.

n) Corporate income tax

The parent company's corporate income tax is calculated on the basis of the reported profit, as adjusted for any permanent differences between reported and taxable profits. Tax credits and deductions are treated as a reduction in the corporate income tax expense for the year. Subsidiaries are treated in accordance with the tax legislation of the country concerned.

Pursuant to the provisions of Law 43/95, governing corporate income tax, and in accordance with the resolution of the General Shareholders' Meeting held on 30 May 2000, the parent company notified the tax authorities of its intention to continue to file tax returns under the Special Regime for Groups of Companies.

o) Transactions and balances denominated in foreign currency

Debtors and creditors denominated in foreign currency are stated at year-end exchange rates. Transactions in foreign currencies are recorded in the profit and loss account at the exchange rate prevailing when the transactions are effected. Realised gains, together with realised and unrealised losses on exchange, are taken to profit and loss for the year. Unrealised gains are recorded as deferred income and taken to income when they are realised.

p) Creditors

Short and long-term loans are stated at the amount at which they are to be repaid and any implicit interest included either in their face value or repayment value is recorded under Deferred expenses. Such interest is expensed using a financial method. Balances falling due within 12 months are classed as short-term while balances falling due after 12 months are classed as long-term.

q) Income and expenses

Income and expenses are recorded on an accruals basis, i.e. in the period in which the income or expense deriving from the goods or services in question is earned or incurred rather than the period in which the cash is actually received or disbursed.

For reasons of prudence, however, the Company only records profits realised at the year end, while foreseeable risks and potential losses arising in the year or in prior years are recorded as soon as they are known.

r) Environment

Items forming part of the Company's assets to be used on a long-term basis in its activities and whose main purpose is to minimise environmental impact as well as to protect and improve the environment are recorded under tangible fixed assets. They are capitalised at their acquisition price or production cost and depreciated over their estimated useful lives, which are based on rates used for similar tangible assets.

Environmental expenses deriving from the above-mentioned activities are recorded as operating expenses in the year in which they are incurred. Expenses deriving from extraordinary activities are recorded as extraordinary expenses.

A provision for environment issues is made when expenses are incurred in the current year, when the expenses relate to prior-years, or when at the year end it is deemed that such expenses are likely or certain to arise even though the amount or date remain undetermined. In addition, the Company sets up a provision for environmental issues arising from its legal or contractual obligations as well as a provision for commitments acquired for the prevention and reversal of damage to the environment.

s) Parent company shares

Acerinox, S.A. shares acquired by Group companies are stated on the balance sheet at the lower of acquisition cost and the year-end share price. An appropriation has been made to the relevant provision in order to reflect any decline in value.

4. Distribution of profits

The Board of Directors will propose the following distribution of Acerinox, S.A. profits to the General Shareholders' Meeting:

Available for distribution	*Thousand Euros*
Net profit	93,269
Distribution	
To dividends	55,272
To legal reserve	1,160
To voluntary reserve	36,837
	93,269

On 13 November 2002, the Board of Directors approved the payment of an interim dividend out of the 2002 profits, in the amount of euros 15,134 thousand which is recorded under Interim dividend on the consolidated balance sheet as at 31 December 2002. This dividend was paid on 3 January 2003.

The provisional accounting statement prepared in accordance with Article 216 of the Spanish Companies Act, reflecting the existence of sufficient liquid assets to pay the dividend, is as follows:

		Thousand euros
Cash resources at 30 September 2002		1,707
Plus:		
– Forecast increases in cash for period 30 September 2002 to 3 January 2003		411,327
Collections from trading operations	403,032	
Realisable	8,295	
Less:		
– Forecast decreases in cash for period 30 September 2002 to 3 January 2003		396,415
Payments for		
Deductions, shareholders' contributions	19,740	
Fixed asset investments	8,072	
Trading operations	281,072	
Due	87,531	
Forecast cash resources at 3 January 2003		16,619

5. Formation expenses

Movements in Formation expenses during 2002 are as follows (thousand euros):

Thousand euros

	Opening balance	Increases	Depreciation	Closing balance
Formation expenses	1,853	356	119	2,090

6. Intangible assets

Movements in the accounts under this heading in 2002 are set out below (thousand euros):

Thousand euros

	Opening balance	Increases	Disposals	Closing balance
Gross value				
Research and development	14,572	1,602	38	16,136
Lease premium	168	—	—	168
Other	9,239	842	62	10,019
	23,979	2,444	100	26,323
Amortization/Provisions				
Research and development	9,491	600	—	10,091
Lease premium	93	4	—	97
Software	7,955	765	62	8,658
	17,539	1,369	62	18,846
Net intangible fixed assets	**6,440**			**7,477**

7. Tangible fixed assets

Movements in Tangible fixed assets during 2002 are set out below:

Thousand euros

	Opening balance	Scope of consolidation	Additions	Disposals	Transfers	Closing balance
Gross Value						
Land and buildings	281,661	3,251	3,645	388	24,665	312,834
Plant and machinery	1 180,363	173,949	34,964	995	60,915	1,449,196
Payments on accounts and assets in course of construction	315,720	11,918	140,230	288	(87,118)	380,462
Other fixed assets	61,342	814	9,855	4,562	1,538	68,987
	1 839,086	189,932	188,694	6,233	—	2,211,479
Depreciation / Provisions						
Buildings	121,244	—	9,662	89	—	130,817
Plant and machinery	713,667	—	90,399	789	—	803,277
Other fixed assets	40,461	—	7,029	5,757	—	41,733
	875,372	—	107,090	6,635	—	975,827
Net tangible fixed assets	**963,714**					**1,235,652**

Legally approved restatements and revaluations have been as follows (thousand euros):

	1979	1981	1983	1996	Total
Tangible fixed assets					
Cost	28,891	21,757	36,818	29,402	116,868
Accumulated depreciation	4,243	2,999	8,871	—	16,113
Net capital gain	24,648	18,758	27,947	29,402	100,755
Application					
Share capital	4,237	661	4,718	—	9,616
Legal reserve	1,497	132	950	—	2,579
Voluntary reserve	18,914	17,964	22,280	—	59,158
Non-distributable reserve	—	—	—	29,402	29,402
	24,648	**18,757**	**27,948**	**29,402**	**100,755**

Tangible fixed assets located outside Spanish territory are set out below:

	Thousand euros
Land and buildings	117,913
Plant and machinery	675,037
Payments on accounts and assets in course of construction	378,757
Other fixed assets	15,978
	1,187,685

The depreciation accounts relating to tangible fixed assets located outside Spanish territory are set out below:

	Thousand euros
Buildings	21,792
Plant and machinery	147,003
Other fixed assets	11,131
	179,926

At 31 December 2002 the Group has entered into contracts for the purchase of new equipment and facilities in the amount of euros 221,143 thousand.

Certain plots of land owned by the investee company North American Stainless, Inc. have been pledged as a collateral for bank loans (see note 19).

8. Long-term securities portfolio

Details of the long-term securities portfolio and related provisions are set out below:

Thousand euros

	Balance at 31.12.01	Increases	Decreases	Balance at 31.12.02
Long-term securities portfolio	18,066	—	21	18,045
Provisions	(64)	(9,336)	—	(9,400)
	18,002	**(9,336)**	**21**	**8,645**

9. Parent company shares

At 31 December 2002 Own shares relates to 657,966 Acerinox, S.A. shares. Given that these shares are owned by a company located outside Spain, the reserve stipulated in Spanish legislation has not been set up.

10. Consolidation goodwill

Movements in Consolidation goodwill are as follows:

Thousand euros

	Balance at 31.12.01	Addition	Amortisation	Balance at 31.12.02
Columbus (Pty) Ltd.	—	78,334	5,223	73,111
	—	**78,334**	**5,223**	**73,111**

A goodwill amortisation charge for 2002 in the amount of euros 5,223 thousand has been recorded under Fixed asset depreciation.

11. Inventories

Inventories break down as set out below:

	Thousand euros
Raw materials and other consumables	186,930
Work in progress and semi-finished goods	201,307
Finished goods	414,200
By-products	3,841
Advance payments	2,385
Provisions	(10,567)
	798,096

Current purchase commitments:

At 31 December 2002, the Group records commitments for the purchase of raw materials valued at euros 162,804 euros.

12. Capital and reserves

Movements in capital and reserves are set out below:

	Opening balance	Capital increase	Distribution of share premium	Distribution of 2001 result	Consol. reserves	2002 Interim dividend	Result for 2002	Other movements	Closing balance
Capital	60,000	5,800	—	—	—	—	—	—	65,800
Share premium account	108,185	226,200	(19,740)						314,645
Revaluation reserves	21,834	—	—	—	—	—	—	—	21,834
Other reserves	760,058	—	—	18,856	—	—	—	—	778,914
Reservas in companies consolidated by the equity method	2	—	—	—	—	—	—	—	2
Reservas in companies consolidated by the full method	239,663	—	—	20,733				(2,820)	257,576
Consolidated profit/loss	86,389			(86,389)	—	—	175,465	—	175,465
Interim dividend	(12,600)			12,600		(15,134)			(15,134)
Currency translation differences	(13,047)				15,184	—			2,137
Total capital and reserves	**1,250,484**	**232,000**	**(19,740)**	**(34,200)**	**15,184**	**(15,134)**	**175,465**	**(2,820)**	**1,601,239**
Supplementary dividend				**34,200**					

13. Share capital

a) As at 31 December 2002, the parent company's share capital comprises 65,800,000 fully paid up, ordinary registered shares with a par value of one euro each.

In accordance with the resolution of the Annual General Meeting held on 30 May 2001 authorising the Board of Directors to increase the Company's share capital on one or several occasions over five years, on 9 January 2002 the Board increased share capital by euros 5,800,000 of the euros 30,000,000 by which it is authorised to increase capital in the specified period. The capital increase was performed in accordance with Article 159 of the Spanish Companies Act, excluding the preferential subscription right, through the issue of 5,800,000 fully-paid ordinary shares with a par value of one euro each and a share premium of 39 euros.

All the parent company's shares carry the same rights. No restrictions on the transfer of shares are provided for in the Articles of Association.

b) All Acerinox, S.A. shares are listed on the Madrid and Barcelona stock exchanges.

d) Nisshin Steel Co. Ltd. is the only company holding an interest over 10% in the parent company.

14. Parent company reserves

A breakdown of this heading, following adjustments for consolidation, is set out below (thousand euros):

	Thousand euros
Share premium account	314,645
Legal reserve	12,000
Non-distributable reserves	21,834
Voluntary reserve	766,752
Free depreciation R.D.L. 2/1985	162
	1,115,393

a) Share premium account

There are no specific restrictions on the distribution of this account.

b) Legal reserve

Appropriations to the legal reserve are made in compliance with Article 214 of the Spanish Companies Act, which stipulates that 10% of the profits must be transferred to this reserve until it represents at least 20% of share capital.

The legal reserve is not available for distribution. Should it be used to offset losses in the event of no other reserves being available for this purpose, it must be replenished out of future profits.

c) Non-distributable reserves

In accordance with Royal Decree-Law 7/1996 (7 June) on urgent fiscal measures and measures to encourage the liberalization of the economy, the Company has restated its tangible fixed assets. The restatement amounts to euros 29,407 thousand, net of the 3% tax on the capital gain.

The tax authorities had a period of three years to perform their inspection as from 31 December 1996. Given that no inspection took place within the specified period, this balance may be used to offset losses or increase the Company's share capital. After ten years the balance may be transferred to freely distributable reserves, provided that related capital gains have been amortised or transferred, or the restated assets have been written off.

The reserve may not be directly or indirectly distributed until the capital gain has been realised.

d) Free depreciation reserve Royal Decree-Law 2/1985

In accordance with Royal Decree Law 2/1985, between 1985 and 1987 the Company charged depreciation totalling euros 10,307 thousand on certain tangible fixed assets for tax purposes. Any future depreciation charges in respect of assets which were fully depreciated on a free depreciation basis cannot be treated as a tax-deductible expense. At 31 December 2001 the deferred tax liability generated by this item amounts to euros 125 thousand.

e) On 30 May 2002, the Annual General Meeting resolved to refund 0.30 euros per share to the Company shareholders, with a charge to the share premium account recorded at that date. This refund was effected on 4 October 2002.

15. Reserves in companies consolidated using full consolidation method

This heading breaks down as follows (thousand euros):

Sociedad	
ACIMETAL, S.A.	2,961
INOXCENTER, S.A.	13,264
INOXCENTER CANARIAS, S.A	2,762
INOXFIL, S.A.	5,823
INOXIDABLES DE EUSKADI, S.A.	6,035
INOXIDABLES DE GALICIA, S.A.	3,903
INOXMETAL, S.A.	1,371
INOXSERVI DINA, S.A.	391
METALINOX BILBAO, S.A	16,589
ROLDAN, S.A	44,011
ACERINOX ARGENTINA, S.A.	2,657
ACERINOX AUSTRALASIA PTY.LTD.	35
ACERINOX BENELUX, S.A. –N.V.	297
ACERINOX BRASIL, LTDA.	(30)
ACERINOX DEUTSCHLAND GMBH	(3,362)
ACERINOX FRANCE S.A.R.L.	(409)
ACERINOX ITALIA S.R.L.	2,211
ACERINOX PACIFIC LTD.	(10)
ACERINOX POLSKA, SP.Z.O.O.	(25)
ACERINOX SCANDINAVIA, S.A.	5,042
ACERINOX (SCHWEIZ) AG	2,199
ACEINOX SWEDEN AB	(11)
ACERINOX SOUTH EAST ASIA PTE.LTD.	366
ACERINOX U.K. LTD	327
ACERINOX USA INC.	297
ACEROL LTDA. (Portugal)	2,379
COLUMBUS (PTY) LTD.	(265)
CROMWELD	(157)
D.A.ACERINOX CHILE, S.A.	854
NEWTECINVEST, A.G.	13,631
NORTH AMERICAN STAINLESS INC.	134,812
NORTH AMERICAN STAINLESS LONG PRODUCTS	(372)
	257,576

16. Current translation differences recorded by companies consolidated by full consolidation method

This heading breaks down as follows (thousand euros):

Sociedad	
ACERINOX ARGENTINA, S.A.	(1,235)
ACERINOX AUSTRALASIA, PTY.LTD.	(35)
ACERINOX BRASIL, LTDA.	(94)
ACERINOX DEUTSCHLAND GMBH	(173)
ACERINOX PACIFIC LTD	174
ACERINOX POLSKA, SP Z.O.O.	(14)
ACERINOX SCANDINAVIA, S.A.	829
ACERINOX (SCHWEIZ) AG	234
ACERINOX SWEDEN AB	(948)
ACERINOX SOUTH EAST ASIA PTE.LTD	(10)
ACERINOX U.K. LTD	106
ACERINOX USA, INC	800
COLUMBUS (PTY) LTD.	6,237
CROMWELD	(19)
D.A.ACERINOX CHILE, S.A.	(1,772)
NEWTECINVEST, AG	993
NORTH AMERICAN STAINLESS, INC.	(2,128)
NORTH AMERICAN SATAINLESS LONG PRODUCTS	(613)
	2,332

17. Minority interests

This heading breaks down as set out below:

Thousand euros

	Capital	Share premium account	Reserves	Conversion differences	Result for 2002	Total
ACIMETAL, S.A.	3	—	237	—	21	261
INOXCENTER, S.A.	10	81	932	—	171	1,194
INOXCENTER CANARIAS, S.A.	11	—	123	—	19	153
INOXFIL, S.A.	32	—	50	—	—	82
INOXIDABLES DE GALICIA, S.A.	3	—	173	—	34	210
INOXMETAL, S.A.	3	—	105	—	10	118
INOXSERVI DINA, S.A.	13	—	18	—	—	31
METALINOX BILBAO, S.A.	3	1	701	—	82	787
ROLDAN, S.A.	80	—	323	—	5	408
NORTH AMERICAN STAINLESS	3,661	—	1,416	187	410	5,674
N.A.S LONG PRODUCT	36	—	—	(4)	1	33
COLUMBUS (PTY) LTD.	86,288	—		4,062	8,179	98,529
CROMWELD	30	—	120	(10)	112	252
	90,173	**82**	**4,198**	**4,235**	**9,044**	**107,732**

The increase in Minority interests in 2002 is basically due to the inclusion of Columbus (PTY) Ltd. in the perimeter of consolidation.

18. Provision for liabilities and charges

Movements in the Provision for liabilities and charges are set out below:

Thousand euros

	Opening balance	Appropriations	Applications	Closing balance
Provision for taxes	928	111	314	725
Other provisions	21,220	1,583	1,197	21,606
	22,148	1,694	1,511	22,331

This heading includes provisions for contingencies and charges relating to general and specific liabilities.

19. Creditors: Amounts falling due after more than one year

Loans, classified by year of maturity, are as follows:

	2003	2004	2005	2006	2007	2008 and subsequents years	Total
Long-term		30,742	30,742	18,516	13,827	36,235	130,062
Short-term	242,580						242,580

Total bank loans falling due after one year consist of USD 136,396 thousand.

At 31 December 2002 the Group records credit facilities with a maximum available limit of euros 854 million.

The heading Other creditors includes deferred tax liabilities that are expected to reverse after one year. A breakdown by currency is set out below:

Thousand euros

Moneda	
US dollar	76,348
South African rand	10,577

Bank loans bear interest at a market rate.

20. Tax situation

a) Consolidation for tax purposes

In 2002 the companies Acerinox, S.A., Roldán, S.A., Inoxfil, S.A., Inoxidables de Euskadi, S.A., Acimetal, S.A., Inoxcenter, S.A., Inoxcenter Canarias, S.A., Inoxidables de Galicia, S.A., Inoxmetal, S.A., Inoxservi Dina, S.A. and Metalinox Bilbao, S.A. are included in the perimeter of consolidation for tax purposes.

b) Acerinox, S.A.

On 14 January 1997, the tax authorities raised assessments in respect of corporate income tax, value added tax and personal income tax (withholdings) for 1988 to 1992, which basically derived from discrepancies over the procedures applied to depreciation, provisions, limits on tax credits and obligations to make withholdings on account of certain expenses relating to the Company's export activity. The Company contested certain assessments and presented the relevant allegations in due time and form to the Chief Inspector of the National Tax Office. As a result, the previous assessments were cancelled and new assessments were raised by the Chief Inspector on 30 December 1997 against which the Company has appealed to the Central Tax and Treasury Court. The Company has appealed to the National Court against the claims partially allowed by the Central Tax and Treasury Court.

In the opinion of Company Management, based on discussions with their tax and legal advisers, the returns filed in respect of all the taxes inspected complied with all applicable regulations and therefore no additional liabilities are expected to arise from the contested assessments. The Company will take all steps allowed by current law to assure that no such liabilities arise.

The years open to inspection for the main taxes to which the Company is subject are as follows:

Tax	Years
Corporate income tax	1997-2002
Value added tax	1998-2002
Employee withholding tax	1998-2002
Customs duties	2000-2002

c) The Group companies are open to inspection for the years that are not statute-barred in accordance with applicable legislation of each country

As a result, among other things, of the different interpretations to which Spanish tax legislation lends itself, additional tax assessments may be raised in the event of a tax inspection. The Company's Management consider, however, that any additional assessments that might be made would not have a significant impact on these accounts.

21. Contribution of results

Thousand euros

Company	Result	Minority shareholders	Profit
ACERINOX, S.A.	93,269	–	93,269
ACIMETAL, S.A.	492	21	513
INOXCENTER, S.A.	3,944	171	4,115
INOXCENTER CANARIAS, S.A.	426	19	445
INOXFIL, S.A.	21	0	21
INOXIDABLES DE EUSKADI, S.A.	1,011	–	1,011
INOXIDABLES DE GALICIA, S.A.	793	34	827
INOXMETAL, S.A	225	10	235
INOXSERVI DINA, S.A.	0	0	0
METALINOX BILBAO, S.A.	1,883	82	1,965
ROLDAN, S.A.	692	5	697
ACERINOX ARGENTINA, S.A.	11	–	11
ACERINOX AUSTRALASIA, PTY.LTD.	20	–	20
ACERINOX BENELUX, S.A. – N.V.	104	–	104
ACERINOX BRASIL, LTDA.	10	–	10
ACERINOX DEUTSCHLAND GMBH	3,481	–	3,481
ACERINOX FRANCE S.A.R.L.	1,793	–	1,793
ACERINOX ITALIA S.R.L	10	–	10
ACERINOX PACIFIC LTD.	5	–	5
ACERINOX POLSKA, SP Z.O.O.	172	–	172
ACERINOX SCANDINAVIA, S.A.	1,471	–	1,471
ACERINOX (SCHWEIZ) AG	683	–	683
ACERINOX SWEDEN AB	1,315	–	1,315
ACERINOX SOUTH EAST ASIA PTE.LTD.	74	–	74
ACERINOX U.K. LTD.	248	–	248
ACERINOX USA, INC.	52	–	52
ACEROL LTDA. (Portugal)	620	–	620
D.A.ACERINOX CHILE, S.A.	213	–	213
NEWTECINVEST, A.G.	2,492	–	2,492
NORTH AMERICAN STAINLESS, INC.	45,833	410	46,243
NORTH AMERICAN STAINLESS LONG PRODUCT	119	1	120
COLUMBUS (PTY) LTD.	14,541	8,178	22,719
CROMWELD	199	112	311
AJUSTES CONSOLIDACIÓN	(757)	–	(757)
	175,465	**9,043**	**184,508**

22. Analysis of net sales

Consolidated sales may be analysed geographically as follows:

	%
Europa	45.51
Americas	27.01
Asia	21.37
Africa	5.99
Oceania	0.12

23. Average number of employees

Graduates	637
Administrative staff	1,019
Operators	4,347
	6,003

24. Other information

a) During 2002, a total of euros 2,295,942 has been accrued by members of the Board of Directors, consisting of a fixed amount and attendance allowances for all Directors and fixed and variable wages and salaries for Executive Directors. The Company's obligations with respect to this group are sufficiently covered by insurance policies.
During 2001 fixed amounts and attendance allowances for all Directors and fixed and variable wages and salaries for Directors who are at once Executive Directors totalled euros 3,082,440.

b) PricewaterhouseCoopers, S.L. was appointed auditor of Acerinox, S.A. and of Acerinox, S.A. and its consolidated group by the General Shareholders' Meeting on 30 May 2002 in accordance with the proposal prepared by the Audit Committee and submitted to the Board of Directors of Acerinox, S.A. on 30 May 2002. Fees accrued during 2002 for professional audit services rendered by PricewaterhouseCoopers and other auditors that have audited the accounts of different companies amount to euros 529 thousands. In 2002 PricewaterhouseCoopers has provided other services to the Group companies in the amount of euros 167 thousand.

c) At 31 December 2002 the Group records the following interest rate swaps:

	National amount contrated	Maturity
Fixed to variable rate	30 million US dollars	2006
Fixed to variable rate	50 million US dollars	2007

The Group records contracts hedging currency transactions providing insurance coverage in the amount of euros 1,000 million. At 31 December 2002 euros 87 million has been utilised.
At 31 December 2002 the Group records restricted bank balances pledged as security for financing received in the amount of euros 5,063 thousand.

d) On 6 February 1998, the European Commission issued a ruling in accordance with Article 65 of the Treaty of the European Coal and Steel Community (Subject IV 35.814 – on high alloys) and fined the Company euros 3,530,000 for breaching the above-mentioned Article.
This ruling has been appealed before the European Court of First Instance on the grounds that such practice is out of line with the Article referring to high alloys, which only represents between 10% and 15% of stainless steel prices on the European market, and on the grounds that the system used has was applied before Spain's integration into the European Community. On 13 December 2001, the Court ruled to lower the fine to euros 3,136,000. This decision has been appealed expecting a favourable ruling.

25. Environment

a) Tangible fixed assets

At 31 December 2002, the Group records tangible fixed assets whose purpose is to minimise the environmental impact and protect and improve the environment, as set out below:

Thousand euros

Nature and purpose	Book value	Accumulated depreciation
Treatment of water	3,399	2,790
Neutralisation of acids	7,208	7,125
Treatment of gas emissions	29,557	19,229
Automatic addition system	3,065	2,775
Other items	20,844	12.535
Total	**64,073**	**44,454**

b) Expenses relating to the protection of the environment

During the year the Group has incurred ordinary environmental expenses totalling euros 10,941 thousand for materials and maintenance.

c) Provisions relating to environmental issues

During the year the Group has appropriated a provision in the amount of euros 1,494 thousand to cover risks and expenses relating to environmental issues. At 31 December 2002 this provision totals euros 6,897 thousand.

d) Contingencies relating to the protection and improvement of the environment

At 31 December 2002 no contingency has arisen with respect to the protection and improvement of the environment, including risks to be transferred to other entities. As such, the Group has made no appropriation to the provision for environmental issues during the year.

e) Environmental liabilities

None to report.

f) Environmental capital grants received

During 2002 the Group received no environmental capital grant.

26. Statement of Source and Application of Funds (thousand euros)

Application of funds	2002	2001	Sources of funds	2002	2001
1. Formation expenses	2,702	276	1. Funds generated from operations	321,577	190,689
2. Purchases of fixed assets			2. Contribution from minority shareholders and parent company shareholders	318,437	12,547
- intangible fixed assets	2,406	2,392	3. Debts falling due after one year	79,326	27,427
- tangible fixed assets	187,645	276,198	4. Proceeds from disposal of fixed assets		
- investments	89	490	- Intangible assets		
3. Purchases of own shares	8,541	14,165	- tangible fixed assets	1,402	1,718
4. Share premium refund	19,740	18,030	- investments	110	49
5. Dividends	49,334	46,238	5. Sale of own shares	12,548	467
6. Debts falling due after one year	33,602	22,429	6. Reclassification of fixed asset investments		
7. Provision for liabilities and charges	1,512	2,541	7. Provision for liabilities and charges		
8. Fundos absorbed by acquisition of consolidated companies	268,266				
Total application of funds	573,837	396,400	**Total sources of funds**	733,400	232,897
Surplus of sources over application of funds (Increase in working capital)	159,563	0	**Surplus of applications over sources of funds (Decrease in working capital)**	0	163,503

Charges in working capital

	2002 Increases/	2001 (Decreases)
1) Inventories	222,133	(139,274)
2) Debtors	111,460	(31,866)
3) Bank loans and other credit facilities	(96,898)	45,428
4) Creditors	(55,585)	(24,733)
5) Current asset investments	(474)	(297)
6) Cash at bank and in hand	(5,759)	(15,095)
7) Accruals, prepayments and deferred income	(15,314)	2,334
CHANGE IN WORKING CAPITAL	159,563	(163,503)

Calculation of funds generated from operations

Thousand euros

	2002	2001
Profit for the year	**184,508**	**86,813**
Plus:		
Depreciation and amortisation and provisions for fixed assets	109,909	97,704
Amortisation of expenses	2,465	336
Appropriation to provisions for liabilities and charges	1,695	57
Appropriation to financial provision	9,336	2,686
Spare parts applied	2,161	2,022
Translation differences	490	2,119
Results from companies consolidated by equity method	61	-
Prior-year expenses	-	6
Reversal of long-term deferred tax liabilities	14,127	-
Less:		
Profit on disposal of fixed assets	192	614
Exchange gains from prior years	32	
Prior-year income	299	343
Profit on sale of own shares	2,652	97
Funds generated from operations	**321,577**	**190,689**

6 Board of Directors, Committees and Senior Management

BOARD OF DIRECTORS, COMMITTEES AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Chairman and Chief Executive Officer:
VICTORIANO MUÑOZ CAVA

Directors:
JOSÉ Mª AGUIRRE GONZÁLEZ
LESLIE BOYD
ÓSCAR FANJUL MARTÍN
JOSÉ RAMÓN GUEREDIAGA MENDIOLA
DAVID HERRERO GARCÍA
KAZUO HOSHINO
KOSEI ISHIDA
JOSÉ LUIS LEJEUNE CASTRILLO
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN
RAFAEL NARANJO OLMEDO
MARCELINO OREJA AGUIRRE
KEI SUZUKI

Secretary to the Board:
ÁLVARO MUÑOZ LÓPEZ

SELECTION AND REMUNERATION COMMITTEE

JOSÉ Mª AGUIRRE GONZÁLEZ (*Chairman*)
JOSÉ RAMÓN GUEREDIAGA MENDIOLA (*Secretary*)
VICTORIANO MUÑOZ CAVA
KEI SUZUKI

AUDIT AND ECONOMIC CONTROL COMMITTEE

JOSÉ LLADÓ FERNÁNDEZ-URRUTIA (*Chairman*)
DAVID HERRERO GARCÍA (*Secretary*)
KOSEI ISHIDA
MARCELINO OREJA AGUIRRE

STEERING COMMITTEE

Chairman:
VICTORIANO MUÑOZ CAVA
Chairman and Chief Executive Officer

Members:
RAFAEL NARANJO OLMEDO
Board Director and Managing Director

JOSÉ LUÍS MASI SÁINZ DE LOS TERREROS
Factory Director

MIGUEL FERRANDIS TORRES
Financial Director

JOSÉ RIESTRA PITA
Commercial Director

DAVID HERRERO GARCÍA
Board Director and General Secretary



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